OAKLAND IMPACT FEE FIVE-YEAR REVIEW AND UPDATE
PHASE 2
DEVELOPMENT FEASIBILITY ANALYSIS AND HOUSING STRATEGY STUDY

Prepared for

CITY OF OAKLAND

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July 10, 2024

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I. INTRODUCTION

This report presents the analysis and findings from Oakland's **Five-Year Impact Fee Review and Update Phase 2 – Development Feasibility Analysis and Housing Strategy Study**. Phase 1, completed in December 2021, consisted of the statutorily required impact fee five-year reviews for Oakland's Affordable Housing Impact Fees (adopted 2016), Jobs / Housing Impact Fee (adopted 2002), Transportation Impact Fees (adopted 2016), and Capital Improvements Impact Fees (adopted 2016). The Phase 2 work effort includes the following elements:

- Review the economic feasibility context for development in Oakland
- Identify and analyze options to modify and refine impact fees
- Evaluate affordable housing policy options for Oakland focusing on how the affordable housing impact fee program compares to inclusionary zoning.

Chapter II of this report presents the results of the analysis of real estate market and economic feasibility factors influencing current development conditions and trends in Oakland. Details are presented for five sectors: office, housing, retail/dining, hotel, and warehouse/industrial.

Chapter III addresses a number of elements related to tapping the private market to contribute to affordable housing production. Topics covered include background on affordable housing production in Oakland, the policy and legal context for regulating the private sector to produce affordable housing, details of Oakland Affordable Housing Impact Fees program and alternative means of compliance (on-site and off-site options), trends in mixed-income housing production including the use of density bonus incentives and concessions, and the development economics behind whether or not developers pay the affordable housing impact fee or instead provide affordable units on-site.

Chapter IV presents evaluation of six elements of the City's current impact fee program and considers potential modifications and refinements. The evaluation draws on the conclusions from the development feasibility context. The six options evaluated are: level of impact fees, timing of impact fee payments, adequacy of impact fee zones for residential projects, size thresholds for the Affordable Housing Impact Fees, converting fees on residential development from fees per unit to fees per square foot, and increasing the percentage of affordable units required to satisfy the on-site alternative to paying the AHIF.

II. Economic Market and Feasibility Context for Development in Oakland as Basis for Review of Oakland's Impact Fee Program

Background and Purpose

Oakland's Impact Fee Program

Oakland has four citywide impact fees:

- **Affordable Housing** Impact Fees on residential development,
- **Transportation** Impact Fees on all development,
- **Capital Improvements** Impact Fees on all development, and
- **Jobs/Housing** Impact Fee on office and warehouse development.

The Affordable Housing, Transportation, and Capital Improvements Impact Fees were adopted in May 2016 and have been in effect for projects submitting a complete building permit application on or after September 1, 2016. These fees were phased in over time and reached their full adopted amounts by July 2018, except for the Zone 3 Affordable Housing Impact Fees which reached the full adopted amount two years later in July 2020. Starting in July 2021, impact fee amounts are automatically adjusted each year based on an index of annual increases in construction costs. Since this automatic adjustment **these impact fees have cumulatively increased 35%** by July 2023.

The Job/Housing Impact Fee was adopted in 2002 and was in effect for projects with building permits approved on or after July 1, 2005. The Jobs/Housing Impact Fee has been automatically increasing since 2006.

The Five-Year Reviews of the Affordable Housing, Transportation, and Capital Improvements fee programs were completed in December 2021, as required under the Mitigation Fee Act. The Jobs/Housing fee was also reviewed at that time. The Five-Year Reviews and updated Nexus Analyses were done to ensure that adopted fees are no more than the maximum justified amounts for each type of development.

Current Impact Fee Review

Further review of Oakland's Impact Fee Program is now underway to consider potential changes and refinements in terms of potential benefits and ability to implement changes without impacting development economics and project feasibility. The review also includes consideration of updates required by changes in State law. In addition, the review is desired because of the substantial impacts of the pandemic on Oakland's economy and real estate development context.

Purpose of this Economic Market and Feasibility Analysis

Analysis of the market and feasibility context for development in Oakland currently and in the near future was done to provide a basis for evaluating whether impact fee program options could be supported by the current development context and implemented without adversely affecting investment and development in Oakland. The economic analysis is summarized in this chapter of the report. Overall conclusions about the current feasibility context are summarized below and followed by summaries of the feasibility context by economic sector and land use.

OVERALL HIGHLIGHTS OF CURRENT MARKET AND FEASIBILITY CONTEXT

Oakland's real estate market and development feasibility context were significantly impacted by the Covid-19 pandemic and are still in the process of adjusting and recovering. New construction is not feasible in most sectors, and there is uncertainty as to the extent and timing of recovery. **Figure 1** highlights key factors describing the current context.

Figure 1
Highlights of Current Oakland Market and Feasibility Context

- Oakland's economy and real estate market are still recovering and adjusting to the after-effects and changes brought about by the pandemic.
- There is uncertainty about the extent and timing of recovery. The downtown in particular continues to struggle. The local real estate market has not reached a stabilized situation.
- Current economic conditions today are very different from the strong market context prior to the pandemic. Many sectors are now facing:
  - Reduced demand, higher vacancies, and lower rents
  - Higher costs of construction and capital
  - Increases in crime and/or perceived increases in crime with additional impact on the desirability and costs of Oakland locations
- New construction is **not** feasible in most sectors
- Developers, investors, and property owners now have loans coming due on projects with current values well below the cost of recent construction (multifamily residential projects) or below the values of purchases made prior to the pandemic (office projects).
  - These conditions are resulting in loan defaults, property seizures, and low-value sales.

DEVELOPMENT FEASIBILITY CONTEXT BY SECTOR: OFFICE, HOUSING, RETAIL/DINING, HOTEL, WAREHOUSE/INDUSTRIAL

Office Development Feasibility Context

From 2016 to 2019, Oakland's downtown office market experienced very positive growth trends that supported increasing demand, low vacancies, investment in existing office buildings, and plans for additional office development projects downtown. Oakland's building permit reports show that the last new office building was completed in 2020. Then, the office market was significantly impacted by the Covid-19 pandemic and resultant shifts to remote work beginning in March 2020.

Office activity continues to be significantly impacted in Oakland with:

- Shifts to a hybrid working model (working in the office and/or working at home) and subsequent decreases in office utilization and office demand,
- Lack of activity Downtown, and
- Actual and/or perceived increases in crime that are of concern to employers/tenants, property owners, and employees.

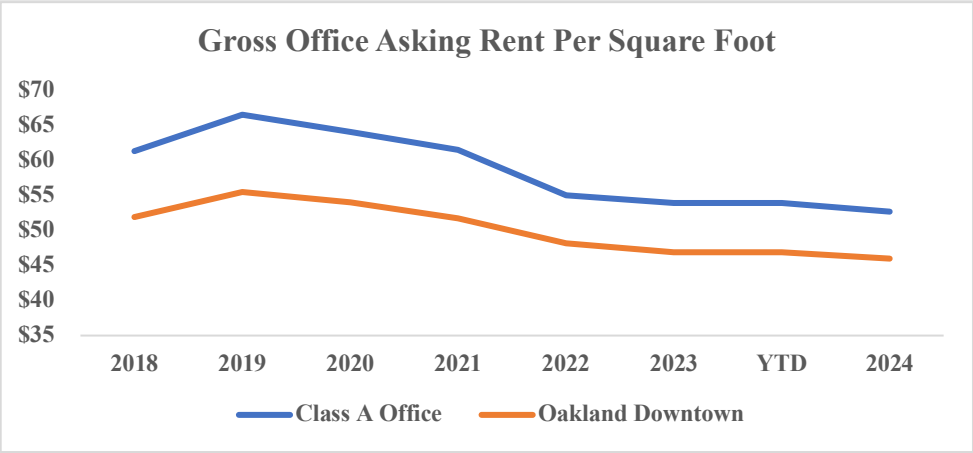
Figure 2 summarizes current downtown office market conditions as of the end of 2023.

Data show that by the end of the fourth quarter of 2023 (Qtr.4 2023), the downtown's office market had a high 30.2% vacancy with 3.6 million square feet of vacant office space, out of 12 million square feet of total office space downtown.[1] In addition, Class A office rents required for new construction declined by 19% from 2019 through 2023, while construction costs increased by 30-35% and the costs of capital increased substantially. The downtown office market continues to show negative net absorption as more space is being vacated than is being leased and occupied (-549,000 square feet during 2023).

[1] Vacancy includes direct and sublease vacancies.

Figure 2
Oakland Downtown CBD Office Market Qtr. 4 2023

- 12 million square feet of office space
- 30.2% vacancy at end 2023 (including direct and sublease vacancies)
- Negative net absorption continuing: -549,000 square feet during 2023, showing that more space was vacated than was leased and occupied
- Class A office rents declined 19% from 2019 through 2023
- Costs of construction increased by 30-35% and cost of capital increased substantially 2019-2023



Source: CoStar (February 2024), CBRE (Qtr. 4 2023, and Hausrath Economics Group.

Issues Facing Oakland's Office Market

Development of new office buildings is <u>not</u> feasible under current market and cost conditions. Key factors include the following:

- Reduced demand for office space as businesses consider downsizing their office footprint and address the future of remote work.
- Higher vacancy rates for existing space.
- Lower office rents—below the levels required for feasible development.
- Higher construction costs for new office buildings.
- Higher costs of capital, due to higher interest rates and greater risk of investment.

Amenity-rich Class A buildings are faring better than Class B and Class C buildings as tenants simultaneously downsize their office footprint and seek higher quality space to attract their workforce back to the office.[2]

Meanwhile, many investors who saw potential and purchased existing downtown office buildings in the "boom" years leading up to 2020 now have loans coming due that can far exceed the current value of their properties. Faced with vacancies and lower rents, these **situations are resulting in defaults, foreclosures, and/or sales of office buildings at deep discounts**. There are a growing number of Oakland office properties in this situation. While such transactions enable lower rents that help attract tenants to existing buildings (sometimes at 50% of rents needed for new construction), lower rents also can increase the time needed for office rents to return to levels required to support new development projects.

There is still substantial uncertainty about the future of the office market. Economists and developers are anticipating that it will take time, potentially well into the rest of this decade, for the office market to stabilize again, and for new construction to then become feasible.

The future of Downtown Oakland's office market has major implications for the growth of business activity, jobs, and tax base in Oakland.

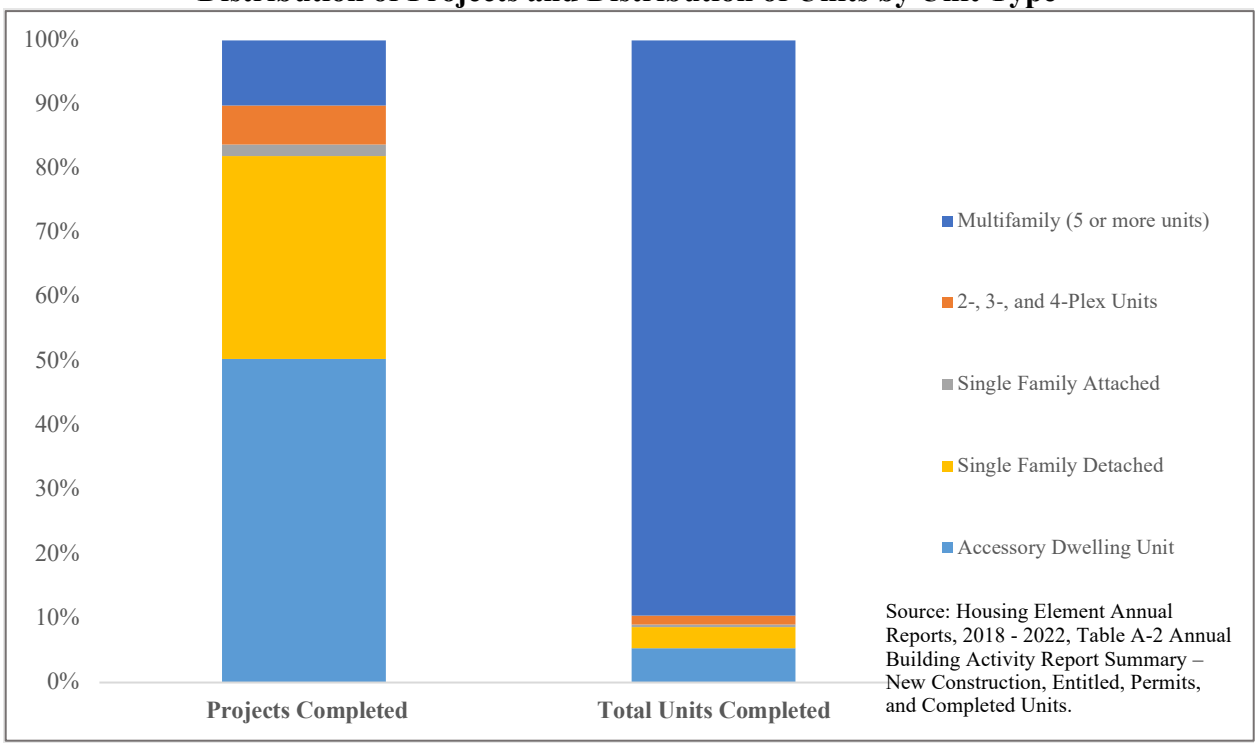
Housing Development Feasibility Context

Historically High Production of New Housing

Over 10,000 new housing units were built in Oakland between 2018 and 2022, The large majority of new housing units were built in multifamily residential projects in both high-rise buildings up to 40 stories and mid-rise projects of 5 to 8 stories. These projects are large, with most providing 200 to 400 units and include some high-rise projects with over 600 units. As a result, new multifamily housing accounts for 90% of total new housing units built but only 10 percent of the total number of new housing projects completed during this period. The large majority of new multifamily housing projects were built in the Downtown, Broadway/Valdez, Jack London, and Brooklyn Basin areas of the city (see **Figure 3**).

[2] Class A buildings are the most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, and a definite market presence. Class B buildings compete for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate**.** Class C buildings compete for tenants requiring functional space at rents below the average for the area. Source: BOMA: Building Owners and Managers Association

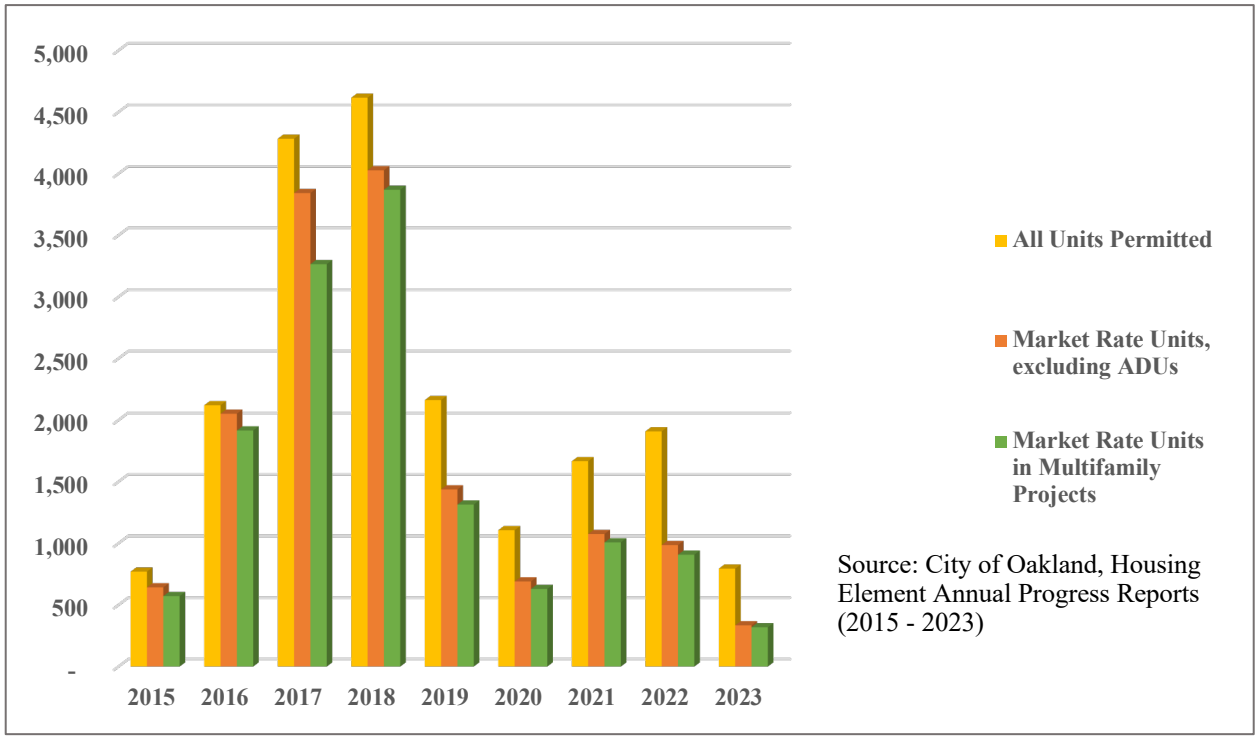
Figure 3
Projects Completed 2018 – 2022:
Distribution of Projects and Distribution of Units by Unit Type



Planning and permitting for the new housing were underway by 2015/2016, and large numbers of building permits for new housing were issued from 2016 through 2018, as shown in **Figure 4**. Substantial housing construction occurred from 2016 through 2021, with construction continuing thereafter for projects already permitted and underway. The large majority of new units in multifamily projects took two to three years to be built.

Beginning around 2015/16, the planning for construction of new housing was fueled by strong demand, availability of capital, growing market recognition of Oakland by investors, and employment growth underway and anticipated in downtown Oakland and nearby downtown San Francisco. This "boom" period for housing development in Oakland coincided with the strong market for downtown **office** development in Oakland described in the previous section. As described above, the large majority of new housing units were permitted in multifamily projects in the greater downtown Oakland area.

Figure 4
Annual Building Permits Issued for New Housing in Oakland
2015 – 2023



Housing Market Changes Since 2020

The construction of new housing projects already planned, permitted, and/or under construction continued after March 2020 and during the pandemic. By 2020, a substantial number of new housing units had already been built and many others were underway. As large numbers of relatively similar units continued to enter the market, the new supply began to exceed demand, shifting market power from landlords to renters. Effective rents declined as landlords offered concessions to attract tenants and increase occupancies. Vacancies increased as more units were built.

In addition, the pandemic was affecting anticipated increases in housing demand from a growing workforce in both downtown Oakland and downtown San Francisco that was an important target market for the new multifamily housing being built in downtown Oakland. Starting in 2020/2021 uncertainties were introduced by the pandemic and resultant trends to remote work. Activity and employment were declining in downtown Oakland areas surrounding the new housing as well as in downtown San Francisco. By 2023, it became clear that more time was needed to absorb the large number of new units built in the greater downtown Oakland area.

Status of Market for New Multifamily Housing Built by End of 2023

Analysis of data available for new housing projects built and occupied in downtown Oakland before 2020 identifies the changes in rents and occupancies that have been occurring as more units are built and as there have been effects of the pandemic. By the end of 2023, new housing

projects built and leased before 2020 had higher vacancies and lower effective rents than they had earlier. These trends continue beyond 2023. In addition, projects built more recently have faced higher costs of construction and financing as well as higher vacancies and still lower revenues. The following highlight conditions and changes affecting new high-rise and mid-rise multifamily housing as of the 4th quarter of 2023 and beyond. (Vacancies and rents are based on CoStar data for actual projects built in downtown Oakland. The ranges reflect different results for a variety of high-rise and mid-rise multifamily projects.)

High-Rise Housing (end of 2023)

- Vacancy 8-18%
- 15% to 37% decline in effective rents from 2019-2023
- Costs of construction and capital increased by 2023 and beyond

Mid-Rise Housing (end of 2023)

- Vacancy 10 -12 %
- 5% to 14% decline in effective rents from 2019-2023
- Costs of construction and capital increased by 2023 and beyond

Issues Facing Oakland's Multifamily Housing Market

- Larger **new multifamily housing projects are no longer feasible** under current market and cost conditions.
- Financial institutions are concerned about lending on larger residential projects in Oakland.
- Developers of recent projects are concerned that they could have trouble holding onto new properties with values now far below their costs of construction.
- It will take more time for new multifamily housing to be absorbed and for rents and occupancies to return to levels that support higher costs of construction and capital.

Annual building permit data show the high levels of permits issued for new housing in Oakland between 2015 and 2023 (see **Figure 4).** The data show fewer permits for multifamily projects in 2023 than any other year. The extremely low number of units permitted in 2023 demonstrates the constrained feasibility environment in which housing developers are currently operating. These economic and financial challenges have significantly impacted multifamily housing projects, the only unit type to experience a major decline in feasibility.

Retail and Dining Development Feasibility Context

Retail and Dining were significantly impacted by the pandemic. Initially patronage at restaurants and other eating places was limited or prohibited and retail shopping trips were limited or shifted to internet ordering or curbside pick-up. As the pandemic continued, sales declined, businesses closed, and vacancies increased in Oakland.

Retail activity and spending have improved as people move about again. Convenience shopping in the neighborhoods and grocery stores has largely returned. However, retail spending and sales in restaurants, small eating places, and retail stores and shops are still being impacted, and remain below pre-pandemic levels, particularly in Downtown. Loss of office workers and business activity in Downtown has meant fewer patrons, less spending, and the loss of eating/drinking/retail establishments. It also has resulted in many vacant spaces on the ground floors of office and residential buildings.[3]

Increases in Crime Add to Impacts on Retail

Increases in crime and/or perceived increases in crime are now adding to impacts on retailing and other commercial activity downtown and throughout the city.

Retailers and other merchants are facing higher costs for security and theft and are concerned about the safety of employees and customers. Both small, local retailers and outlets of larger chains have recently closed in Oakland because of the crime. Recent publicity and media coverage about crime in Oakland and the exodus of national retailers such as the Target store on Broadway and In-N-Out Burger near the Airport have created a negative perception and affecting Oakland's ability to attract and retain retailers. Auto burglaries and thefts in retail areas and parking lots also are a factor.

Issues Facing Oakland's Retail and Dining Markets

- **New retail construction is unlikely** for the foreseeable future.
- There is uncertainty about the recovery and growth of retail activity in Oakland.
- There is a supply of vacant space available for retail/dining/service tenants in the greater Downtown area and in other parts of the city.
- However, it remains difficult to attract new retailers, retain existing businesses, and support growth of retail activity in Oakland.

[3] This summary of trends in consumer retail and dining activity and land uses is consistent with trends in taxable sales in Oakland as reported by Oakland's Finance Department. For reference, see May 16, 2024 Report entitled "General Purpose Fund Major Revenue Sources Overview Report" from the Director of Finance to the City Administrator, pages 9 – 11 and Figure 3: "Historical Taxable Sales by Category". The report was submitted to the Finance and Management Committee of the Council May 28, 2024.

Over time, **recovery and growth of retail and related activity** in Oakland could be affected by:

- Focus on improving retail areas, giving priority to public safety.
- Improvement and growth of office/business activity downtown.
- Efforts to activate ground floor spaces in downtown and other districts with a range of retail/dining/food/arts/and recreation uses and events.
- Continuing growth of new housing and residents throughout Oakland.

Hotel Development Feasibility Context

Positive market trends for office and housing growth downtown 2016-2020 supported growth of new hotels as well. Four new hotels were planned and built Downtown during that period, adding a total of 606 rooms in 2019, 2021, 2022, and 2023. Meanwhile, all hotels/motels were impacted by the pandemic, beginning in 2020.

Hotel occupancies and daily room revenues declined significantly in 2020 and 2021 as a result of the pandemic (as shown in **Figure 5**). Occupancies and room rates began increasing thereafter.

- Today, hotel occupancies are at 65-66%, and remain 20% below their pre-pandemic levels (2019).
- Average revenues per room have just reached their 2019 levels, but without any growth in revenues over the past five years to cover increasing costs.

Figure 5
Hotel Occupancy and Daily Room Revenue, 2018 – 2023
Oakland Hotels Built 2000 and Later

Year	Average 12-Month Occupancy	Average Daily Revenue Per Room
2018	83%	$170
2019	83%	$177
2020	81% ==> 47%	$177 ==> $135
2021	43% ==> 61%	$118 ==> $131
2022	65%	$133 ==> $171
2023	66%	$174

Source: CoStar

Issues Facing Oakland's Hotel Market

- **Development of new hotels is unlikely** for the foreseeable future.
- When developers saw the potential for new hotels in Downtown during 2016 – 2020, their sights were set on office growth and business travel as well as visitor travel.
- However, declines in business/office activity downtown and uncertainties about the future, raise uncertainties about ability of the office/business market to support hotel growth downtown, at least for a while into the future.

Warehouse and Industrial Development Feasibility Context

Modern Warehouse Facilities for distribution and logistics have **dominated recent industrial growth and construction** in Oakland and along the I-80/880 East Bay corridor. Demand for warehouse space increased substantially over the last decade, including during the pandemic. Trends reflect the shifts to E-commerce and increased speed of delivery supported by last-mile logistics. Oakland's airport and port along with the city's central location with good accessibility to the surrounding region are major assets.

Feasibility Overview

Warehouse development is feasible in Oakland. Projects have been built recently with a very large WH project just completed in 2023 (534,000 square feet). However, **growth in demand for warehouse space has slowed,** after a decade of strong growth and development all along the I-80/880 East Bay corridor. New development is anticipated to slow, giving the market time to absorb substantial recent construction, while waiting for the high cost of capital to come down. Warehouse industrial vacancy has risen from historically low levels, and there has been negative absorption all along the East Bay corridor. Growth and development are anticipated to resume after a period of adjustment.

Colliers Industrial Market Reports for the Oakland I-80/I-880 Corridor provide the following data for Oakland warehouse inventory over the 2022 – 2023 period showing the need to absorb recent new development before additional new construction is likely:

- 11.95 million square feet of space with 4.9% vacancy in Quarter 4 2022
- 12.54 million square feet of space with 11.3% vacancy in Quarter 4 2023

Other industrial/manufacturing/construction uses also occupy industrial space in Oakland. Most occupy older industrial facilities of which Oakland has a large supply with low vacancy: 22.7 million square feet with 2.6% vacancy in Quarter 4 2023 (Colliers). Construction of new industrial space besides modern warehouses has been very limited in Oakland. Development of modern custom manufacturing and light industrial buildings could be feasible, particularly as build-to-suit facilities for smaller manufacturers such as breweries, food processing / manufacturers, and manufacturing of products for life sciences.

Adaptive reuse of older industrial buildings. In addition to new construction, adaptive reuse of older industrial buildings is occurring in Oakland, particularly in parts of West Oakland. Projects are providing modernized/renovated space and amenities in clusters of smaller scale industrial and R&D as well as artisan spaces/buildings. These projects are attracting newer/emerging types of businesses as well as traditional industries.

OAKLAND DEVELOPMENT PROTOTYPES

Representative development prototypes that describe market rate development projects recently built, permitted, and/or proposed in each of the economic sectors discussed above are presented in Appendix A at the end of this report. Tables in the appendix identify and describe both residential and nonresidential development prototypes in terms of the following characteristics: building type, land use, development densities, locations where typically developed, project sizes, and actual project examples built, permitted, or proposed in Oakland. For market rate residential development, there are additional tables identifying housing unit characteristics and current rents and sales prices.

III. AFFORDABLE HOUSING POLICY IN OAKLAND

INTRODUCTION

This chapter focusses on how to regulate the private development market to generate affordable housing production in Oakland. Action 3.3.7 of the 2023-2031 Housing Element states that the city will study the targeted adoption of an inclusionary housing requirement for private market-rate development, including the following elements:

- Analysis of inclusionary affordable housing and affordable housing impact fee options to evaluate implications for affordable housing production
- Evaluation of and comparison to providing affordable housing units on-site in-lieu of the Affordable Housing Impact Fees
- Overview context of inclusionary / on-site affordable housing policy vs. affordable housing impact fee policy

The following text and tables present the results of several lines of inquiry to inform decision-making on regulatory policy options for tapping the private market to contribute to affordable housing production. Topics discussed include:

- the current context for affordable housing production in Oakland including the role of Affordable Housing Impact Fee funding,
- the policy and legal context for regulating the private sector to produce affordable housing,
- details of Oakland's Affordable Housing Impact Fee requirements and alternative means of compliance,
- Oakland's evolving policies for encouraging mixed-income housing production,
- features of inclusionary zoning policies and affordable housing impact fee policies in 10 Bay Area jurisdictions,
- trends in mixed-income housing production in Oakland,
- trends in the use of Oakland Density Bonus ordinance and what that means for mixed-income housing production, affordable housing production, and the collection of AHIF revenue,
- the characteristics of Oakland projects that have opted to provide on-site affordable housing in-lieu of the AHIF, and
- the policy and economic factors influencing how impact fees and inclusionary zoning requirements work.

CONTEXT FOR AFFORDABLE HOUSING PRODUCTION IN OAKLAND

Multiple Sources for Oakland's Affordable Housing Inventory

Residential development consisting of **100% affordable** housing is the primary source for affordable housing production in Oakland. 100% affordable housing is primarily produced by **not-for-profit housing developers**, who design and entitle the projects, assemble the funding packages using multiple federal, state, and local sources, and compete for local funding in Oakland to bring these affordable units into the community.

Mixed-income housing is the secondary source for affordable housing production. **Private market-rate housing developer**s build mixed-income projects that include both market rate and affordable units in the same building: affordable units provided on-site instead of paying the Affordable Housing Impact Fees and/or to satisfy requirements for Density Bonus incentives and concessions / waivers. Private market-rate housing developers are the source of the Affordable Housing Impact Fee revenue that partially funds the 100% affordable housing produced by not-for-profit housing developers.

Some affordable housing production occurs as part of development agreements negotiated for large development projects of multiple buildings and hundreds of units. Community benefit agreements for these types of projects call for substantial numbers of affordable units and the projects are not subject to affordable housing impact fee requirements. The private developer often contracts with affordable housing developers to build and operate the affordable housing components of these development projects. Examples of such development agreements include Brooklyn Basin, Oak Knoll, and BART station area development programs at MacArthur, West Oakland, and Lake Merritt. The details of these types of agreements are guided by Oakland's affordable housing policy priorities, but they are not the subject of this work effort focusing on regulatory options applied citywide.

Affordable Housing Income Categories and Limits for Rents and Sales Prices

Table 1 defines some of the terms used in discussing affordable housing production and the households that are eligible for affordable housing units. Units are made available to households in various income categories, defined relative to Area Median Income (AMI), as regulated by the California Health & Safety Code. For Oakland, this is Alameda County Median income. That number is adjusted every year and shows a 40% increase in the five years between 2019 and 2024). Median income varies by household size: the example of $133,000 for 2023 is for a family of three. For a single person household in 2023, the AMI is $103,000.

Extremely Low-Income households—those with 30% or less of Area Median Income—are the households given priority by 100% affordable housing projects. These units also often require costly supportive services. In mixed-income projects, the most deeply affordable units required are for Very Low-Income households—those between 31% and 50% of AMI.

The income categories define the mix of households by income category in 100% affordable projects and the rents for affordable units in mixed-income projects. For rental units, project sponsors must report annually to the Department of Housing and Community Development on occupancy and rents charged. The Department also monitors the occupancy and affordable housing cost for affordable for-sale units.

Table 1
City of Oakland: Income Categories and Rent Limits for Affordable Housing, 2023

Income Category	Area Median Income	Affordable Rent Limit
Extremely Low-income (ELI)	30% or less AMI	30% AMI
Very Low-income (VLI)	31 – 50% AMI	50% AMI
Low-income (LI)	51 – 80% AMI	60% AMI
Moderate-Income (MI)	81 – 120% AMI	110% AMI
2023 Median Income – Alameda County Family of Three		**$133,100**

Source: City of Oakland, Area Median Income and Rent Limits for Affordable Housing, https://www.oaklandca.gov/resources/rent-and-income-limits-for-affordable-housing

Recent Affordable Housing Production

Table 2 shows total recent affordable housing production in Oakland as measured by units permitted over the 2015 – 2023 period. Almost 2,900 affordable units were permitted over this nine-year period. This includes units in both 100% affordable projects as well as units in mixed-income projects. By far the majority of the units are in 100% affordable projects. Sixty percent of the units are affordable to very low-income households (including extremely low-income households).

Over the same time period, Oakland issued permits for 16,600 market-rate units. Overall, Affordable units were 15% of the total units permitted from 2015 through 2023. Due to an increase in affordable housing resources (Measure U funds) and the drop-off in market-rate housing production, the balance between market rate and affordable housing has shifted significantly in the past two years. Affordable units were 33% of units permitted in 2022 and 55% of units permitted in 2023.

Table 2
Units Permitted by Income Level, City of Oakland 2015 - 2023

Income Level	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total Units
Very Low	98	26	247	204	120	193	191	393	174	**1,646**
Low	30	13	66	85	307	40	125	166	113	**945**
Moderate	0	0	11	48	9	9	1	78	141	**297**
Market	643	2,082	4,019	4,280	1,727	865	1,350	1,272	355	**16,593**
Total	**771**	**2,121**	**4,343**	**4,617**	**2,163**	**1,107**	**1,667**	**1,909**	**783**	**19,481**

Source: City of Oakland, Housing Element 2022 Annual Progress Report, Table B (revised 6/6/2023) and Housing Element 2023 Annual Progress Report, Table B (4/10/2024).

Details on 100% Affordable Housing Production

Oakland's Strategic Action Plan Managed by the Department of Housing and Community Development

Oakland's Department of Housing and Community Development (HCD) oversees affordable housing production and preservation in Oakland, developing the city's affordable housing strategy, awarding funding to projects, and managing and monitoring the affordable housing agreements that regulate the rent and sales price restrictions, occupancy restrictions, and other characteristics of affordable units in 100% affordable housing projects and mixed-income projects.

HCD's *2023 – 2027 Strategic Action Plan*[4] provides important data on the economics of 100% affordable housing production in Oakland.

- The average total cost per unit of new construction is about **$800,000 per unit**.
- The average city capital subsidy is **$150,000 per unit**—less than 20% of the total cost.

This means other sources of state, federal, and equity investment (tied to low-income housing federal tax credits) are required. Most projects involve packaging five or more funding sources. Examples of non-city funding: Federal Home Loan Bank Affordable Housing Program, California's Multifamily Housing Program, Infill Infrastructure Grant, Affordable Housing and Sustainable Communities funding, and Homekey. After receiving funding—often a multi-year process—100% affordable projects take three to four years to complete, on average.

Oakland awards local funding on a competitive basis to project developers responding to a Notice of Funding Availability (NOFA) issued by the Department of Housing and Community Development. Current scoring in the funding process prioritizes projects with more dedicated Permanently Supportive Housing and ELI units—units targeted to alleviating homelessness, to

[4] City of Oakland Housing and Community Development Department, *2023 – 2027 Strategic Action Plan,* https://cao-94612.s3.us-west-2.amazonaws.com/documents/HCD-2023-2027-Strategic-Action-Plan.pdf

neighborhoods experiencing displacement, and to emerging developers. The 2023-2024 NOFA Development was restricted to new construction of affordable rental housing of 10 or more units.

It is also the case that state policy for the allocation of the tax-exempt bonds critical to funding 100% affordable housing projects prioritizes projects in high-resource areas. Much of Oakland, including Downtown is designated low- to moderate-resource, effectively limiting the ability of 100% affordable projects in those areas to be fully funded. The consequence of this state funding policy is that mixed-income housing is the primary option for adding units of affordable housing Downtown and other similar locations in transit-rich neighborhoods.

Note that the cost for the necessary supportive services for Permanent Supportive Housing and Extremely Low-Income housing is an additional $200,000 per unit for 15 years. This on-going annual subsidy has to be assembled from multiple sources, often including city operating funds. The Strategic Action Plan identifies the lack of funding for this operating subsidy as a constraint on the number of these types of deeply affordable units that can be produced.

Oakland's Local Funding Sources for 100% Affordable Housing

Voter Approved Bonds

Local funding for 100% affordable housing production is administered through the NOFA process by Oakland's Department of Housing and Community Development. The largest single source is bond funding authorized by periodic bond measures that are approved by voters. Measure KK generated $100 million for affordable housing that was fully spent in the last few years as has County Measure A-1 ($89 million for housing projects in the City of Oakland). The Measure U Affordable Housing and Infrastructure bond approved by Oakland voters in 2022 allocates $350 million for affordable housing production and preservation. In the Strategic Action Plan for 2023- 2027, Measure U bond funding provides 70% of the total funding for the 2,750 units projected to be built.

Affordable Housing Trust Fund

The Affordable Housing Trust Fund is the second source of local funding. Though a smaller amount, this is **on-going** local capital funding for affordable housing production in Oakland. While dependent on City Council policy decisions, it is not dependent on voter approval.

Revenue from the Affordable Housing Impact Fees is deposited into the City of Oakland's Affordable Housing Trust Fund. Since the fee was first implemented in September 2016 through June 2023, the Trust Fund has received **$27.8 million of Affordable Housing Impact Fees** paid by developers of private market-rate residential development. [5] Another **$62 million is**

[5] City of Oakland, *Annual Report for Affordable Housing, Jobs/Housing, Transportation, & Capital Improvements Impact Fees, Fiscal Year Ended June 30, 2023 (FY 2022-23)*, December 27, 2023. https://cao-94612.s3.us-west-2.amazonaws.com/documents/FY-2022-2023-Impact-Fee-Annual-Report.pdf

outstanding from the total of **$89 million in AHIF assessed**, because fee payments are due at two stages in the development process.

The Trust Fund also collects funds from the Jobs/Housing Impact Fee and the 25 percent allocation of former redevelopment tax increment funds set aside for affordable housing (i.e., "boomerang funds").

Through the Trust Fund, impact fee revenue leverages other federal, state, and county funding sources to produce more affordable units. These City funds partially fill the gap between development costs and funding available from other sources; this local funding commitment is often critical to securing additional funding for these projects.

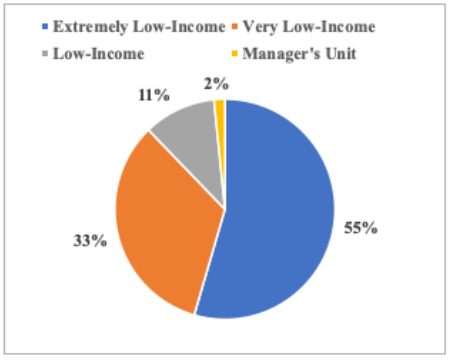
Affordable Units Funded by Affordable Housing Impact Fee Revenue

According to the 2023 Impact Fee Annual Report, Oakland collected $27.8 million in AHIF revenue from developers of market-rate housing between September 2016 and June 2023. The January 23, 2024, staff report accompanying the most recent Impact Fee Annual Report states that the city awarded $25.1 million of this AHIF revenue to nine projects providing 565 affordable housing units. Each of these nine projects received varying amounts of funding from a number of sources. A total of 565 units received some level of AHIF funding. However, if the AHIF revenue were the only funding source available, at an average local capital subsidy of $150,000 per unit, the AHIF revenue would fund 167 affordable units.[6] (For context, as described above, about 2,900 units of affordable housing were permitted during this period). More than half of the units are deeply affordable—to extremely low-income households at less 30% of Area Median Income. Another 33% are affordable to very low-income households. **Table 3** details the unit mix by household income category for these nine projects.

Table 3
Projects Funded by AHIF Revenue: Units by Income Category

Household Income Category	Number of Units
Extremely Low-Income	308
Very Low-Income	188
Low-Income	60
Manager's Unit	9
Total	**565**

Source: City of Oakland Housing and Community Development Department



As AHIF revenue has been collected over the last seven years, Oakland has bundled impact fees for affordable housing with other funding sources to support nine projects. 7th & Campbell, Longfellow Corner, and Friendship Senior Housing are three projects partly funded by impact

[6] Agenda Report for CED Committee, "Impact Fees Annual Report for Fiscal Year 2022-23", January 23, 2024, Table 8.

fees that are currently under construction. Nova Apartments, currently in operation, is a deeply affordable project, entirely dedicated to permanently supportive housing for the formerly homeless. Impact fees not only helped fund these projects, but they also made these projects more competitive for important sources of state and federal affordable housing funding awarded to these projects.

Role of Market-rate Development in Affordable Housing Production

The focus of the affordable housing strategy work effort is citywide options for regulating the private development market to generate affordable housing: impact fees and on-site affordable units in mixed-income development projects. The AHIF is paid by private developers based on the amount of market-rate housing in a development project. As described above, the AHIF generates revenue for Oakland's Affordable Housing Trust Fund, which contributes important local funding to 100% affordable housing projects produced by not-for-profit housing developers. AHIF revenue leverages other sources of public funding for deeply affordable housing units.

Instead of paying the AHIFs, developers have the option to include affordable units along with market-rate units in what becomes a mixed-income residential development project. **This is referred to as the on-site option in-lieu of the AHIF.** These on-site affordable units satisfy requirements of the AHIF program and also allow the developers of projects of five or more units to take advantage of the density bonus program to encourage mixed-income development projects.

Developers also have the option to provide affordable units at a nearby offsite location as an alternative to paying the AHIF. To date, no projects have opted for this alternative means of satisfying the AHIF requirement.

POLICY AND LEGAL CONTEXT FOR LOCAL AFFORDABLE HOUSING STRATEGY

There is a long history of public policy support for private development's role in affordable housing production. Communities that provide housing across a broad range of household incomes are more diverse and economically integrated, establishing a public interest rationale for regulatory measures to require that private sector market-rate development contribute to affordable housing production.

In 1980 amendments to California's Housing Element law, the California legislature found that the availability of housing was of statewide importance and a priority of the highest order, that this required efforts of the public and private sectors and "local and state governments have a responsibility to use the powers vested in them to…make adequate provision for the housing needs of all economic segments of the community…".[7] This established the authority of local

[7] State of California, Statutes of 1980, Chapter 1143.

governments to adopt inclusionary zoning requirements under their local police power to protect the public welfare.

Evolution of two paths for policies to generate affordable housing from market-rate housing development

Inclusionary requirements (often called inclusionary zoning) require market-rate development to make some of the units in the market-rate project affordable to low- and moderate-income households. The authority for these local land use regulatory requirements for on-site affordable housing is the local government police power—the same authority that allows local government to regulate the size and use of buildings and to require open space, for example.

Impact fees on market-rate development projects generate money to fund affordable housing production elsewhere in the city. Affordable housing impact fees are assessed based on the rationale that market-rate development should bear some of the cost burden of meeting a community's need for below-market-rate housing, particularly the demands that can be associated with new market-rate housing.

Affordable housing impact fees (like transportation, open space, and capital facilities impact fees) are governed in California by the Mitigation Fee Act (California Government Code Section 66000 et. seq.).[8] This requires a nexus analysis to document the relationship between market-rate housing and the demand for affordable housing, establish the associated mitigation cost and maximum legal fees, and justify the reasonable and proportional relationship between the fee amount and the new development subject to the fee. Against these maximums, cities set actual impact fee levels based on economic feasibility analysis and local policy priorities.

Note that nexus analysis is not required for inclusionary zoning requiring on-site affordable units, but nexus studies are often done as part of the policy development process and to provide a basis for determining the in-lieu fee amounts that are alternative compliance options for on-site requirements established in the zoning code. Nexus studies may also be advised during inclusionary zoning program development given the potential for legal challenges to inclusionary zoning requirements.

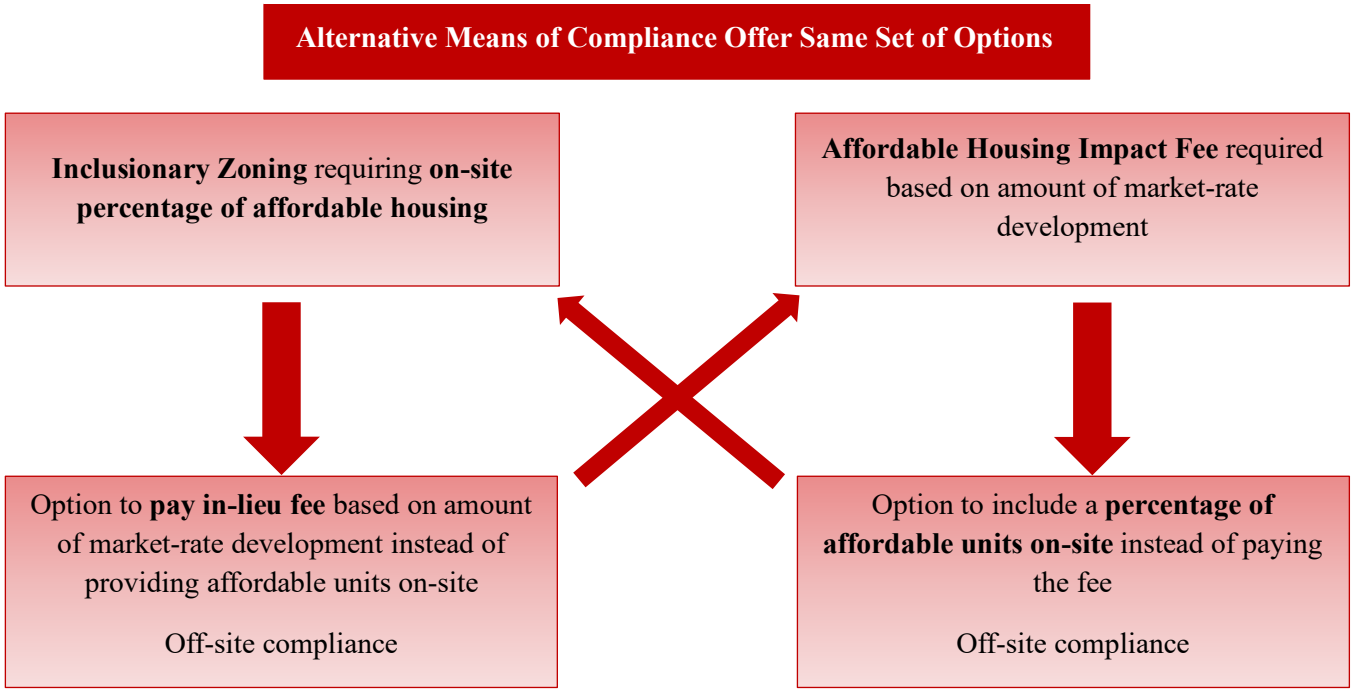
Two Paths – Same Set of Options

These two paths—inclusionary zoning requirements for on-site affordable housing and affordable housing impact fees—mirror each other. In both cases, there are alternative means of compliance—alternatives for satisfying the on-site requirement or the impact fee requirement. **For inclusionary zoning requirements**, the most common compliance option is an in-lieu fee. **For affordable housing impact fees**, the most common compliance option is providing

[8] The Mitigation Fee Act governs requirements for fees and exactions in California. It establishes procedural requirements for adopting and collecting fees and requires that they be supported by analysis documenting the relationship between the amount of the fee and the use for which it is collected.

affordable housing on-site. Both inclusionary zoning requirements and affordable housing impact fees also offer the option for off-site compliance.

Figure 6
Two Paths – Same Set of Options



Legal Context – Background for Oakland's Current Program

A series of court decisions starting in 2009 upended the design and practice of inclusionary zoning requirements in California. Until that time, zoning code ordinances adopted in California requiring specified percentages of units in residential development to be affordable at below-market-rates (with in-lieu fees and other alternatives for compliance) had applied to both rental housing and for-sale housing. In the 2009 case of *Palmer/Sixth Street Properties, L.P. v. City of Los Angeles*, the California Court of Appeal found for the developer who claimed that California's Costa-Hawkins Rental Housing Act vacancy de-control provisions prohibited mandatory inclusionary requirements for rental housing. Inclusionary requirements applied to for-sale residential development remained valid.[9] After this decision, cities had to re-design their on-site inclusionary zoning requirements for rental units and implement impact fee programs instead.

Subsequently, in a legal case decided in 2015, the California Supreme Court rejected a California Building Industry Association challenge to San Jose's affordable housing ordinance requiring 15% of units in new for-sale residential development to be affordable to moderate-income

[9] Palmer vs. City of Los Angeles (2009) 175 Cal.App.4th 1396.

households. In finding for the city, the Court affirmed that affordable housing ordinances are land use controls justified based on their reasonable relationship to the broad general public welfare purposes for which they were enacted, and not exactions subject to stricter standards and scrutiny and requiring nexus studies. The Court also found that the in-lieu fees offered as an option to on-site compliance are not exactions requiring detailed nexus analysis because developers choose this option; it is not a requirement.[10]

This was the legal context in effect in 2015 and 2016 when Oakland developed the Affordable Housing Impact Fees as the preferred means of tapping market-rate development for affordable housing production. The recent decision of the United State Supreme Court in *Sheetz v. El Dorado County* is a narrow finding has no immediate bearing on the validity of Oakland's impact fee programs. Nevertheless, the legal interest indicates that this area of law continues to undergo changes.

Legal Authority for Inclusionary Zoning Requirement for Rental Housing Restored

Most recently in 2017, California adopted AB 1505—a clear reinstatement of the right of local jurisdictions to impose inclusionary zoning requirements on rental housing, restoring the legal landscape prior to the 2009 Palmer decision. AB 1505 authorized "the legislative body of any county or city to adopt ordinances to require, as a condition of development of residential rental units, that the development include a certain percentage of residential rental units affordable to, and occupied by, moderate-income, lower income, very low-income, or extremely low-income households or by persons and families of low-or moderate-income, as specified, and would declare the intent of the Legislature in adding this provision." Notably, the bill also required alternative means of compliance, providing examples such as in-lieu fees, land dedication, off-site construction, or acquisition and rehabilitation of existing units. [11]

AB 1505 also provided that ordinances adopted after September 17, 2017 that required more than 15% of total units rented to be affordable to households at 80% or less of area median income (AMI) would be subject to review by the California Department of Housing and Community Development (HCD). Jurisdictions that meet the criteria are required to submit an economic feasibility study to "provide evidence that the ordinance does not unduly constrain the production of housing".[12] HCD prepared a memorandum providing guidance on implementation of AB 1505, including details on conditions triggering submittal to HCD.[13]

[10] Goldfarb Lipman Attorneys, Law Alert: California Supreme Court Greenlights Affordable Housing Ordinances, June 16, 2015.
[11] Government Code Section 65850, subdivision (g).
[12] Government Code Section 65850, 65850.01, subdivision (b).
[13] Department of Housing and Community Development, Division of Housing Policy Development, Memorandum for Planning Directors and Interested Parties, "Rental Inclusionary Housing Chapter 486, Statutes of 2017 (Assembly Bill 1505)", October 21, 2019.

There are clear situations in the new law that **do not** trigger an economic feasibility study:

- Inclusionary requirement on for-sale housing;
- Inclusionary requirements on rental housing that require less than 15% of units affordable to the 80% or less AMI household; or
- Inclusionary requirements on rental housing that only target households above 80% AMI.

Nevertheless, practitioners and researchers note that well-designed inclusionary zoning programs rely on economic feasibility studies to develop policies that set requirements at levels that are not so burdensome that developers choose not to build.[14]

Appendix B summarizes background information on the key features of inclusionary zoning requirements (with in-lieu fees) and affordable housing impact fee programs in 10 Bay Area jurisdictions (including Oakland). See **Table B-1** and **Table B-2**.

Current Policy in Oakland: Affordable Housing Impact Fees with On-Site and Off-Site Compliance Options

The City of Oakland adopted an Affordable Housing Impact Fees (AHIF) on May 3, 2016 (Oakland Municipal Code Chapter 15.72; Ordinance No. 13365 C.M.S.). The fees were adopted based on the findings of a nexus study (*Oakland Affordable Housing Impact Fee Nexus Anal*ysis, prepared by Vernazza Wolfe Associates and Hausrath Economics Group, March 10, 2016), as required under the California Mitigation Fee Act (California Government Code Section 66000-66008). The nexus study established the link between new market-rate housing in Oakland and the need to subsidize housing affordable to low- and moderate-income households and determined the maximum legal fees to mitigate these impacts. The impact fee implementation strategy included consideration of economic constraints: *Economic Feasibility Study for Oakland Impact Fee Program*, prepared by Hausrath Economics Group, April 8, 2016.

The AHIFs went into effect for development projects submitting a building permit application on or after September 1, 2016. Key features of the program design are as follows[15]:

- AHIFs apply citywide.
- Fees assessed on three types of residential development: multifamily, townhome, and single family. Most live/work and work/live units in a building with multiple units fall into the AHIF multifamily use category.

[14] Grounded Solutions Network, Lincoln Institute of Land Policy, and Terner Center for Housing Innovation at UC Berkeley, "Strengthening Inclusionary Housing Feasibility Studies Convening Summary" and ""Strengthening Inclusionary Housing Feasibility Studies Convening Report", November 2018.

[15] See City of Oakland, *Impact Fee Administrative Regulations and Manual: Affordable Housing, Transportation & Capital Improvements Impact Fees,* adopted by the City Administrator. Initial publication: August 9, 2017; Updated: February 24, 2021. https://cao-94612.s3.us-west-2.amazonaws.com/documents/Impact-Fee-Admin-Guidelines-022421.pdf

- Fees apply to additional housing units in a new or existing building, unless the project is exempt.
- Exemptions: secondary units – now known as accessory dwelling units (ADUs) and 100% affordable housing projects, as well as projects that meet the minimum percentage of on-site or off-site affordable housing required by the City in order not to pay the AHIFs. Bonus market-rate units allowed under the density bonus ordinance are also exempt.
- No minimum size threshold—applies to all new residential development.
- Fees assessed per unit and differentiated among three Impact Fee Zones that have different market characteristics determining the economic feasibility of development and therefore the ability to pay impact fees.
- Fees were phased in initially to allow developers to incorporate the cost of the impact fee into their project financials and to incentivize developers to accelerate projects to meet the immediate needs for housing production. By July 2020, fees in all three zones reached the full value determined in the 2016 adoption. Starting in July 2021, the AHIFs increase at the beginning of each fiscal year by the rate of construction cost inflation. This has resulted in a 35% cumulative increase between September 2021 and July 2023, with a 15% increase in 2023 alone). Based on recent increases in construction costs in the last few years, the annual increase in the AHIFs has been significant. Using this construction cost index, the intent is to keep the fee revenue current with the actual cost to build affordable units. Table 4 shows the fees currently in effect.

Table 4
Affordable Housing Impact Fees Per Housing Unit
by Housing Use Type and Impact Fee Zone,
Effective 7/1/23

	Impact Fee Zones		
Housing Use Type	**Zone 1**	**Zone 2**	**Zone 3**
Multifamily	$29,658	$23,929	$16,177
Townhome	$26,962	$19,210	$10,785
Single Family	$31,006	$22,244	$10,785

Source: City of Oakland, *Summary of City of Oakland Impact Fees*, Effective July 1, 2023, https://cao-94612.s3.us-west-2.amazonaws.com/documents/Summary-of-Impact-Fees-July-2023-Final.pdf

- Fees are due in two installments: 50% prior to issuance of building permit and 50% prior to issuance of certificate of occupancy.[16]
- On-site and off-site compliance options allow developers to reduce or eliminate the need to pay affordable housing impact fees.

On-Site and Off-Site Compliance Options In Lieu of Affordable Housing Impact Fees
5% of proposed units of the project affordable to very low-income households
10% of proposed units of the project affordable to low- and or moderate-income households
Mixed Compliance: If fewer units are provided, the developer pays a proportionately reduced AHIF.
With the inclusion of on-site affordable units, developers can take advantage of density bonuses and incentives provided for in Oakland's Planning Code (which is based off of the State density bonus program that is required by State law for cities to allow). Oakland's on-site percentages are set at the minimum percentages required to qualify for a density bonus and associated incentives / concessions in each income category. At higher percentages of affordable units provided, the developer is eligible for more bonuses and concessions.

Source: City of Oakland, *Impact Fee Administrative Regulations and Manual: Affordable Housing, Transportation & Capital Improvements Impact Fees,* adopted by the City Administrator. Initial publication: August 9, 2017; Updated: February 24, 2021. https://cao-94612.s3.us-west-2.amazonaws.com/documents/Impact-Fee-Admin-Guidelines-022421.pdf

The first five-year review of Oakland's impact fee program was completed in December 2021.[17] The five-year review updated the nexus analysis and the amount of the maximum legal Affordable Housing Impact Fees. The review documented the required findings under the Mitigation Fee Act: establishing the purpose of the fee, determining the reasonable relationship between the amount of the fee and the purpose of the fee, identifying the alternative sources of funding needed to complete projects funded by AHIF revenue, and describing a schedule for those alternative sources of funding. The update confirmed that the current fee amounts are well within the maximum legal amount justified by the nexus analysis.

Oakland Housing Element Policies to Encourage On-Site Affordable Housing

Oakland's *2023-2031 Housing Element* (adopted January 31, 2023) lays out on-going programs and new actions to increase production of affordable housing. Many of these actions target the need to produce **mixed-income** housing throughout the city, to address geographic inequities,

[16] Fees are initially assessed at the time of building permit application; if a building permit is never issued, then the assessed fee is not collected.
[17] Hausrath Economics Group, *Oakland Affordable Housing Impact Fee Five-Year Review*, December 23,2021. https://cao-94612.s3.us-west-2.amazonaws.com/documents/Task-1.A-Hausrath-FINAL-12232021-Afford-Hsg-Impact-Fee-Five-Year-Review.pdf

racial segregation, and associated disparities in housing opportunities and outcomes. Relevant policies and actions in the Housing Element's Chapter 4 Housing Action Plan are listed below.

Policy 3.2 Create a more diverse mix of homes to meet community needs

Action 3.2.1 Develop zoning standards to encourage missing middle and multi-unit housing types—flats, duplexes, triplexes, fourplexes, townhomes, rowhouses, and ADUs—in currently single-family dominated neighborhoods.

Policy 3.3 Expand resources for the construction of affordable homes

Action 3.3.1 Offer City-owned property for sale or ground-lease for affordable housing. All surplus sites will include a minimum of 25% affordable units and in many cases will include up to 100% affordable units.
Action 3.3.5. Implement an Affordable Housing Overlay
Action 3.3.7 Study the targeted implementation of an inclusionary housing requirement (implemented via this scope of work).
Action 3.3.15 Continue and expand density bonus incentives The City will continue to implement Chapter 17.107, Density Bonus and Incentive Procedure. Oakland's program goes beyond State Density Bonus Law to allow moderate income affordable rental units to qualify for density bonus incentives which state law limits to moderate-income for-sale units.

Policy 3.4 Reform Zoning and Land Use to Address Community Priorities

Action 3.4.1 Revise development standards, including allowable building heights, densities, open space and setback requirement to allow higher density multi-unit buildings in resource-rich areas. Using SB 10, identify parcels to increase density and heights to incentivize infill housing in high-resource areas.
Action 3.4.3 Eliminate Conditional Use Permit requirements for multifamily in RD and RM zones. Regulations will be revised to permit multi-unit buildings according to objective criteria such as building type and development size (see Action 3.4.8).
Action 3.4.4 Revise parking standards to eliminate or reduce parking minimums.
Action 3.4.5 Revise open space requirements to enhance feasibility for higher density residential development.
Action 3.4.8 Develop objective design standards at the neighborhood level to replace design review process.
Actions 3.4.10 Implement a Housing Sites Overlay Zone to permit sites included in the Housing Sites Inventory to develop with affordable housing by right if 20% or more units are affordable to lower income households.

Policy 3.6 Streamline the Approval of New Housing

Action 3.6.3 Expand by-right approvals and implement entitlement reform for affordable housing.
Action 3.6.4 Continue SB 35 streamlining and encourage projects to use it (requires 50% of units affordable to low-income households).

Policy 5.2 Promote Resilient and Sustainable Development

Action 5.2.10 Promote the development of mixed-income housing to reduce income- based concentration. Encourage use of State Density Bonus incentives to encourage on-site affordable instead of paying impact fees and promote mixed-income housing in specific plan areas.

Under Goal 3: Close the Gap Between Affordable and Market-Rate Housing Production by Expanding Affordable Housing Opportunities, policies encourage production of housing that is affordable by design, increase requirements and incentives for higher-density mixed-income housing, remove constraints on development, and streamline approvals for qualified projects. Among other objectives, the policies are designed to enhance the development feasibility of mixed-income housing. Under Goal 5: Promote Neighborhood Stability and Health, the actions

to enhance the development environment for mixed-income and affordable housing are framed to meet the overarching community and geographic equity goals of the Housing Element.

DEVELOPMENT ECONOMICS INFLUENCE THE DECISIONS PRIVATE DEVELOPERS MAKE

Cost Considerations for the Affordable Housing Impact Fee Requirement

The Affordable Housing Impact Fee requirement imposes costs on private-market-rate development: to either pay the impact fees based on the amount of market-rate residential development or, alternatively, to include affordable units on-site, thereby reducing project revenue and imposing additional implementation costs.

The fee amount is a predictable, published amount that developers incorporate in their real estate pro forma, just as they estimate construction costs and the costs of permits and other fees. The developer knows when the fee is due; when they pay the fee they have satisfied their obligation. This eliminates some of the uncertainty in the development process.

Including below-market-rate units in a development project (the on-site compliance option) is a more complicated financial calculation and poses implementation challenges to the developer that do not exist if the developer chooses to pay the AHIF. First, since the affordable units are required to be generally of the same size and type as the market-rate units and integrated throughout the project, the affordable units cost the same to build as do the market-rate units. Because of this, the cost to the developer is typically measured as the difference in project income generated by units rented or sold at affordable levels compared to units rented or sold at market rates. Second, the affordable units are required to be deed-restricted for 55 years or the life of the project and to be monitored annually. These procedural and implementation considerations add costs that do not exist if a developer chooses to pay the AHIF.

State and Local Policy to Encourage Mixed-Income Housing Changes Developer Cost Calculations

The most significant regulation affecting housing development economics is Oakland's density bonus ordinance based on California's law. The density bonus program offers a broad array of incentives to encourage private developers to include below-market-rate units in their projects. Projects of five or more units are eligible to apply for density bonus incentives and concessions. The density bonus program also applies to 100% affordable projects, enabling more affordable units than otherwise would be the case as well as concessions to reduce project costs.

For mixed-income projects, the intent behind these policies is to harness the private market to produce affordable housing, reducing the need for public subsidies. In addition to more market-rate units than allowed under base zoning, the housing developer providing affordable units on-site is entitled to concessions and waivers from local development standards and requirements that would otherwise be applied. This reduces project costs across the entire building, enhancing

project feasibility and offsetting the cost of making some of the units affordable to very-low, low-, and moderate-income households.

Studies have shown that density bonus incentives, concessions, and waivers have effectively boosted mixed-income and 100% affordable housing production in Oakland and elsewhere in the state. Benefits of this type of mixed-income housing are that affordable units are built at the same time as the market-rate units and built in neighborhoods that might not otherwise have affordable units built.

For the Oakland developer subject to the AHIF requirements and considering on-site compliance, the density bonus program introduces the potential for both additional revenue and cost savings. If the developer applies for the density bonus program, they are entitled to build more market-rate units than otherwise allowed (enhancing project revenue) and to take advantage of the regulatory concessions and waivers that can have the significant impact of reducing project costs for the entire building. These factors can have a significant impact on the economic comparison between compliance options: paying the impact fee or providing affordable units on-site.

Evidence from Trends in Mixed-Income Housing Production in Oakland

Many multifamily development projects in Oakland are providing affordable units on-site instead of paying the AHIFs because that makes the most economic sense. Most of these projects are using Oakland's density bonus ordinance and many are providing more than the minimum required by the AHIF on-site option to not pay the AHIF.

Under Oakland's density bonus ordinance (modelled on and consistent with State Law), the minimum on-site percentage for Very Low-Income units (5%) and for Low-Income units (10%) entitles the project to a 20% density bonus and one incentive/concession. The minimum percentage for Moderate-Income units (10%) entitles the project to a 5% density bonus and one incentive/concession. All density bonus projects are also entitled to waivers or reductions of development standards. **Table 5** shows the threshold percentages of affordable units that qualify for the three levels of incentives or concessions. **Table 6** shows the market rate density bonus percentages allowed for each threshold percentage of affordable units proposed by income category. For example, a developer dedicating 24% of units to very low- or low-income households is eligible for a 50% density bonus and a developer dedicating 24% of units to moderate-income households is eligible for a 19% density bonus.

Table 5
Oakland Density Bonus Calculator: Affordability Thresholds for Incentives and Concessions[a]

Affordability Level	Threshold for 1 Incentive or Concession	Threshold for 2 Incentives or Concessions	Threshold for 3 Incentives or Concessions	Threshold for 4 Incentives or Concessions	Threshold for 5 Incentives or Concessions
Very Low-income	5%	10%	15%	16%	100% affordable housing development including at least 80% of the total units for lower income households
Low-income	10%	17%	24%		
Moderate-Income	10%	20%	30%	45%	

a. 100% affordable projects providing at least 80% low-income and no more than 20% moderate-income are eligible for up to four incentives or concessions.

Source: City of Oakland, Supplemental Form – Affordable Housing Density Bonus, updated 1/1/2024.

Table 6
Oakland Density Bonus Calculator: Density Bonus Percentage for Market-Rate Units by Household Income Category

Percentage of Affordable Units Proposed	Very Low-Income Density Bonus Percentages for Market Rate Units	Low-Income Density Bonus Percentage for Market Rate Units	Moderate-Income Density Bonus Percentage (For-Sale Common Interest Developments)
5%	20%	0%	0%
10%	32.5%	20%	5%
15%	50%	27.5%	10%
17%	50%	30.5%	12%
20%	50%	35%	15%
24%	50%	50%	19%
30%	50%	50%	25%

Source: City of Oakland, Supplemental Form – Affordable Housing Density Bonus, updated 1/1/2024.

Analysis of Density Bonus Projects in the 2018 – 2022 Pipeline

There are 43 mixed-income projects representing 6,132 housing units on the list of projects using density bonus incentives/concessions and waivers in the 2018 – 2022 pipeline.[18] Density bonuses

[18] The primary source of this data is City of Oakland, Housing Element Annual Reports, 2018 - 2022, Table A-2 Annual Building Activity Report Summary – New Construction, Entitled, Permits, and Completed Units. Staff

added about 1,300 bonus market-rate units on top of the 4,839 base units in these projects—for an average density bonus of 27%. These projects are at various stages of the development pipeline: proposed, entitled, permitted, and with certificate of occupancy. Note that not all projects added bonus units above what is otherwise allowed or proposed. (See **Table B-3** in Appendix B for project details.)

Eight of the projects chose to use the density bonus ordinance to only obtain cost-saving incentives and/or concessions for their development project and to qualify for waivers of development standards that would physically preclude the development at its proposed density.

Only 14 of these projects are on the list of projects providing on-site affordable units in lieu of the Affordable Housing Impact Fees (AHIF). Some of the projects may have been approved before the impact fee went into effect (September 1, 2016). Other projects may not be far enough along in the approval process to be on the AHIF tracking list.[19]

Almost 600 of the 6,132 total units in these mixed-income projects are affordable units. Most of the affordable units (almost 60%) are designated for Very Low-Income households. See **Table 7**.

Table 7
Affordable Units by Income Category in Mixed-Income Density Bonus Projects
(2018 – 2022 Pipeline)

Household Income Category	Count of Affordable Units	Percent of Total Affordable Units
Very Low-Income	346	59%
Low-Income	52	9%
Moderate-Income	201	34%
Total	**599**	**100%**

Source: Hausrath Economics Group based on City of Oakland data.

Percentage of On-Site Affordable Units Exceeds AHIF Requirement

Most mixed-income density bonus projects provide more than the minimum required to meet the AHIF on-site option requirement of 5% very low-income units or 10% low- or moderate-income units on-site.[20] (See **Table 8**.)

review enabled refinements to the data. We could not include a few projects for which there was not enough data for useful analysis. Projects are in various stages of the entitlement/development pipeline: proposed, approved, permitted, and completed (issued a certificate of occupancy).

[19] The source for mixed-income projects that have provided on-site affordable units in-lieu of the AHIFs is *Impact Fees Annual Report, for Fiscal Year Ended June 30, 2023*, December 27, 2023, Attachment B for FY 2022-2023 Annual Report-PBD (EXCEL).

[20] Percentages of affordable units are calculated using base units or total proposed units if no bonus units are proposed. All percentages are weighted averages for the projects in the selected category.

Table 8
Characteristics of Mixed-Income Density Bonus Projects: On-Site Affordable Percentages
(2018 – 2022 Pipeline)

Affordable Income Category	Number of Projects[a]	On-Site Percentages (Range)	On-Site Percentages (Average)	On-Site Percentages (Average for those above Minimum)
Very Low-Income	29	5% - 35%	9%	12%
Low-Income	6	11% - 23%	19%	19%
Moderate-Income	10	10% - 45%	22%	26%
Mix of Incomes	2 projects provide a mix of units across income categories: ♦ 8% very low-income + 23% low-income ♦ 5% very low-income + 33% moderate-income			

Note: Percentages of affordable units calculated using base units or total proposed units if no bonus units are proposed. All percentages are weighted averages for the projects in the selected category.
a. Totals more than 43 projects because two projects provide Very Low-Income units and Low- and/or Moderate-Income units (see details above in table).

Source: Hausrath Economics Group based on City of Oakland data.

- Two-thirds of the mixed-income density bonus projects chose the option to provide Very Low-Income units and most (72%) of those projects provided more than the 5% minimum required. On-site percentages averaged 9% overall and 12% for those providing more than the 5% minimum.
- Six projects provided at least 10% Low-Income units, and all provided more than the minimum required; on-site percentages for Low-Income units ranged from 11% to 23% and averaged 19%.
- Ten projects provided at least 10% Moderate-Income units. On-site percentages ranged from 10% to 45% and averaged 22% overall.

On-Site Percentages by Income Category and Building Type

Density bonus projects are distributed among all building types (except single-family): high-rise, mid-rise, and low-rise apartments; three- and four-story buildings; remodels and additions to existing buildings; and one townhome project. The distribution of projects by building type is representative of the mix of all new residential development projects in Oakland during this period.

Table 9 presents details for the on-site percentages by income category for each building type. The detail shows how the actual built percentages of affordable units compare to the minimum on-site percentage to qualify for density bonus incentives and concessions, which is also the base requirement for the AHIF on-site option. The table and discussion also point out the resultant bonuses achieved by providing more than the minimum on-site percentages.

Table 9
Characteristics of Mixed-Income Density Bonus Projects (2018 – 2022 Pipeline):
On-Site Affordable Percentages by Income Category for each Building Type

Minimum On-Site Percentage by Income Category	Number of Projects	On-Site Percentage Range	Average On-Site Percentage	Average On-Site Percentage Above Minimum
High Rise Buildings				
5% Very Low-Income	6	5% - 15%	8%	12%
10% Low-Income	1	22%	22%	22%
10% Moderate-Income	1	22%	22%	22%
Mid-Rise Buildings[a]				
5% Very Low-Income*	20	5% - 35%	10.5%	13%
10% Low-Income**	3	11% - 23%	13%	16%
10% Moderate-Income*	7	10% - 45%	25%	28%
Low-Rise and Other Buildings[b]				
5% Very Low-Income	3	12.5% - 15%	13.5%	13.5%
10% Low-Income	2	13.5% - 20%	15%	15%
10% Moderate-Income	2	10% - 13%	10.5%	13%

Note: Percentages of affordable units calculated using base units or total proposed units if no bonus units are proposed. All percentages are weighted averages for the projects in the selected category.
* This row counts a project also counted in the 10% Low-Income row.
** This row counts a project also counted in the 5% Very Low-Income row and another project also counted in the Moderate-Income row.
a. One project is counted in both the very low-income category and the low-income category because it provides both very low-income and low-income affordable units. Another project is counted in both the very low-income and the moderate-income category because it provides both very low-income and moderate-income affordable units. Categories marked with an asterisk above.
b. This building type category includes three- and four-story buildings, remodels/additions to existing buildings, and one townhome project.

Source: Hausrath Economics Group based on City of Oakland data.

- Providing very low-income units was the preferred option for **high-rise** projects, and four of the six opted for the minimum 5% affordable units. Two other projects provided 11% and 15% very low-income units. The two other high-rise projects each provided 22% low-income or moderate-income units and used the full 42.5% and 17% density bonuses allowed, respectively.
- Two-thirds of the **mid-rise** projects opted to provide very low-income units, ranging from 5% to 35%. Sixteen of the 20 providing very low-income units opted for more than the minimum, resulting in density bonuses ranging from 25% to 50%, compared to the 20% density bonus applicable at the minimum level. The average percentage of very low-income units for this set of projects was 13%. Only three mid-rise projects opted for low-income units, but two of those three provided more than the minimum—an average of 16%

low-income units. One of these projects also provided 8% very low-income units, bringing the total density bonus percentage to 54%, thereby almost doubling the number of market-rate units in the project. Of the seven mid-rise projects providing moderate-income units, two projects at the low end of the affordable unit percentages (10% and 11%) did not use bonus units. The other five mid-rise projects provided between 21% and 45% moderate-income units, obtaining more density bonus units as a result.

- The seven projects in the **Low-Rise and Other Buildings** category are a mix of building types, mostly small projects under 30 units. There are almost equal numbers of very low-income, low-income, and moderate-income mixed-income projects in this group. Notably, all but one provided more than the minimum affordable percentage to qualify for density bonuses and concessions. For this set of somewhat diverse projects, the affordable units percentages fall within a narrow band of 10% - 15%.

Implications of Mixed-Income Projects for AHIF Revenue for the Affordable Housing Trust Fund

There are a total of **52 mixed-income projects** that have provided on-site affordable units in lieu of paying the AHIFs.[21] **Table 10** shows the unit counts for these 52 mixed-income residential development projects that either are listed as satisfying the on-site option to the AHIFs or are assumed to be eventually listed as satisfying the on-site option. (See **Table B-3 and Table B-4** in Appendix B for project details for the combined set of 52 projects.)

[21] This larger list takes into account projects on the list published annually as part of Oakland's *Annual Report for: Affordable Housing, Jobs/Housing, Transportation and Capital Improvements Impact Fees*. As of June 2023, there are 23 projects on this list representing the total of projects since September 2016 when the AHIFs were first implemented that have moved forward with the on-site option. From the list of density bonus projects discussed above, there are 29 additional projects that meet the criteria for exemption from the AHIFs because they provide the minimum required on-site affordable units. Assuming these pipeline projects actually do meet the criteria for exemption from the AHIFs, they will eventually be captured on the list compiled each year for the Impact Fee Annual Report. They might not be captured yet because they are not far enough along in the entitlement and permitting process or because of lags in data collection and reporting.

Table 10
Unit Count by Income Category for Projects Providing On-Site Affordable Units In Lieu of Paying the Affordable Housing Impact Fees
(52 mixed-income projects)

Units By Income Category	Unit Count	Percent of Total Affordable Units
Affordable Units		
Very Low-Income	362	53%
Low-Income	68	10%
Moderate-Income	252	37%
Subtotal Affordable Units	**682**	**100%**
Above Moderate/Market-Rate Units		
Base Units or Total Proposed Market-rate Units	4,817	
Bonus Units	1,294	
Subtotal Above Moderate / Market-rate Units	**6,111**	
Total Units	**6,793**	

Note: See **Table B-3** and **Table B-4** in Appendix B for project details for the combined set of 52 projects Starts with list of mixed-income projects providing on-site affordable units in-lieu of the Affordable Housing Impact Fees published with the City of Oakland *Impact Fee Annual Report*, *Fiscal Year Ended June 30, 2023* (Affordable Housing in Lieu as of FY 2022-2023.xlsx (12/28/2023). Adds to this list the mixed-income density bonus projects in the 2018 – 2022 pipeline that are not on the Impact Fee Annual Report list but which satisfy the criteria for compliance with the AHIF program because they provide the minimum required on-site affordable units as the alternative means of compliance. Note that this pipeline list of mixed-income density bonus projects includes only those projects for which enough information is available that they can be used for analysis. This is most of the projects. The total number of Above Moderate / Market-rate Units include bonus units provided through the Density Bonus Program. Not all of the projects analyzed for this table use the Density Bonus Program. It is not appropriate to use the numbers in this table to calculate average density bonus percentages.

Source: Hausrath Economics Group based on City of Oakland data.

Combined, there are about **6,800 total units in 52 projects** providing enough on-site affordable units to not be required to pay the AHIFs. When development projects provide enough affordable units on-site, Oakland collects no AHIF revenue from the market-rate units in the project, reducing resources to the Affordable Housing Trust Fund supporting 100% affordable housing development in Oakland.

Table 11 presents a rough estimate of the Affordable Housing Impact Fee revenue foregone as a result of these projects opting to provide affordable units on-site and converts that amount of potential Affordable Housing Trust Fund revenue into an estimate of the number of affordable units that would have a gap in the local capital subsidy. This rough estimate is based on multiplying the AHIF in effect by the number of **base units in the project if there are bonus units proposed (bonus market-rate units are not subject to the AHIF)** or total proposed market-rate units for projects that do not add bonus units and other projects that are not density

bonus projects. As shown in **Table 10** above, the total proposed base market rate unit count is 4,817.

Assuming the AHIFs in effect in December of the Building Activity Year[22] for each project, roughly $120 million in AHIF revenue would have been collected from these projects that chose the on-site option. HCD's Strategic Action Plan states that the typical local capital subsidy for 100% affordable housing projects in Oakland is $150,000. Dividing the AHIF revenue foregone by the average local capital subsidy per affordable unit results in an estimate of about **800 units** in 100% affordable housing projects that would have a funding gap requiring backfill from other funding sources.

Table 11
Affordable Housing Impact Fee Revenue Forgone and Estimate of Affordable Units with a Funding Gap
(52 mixed-income projects)

AHIF Foregone (rough estimate)[a]	**$120,400,000**	assuming fees in effect in December of Building Activity Year
Local Capital Subsidy per Affordable Unit	$150,000	HCD Strategic Action Plan 2023 – 2027
Units in 100% Affordable Projects with a Local Funding Gap	**803**	assuming average local capital funding per affordable unit

a. This estimate uses the total proposed base market rate units from **Table 10** and does not include bonus units.

Source: Hausrath Economics Group based on City of Oakland data.

This number of units (800 units) is 15 – 20% greater than the number of affordable units provided on-site in these mixed-income projects (682 affordable units, per **Table 10**). In the mixed-income projects, there are no units targeted to extremely low-income households, about 50% for very low-income households, and almost 40% for moderate-income households. Housing for moderate-income households is an important Housing Element target that Oakland missed in the most recent Housing Element review. This is one of the few ways to provide deed-restricted moderate-income housing units—units that are permanently affordable to households with workers holding middle-wage jobs. Because of the lack of funding for on-going support services, the ability of 100% affordable projects to continue to provide high percentages of extremely low-income units is constrained. This means more of the units in projects funded by the Affordable Housing Trust Fund will be targeted to very low- and low-income households.

Maintaining the local capital funding that is a key component of the financing package for 100% affordable housing production requires backfill from other local sources. Currently, those sources include:

[22] Building Activity Year refers to the year of the Housing Element Annual Report used to determine most recent pipeline status.

- bond funds—the largest sources but subject to voter approval and only available until fully expended
- Jobs/Housing Impact Fee (on-going)
- "Boomerang funds"—25% of former Redevelopment tax increment set-aside funds allocated to affordable housing (on-going)
- Additional General Fund commitment from existing or new funding sources (on-going at discretion of City Council)

CONCLUSIONS

Given current development economics and the obstacles to achieving feasibility targets, the density bonus program offers significant cost savings and, in most cases, revenue enhancements that offset the additional costs of providing on-site affordable units. As was the intent of the state legislation establishing the California density bonus program, more market-rate units are produced than would otherwise be the case and affordable units are produced without public subsidy.

The advantages of the density bonus program are such that many developers provide more than the required affordable units to satisfy the AHIF on-site alternative.

- They do not pay the AHIF because they satisfy the requirements of the on-site compliance option.
- They get additional concessions and waivers, reducing costs for the entire project.
- They are eligible for additional market-rate units that provide additional revenue to cover costs of on-site affordable units.

The current development feasibility context supports including **higher percentages of on-site affordable units** than are required in typical inclusionary housing programs (on the order of 10 – 15%; sometimes higher for ownership moderate-income units). The current affordable housing impact fee cost combined with depressed market-rate rent levels supports an **increase in the minimum on-site percentages** for the on-site compliance option.

Given these real estate market conditions, the City should expect **less fee revenue from Affordable Housing Impact Fees and more affordable housing on-site in mixed income projects.** This has benefits in that mixed-income housing addresses several Housing Element priorities. Mixed-income housing increases economic diversity in high-resource neighborhoods and may be one of the few ways to produce housing for lower income households downtown and in transit-rich neighborhoods.

At the same time, Oakland has **access to other funding for 100% affordable housing production.** The City expects an increasing share of revenue to subsidize affordable units to

come from other sources, such as Measure U and potentially a regional Bay Area Affordable Housing Bond (appearing on the November 2024 ballot) . These other sources generate substantially more revenue for affordable housing than do the Affordable Housing Impact Fees. Measure U provides $350 million, and the regional bond (if it passes in November 2024) would generate $20 billion for affordable housing throughout the region. Eighty percent of the bond amount would be allocated among the nine counties and the cities of San Jose, Oakland, Santa Rosa, and Napa.[23] For comparison, Affordable Housing Impact Fees have contributed $27.8 million over the last eight years, with another $62 million assessed but not yet collected. Therefore, the reduction in potential AHIF revenue because of on-site compliance is not a significant blow to affordable housing production in Oakland. The city will get on-site affordable units in mixed-income buildings built by the private sector and will subsidize 100% affordable projects with other sources, such as Measure U.

SUMMARY OF FINDINGS

Affordable housing impact fees and inclusionary zoning requirements are the two regulatory policy levers, distinct from negotiated community benefit agreements, available to Oakland to compel private sector residential development to contribute to affordable housing production in the city. Affordable housing impact fees are assessed based on the amount of new market-rate residential development. Fee revenue is packaged with other funding to provide the necessary public financing that supports deeply affordable housing production by the not-for profit housing development sector. Inclusionary zoning requirements require private market-rate housing developers to include specified percentages of affordable housing on-site in what then becomes a mixed-income housing project.

The authority for affordable housing impact fees is the California Mitigation Fee Act. Nexus studies are required to document the relationship between market-rate housing and the demand for affordable housing and justify the reasonable and proportional relationship between the fee amount and the new development subject to the fee. The authority for inclusionary zoning is the local government police power. There is a substantial history of legal challenges to inclusionary zoning requirements, including a period of time from 2009 to 2017 where inclusionary zoning requirements were not allowed for rental units (see Policy and Legal Context for Local Affordable Housing Strategy for more discussion on this).

Notably, both policy levers are required to offer alternative means of compliance. By far the most common compliance options are an **on-site option to the impact fee** and **an in-lieu fee as the alternative to providing affordable housing on-site**. Off-site compliance is also often offered as an alternative means of compliance in both cases. This means that selecting one of these regulatory policies does not foreclose the ability to achieve the goals of the other.

Examples of implementation outcomes under either policy include:

[23] https://abag.ca.gov/sites/default/files/documents/2024-06/BAHFA_Bond_Explainer_06-27-2024.pdf

- Impact fee revenue or in-lieu fee revenue from the option to an inclusionary requirement:
  - Funds 100% affordable housing production targeting the lowest household income categories identified as highest priority housing need.
  - Creates additional affordable housing value and more affordable units by leveraging non-local public funding.
  - Produces 100% affordable housing that best meets the needs of the lowest income households, including on-going support services for those at the lowest income levels.
- On-site affordable housing (whether on-site option to impact fee requirement or inclusionary zoning requirement):
  - Can produce affordable housing in high-resource neighborhoods where land costs and other factors mean affordable units might not otherwise be built and create opportunities for lower income households to enjoy the benefits of these neighborhoods.
  - Shifts costs from the public sector to the private sector when public sector funding is limited.
  - Affordable units are built faster and at the same time as market-rate units.
  - Mixed-income residential development could mitigate against gentrification pressures in lower-resource neighborhoods.

IV. REVIEW OF OAKLAND'S IMPACT FEE PROGRAM - IDENTIFICATION AND EVALUATION OF FEE PROGRAM OPTIONS AND REFINEMENTS

Working in coordination with City staff, Hausrath Economics Group (HEG) identified options for the level of impact fees and for refinements to fee program elements in Oakland as well as changes now required by State law. The options were then evaluated in terms of:

- Ability to implement,
- Whether supported by the current development feasibility context, and
- The pros and cons of identified changes.

Six Impact Fee Program elements were identified and evaluated. They include the following:

1. Potential for changing the level of impact fees
2. Options for the timing of impact fee payments
3. Evaluation of the Impact Fee Zones for residential projects
4. Project size and Unit Number thresholds for the Affordable Housing Impact Fees (AHIF)
5. Fees per square foot to replace fees per unit for residential development per changes in State law.
6. Increasing the percentage requirement for the on-site, off-site, and land in-lieu alternatives to paying the AHIF

The following sections of this chapter describe each of the six elements and summarize their evaluations.

ELEMENT 1: LEVEL OF IMPACT FEES

An early question that arose concerned evaluation of the potential for changing the amounts of impact fees as a part of this review. Following analysis of the current market and feasibility context for development in Oakland, the options for considering changes in the amounts of impact fees charged were identified as the following.

Options for Amounts of Impact Fees

- **Increase** impact fees only if supported by the current development context.
- **Maintain** current level of impact fees allowing the market more time to adjust to impacts of the pandemic.
- **Reduce** impact fees for a specified period of time to incentivize economic recovery and development.

The evaluation of each of these options is summarized by the following text.

Evaluation of Options for Level of Impact Fees

Increase Impact Fees

- Increases in impact fees are not supported by the current and near-term development context in Oakland. Oakland's economy and real estate market are still recovering from and adjusting to impacts of the pandemic. Current development conditions are impacted by reduced demand, higher vacancies, lower rents, and higher costs of construction and capital. (See Chapter II.)

- Current economic conditions indicate that impact fees alone are not a major determinant of project feasibility at this time. Nevertheless, increases in impact fees would add to development costs and are likely to be perceived or in fact become a negative influence on local real estate investment at a time when the City of Oakland might want to take all efforts to support and incentivize investment and development in Oakland.

Maintain Current Levels of Impact Fees

- Maintaining the current levels of impact fees would allow the real estate market time to further adjust and stabilize without increasing development costs. It would signal the City of Oakland's recognition of current conditions facing developers and investors in the real estate market. It would be a simple and straight-forward approach for all those involved.

- With this approach, it would still make sense to continue adjusting fees annually by the construction cost index as has been done so fees would stay aligned with the costs they are intended to cover. However, such adjustments could also be suspended for a period of time.

- Holding fees steady would also demonstrate a commitment to predictability and stability in the near term while allowing time for further real estate market adjustments.

Reduce Impact Fees Temporarily

- As described above, impact fee levels alone are not a major determinant of project feasibility at this time. As a consequence, reducing impact fees would not likely make a significant difference to encourage new development that is not otherwise likely to move forward. However, reducing fees may incentivize some projects getting closer to feasibility as other market factors start to improve.

- Despite the potential for limited impact on development, the option of temporarily reducing impact fees is likely to be perceived as a positive influence on the local real estate investment market at a time when the City of Oakland may want to be viewed as taking all efforts to incentivize development and investment in Oakland.

- It should not be the intent of this option to try and forecast the timing of economic recovery as the basis for reducing impact fees, as that approach is not possible or workable given all the uncertainties involved at this time. Instead, this option should be based on recognition that Oakland is still recovering from the impacts of the pandemic and that more time is needed for the market to adjust and stabilize. The approach should be to

identify a near-term time period of two, three, or four years to temporarily reduce impact fees and relieve a small part of the cost burden on development with the hope that it could combine with other factors to help incentivize investment and development and help reduce the time required for adjustment and recovery.

- Under this approach, there are options as to which types of fees could be reduced temporarily as an incentive for investment/development.
  - Reduce impact fees for all land uses except Transportation Impact Fees that cannot be reduced since they are covering cumulative mitigation measures required by CEQA.
  - Reduce Affordable Housing (AHIF) and Jobs/Housing (JHIF) Impact Fees as these fees charge the largest amounts and may have more impact as incentives.
  - Reduce the Affordable Housing Impact Fees (AHIF) on multifamily housing development only as this change would apply to the large majority of new housing built in Oakland and the types of housing for which feasibility has been most impacted. Similarly, the Jobs/Housing Impact Fee (JHIF) on office development could also be reduced or even suspended temporarily given the substantial impacts of the pandemic that persist for office development.
- The amount of reduction in impact fees to consider under this option would be a reduction in the range of 40% to 50% of current fees at a minimum. The savings in cost for a project need to be large enough to be considered as having an impact even though it will not be a large reduction in overall total project cost.

ELEMENT 2: TIMING OF IMPACT FEE PAYMENTS

Context for Analysis of Timing of Impact Fee Payments

Current Impact Fee System

The timing for payment of impact fees under the current system is the following:

- Affordable Housing Impact Fees (AHIF): **50%** at building permit issuance / **50%** at certificate of occupancy (project completion)
- Jobs Housing Impact Fee (JHIF): **25%** at building permit issuance / **50%** at certificate of occupancy / **25%** 18 months after project completion
- Transportation and Capital Improvements Impact Fees: **100%** at building permit issuance (these fees are smaller amounts)

Concerns About Timing of Fee Payments: This Review and Other Initiatives Underway

- There is concern about the timing of impact fee payments based on the desire for earlier receipt of fee revenue so as to build affordable housing sooner. This review of impact fees evaluates options that could be pursued to require earlier payment of all or a portion of the Affordable Housing (AHIF) and/or the Jobs/Housing (JHIF) Impact Fees.
- The Transportation and Capital Improvements Impact Fees are already paid at building permit issuance. Moving the Transportation and Capital Improvement Impact Fees to certificate of occupancy was not separately modeled but if the City were to move the AHIF and JHIF to certificate of occupancy, these fees would likely also be moved to be in sync. In addition, having 100% affordable housing developments pay their Transportation Impact Fees (the only impact fee 100% affordable developments pay) at certificate of occupancy will help reduce the costs of these projects (Housing Element Action 3.3.9).
- Separate from this review of impact fees, City staff and their consultant have been considering other ways to achieve timing benefits for potentially using impact fees earlier by estimating when they will be paid. That process is underway.
- In addition, SB 937 introduced in January by Senator Wiener would defer impact fee collection for qualifying projects to certificate of occupancy (building completion), to "keep projects afloat while we wait for interest rates to fall". The bill is now moving through the Legislature.

Timing of Impact Fee Payments: Options Tested and Impacts on Development Costs

Figure 7 identifies the five timing options tested in this analysis. They focus on testing the cost implications of (a) *earlier payment* of the AHIF or JHIF at building permit issuance and (b) the *later payment* of each fee at certificate of occupancy/project completion. The JHIF also is tested assuming accelerating only the 25% of fees now paid 18 months after project completion.

Figure 7
Assumptions for Five Impact Fee Payment Schedules Tested

	Current Guidelines		Options				
	AHIF	JHIF	AHIF - 1	AHIF - 2	JHIF - 1	JHIF - 2	JHIF - 3
Building permit issuance	50%	25%	100%		100%		50%
Project completion (certificate of occupancy)	50%	50%		100%		100%	50%
18 months after project completion		25%					

Note: Per Impact Fee Annual Report, project completion is a one to three year period after building permit issuance.

The scheduling of payment of construction period costs such as impact fees affects the amount of construction financing required and the interest cost on that funding. Requiring impact fee payment earlier in the development process increases project costs because it increases financing

costs. Delaying fee payment to later in the process reduces project costs. These increases or savings in costs can be expressed as an equivalent increase or decrease in the impact fee.

Cost analysis parameters affected by the different timing assumptions include fee amount, proportion paid, time period for required financing, and the interest rate.

<u>AHIF Timing Examples</u>: Affordable Housing Impact Fees (AHIF) Options for Multifamily Housing Projects in Zone 1 (see **Figure 8**)

- **AHIF Option 1: Paying 100% of fee at building permit issuance** instead of 50% at building permit issuance and 50% at occupancy would increase costs from $1,231 to $5,163 per unit depending on the interest rate and the time required for construction. The many larger multifamily housing projects built recently have required 2 to 3 years for construction.

  The additional cost per unit to fund 50% of the fee earlier than currently required can be expressed as **increasing the impact fee by +4% to +17%** depending on the project.

- **AHIF Option 2: Paying 100% of fee at certificate of occupancy** instead of 50 % at building permit issuance and 50% at occupancy would reduce costs and provide a savings of $1,231 to $5,163 per unit.

  The savings of costs can be expressed as **reducing the impact fee by -4% to -17%** depending on the project.

Figure 8
AHIF Payment Timing Examples for Option1 and Option 2

AHIF Zone 1 per unit fee (multifamily $29,657.73 *effective 7/1/23*				
Fee Amount Due at Building Permit Issuance and Completion: 50% $14,828.87				
Estimated interest cost per unit to fund 50% of fee for 1 - 3 year construction periods at various interest rates:		**Construction Loan Interest Rate (annual)** 8%	9%	10%
		Cost per Unit		
Years of construction period prior to building occupancy	1	$1,231	$1,391	$1,553
	2	$2,564	$2,913	$3,268
	3	$4,007	$4,577	$5,163
AHIF Option 1: 100% of fee at building permit issuance				
Cost = interest cost per unit to fund **50% of fee earlier** than currently required		***Interest cost* expressed as percentage increase in AHIF**		
Years of construction period prior to building occupancy	1	4%	5%	5%
	2	9%	10%	11%
	3	14%	15%	17%
AHIF Option 2: 100% of fee at building occupancy				
Savings = interest cost per unit to pay **50% of fee later** than currently required		**Construction Loan Interest Rate (annual)** 8%	9%	10%
		***Interest savings* expressed as percentage reduction of AHIF**		
Years of construction period prior to building occupancy	1	-4%	-5%	-5%
	2	-9%	-10%	-11%
	3	-14%	-15%	-17%

Source: Hausrath Economics Group

<u>JHIF Timing Examples</u>: Jobs/Housing Impact Fee (JHIF) Options for Office Development (see **Figure 9**)

- **JHIF Option 1: Paying 100% of fee at building permit issuance** instead of 25% at building permit issuance, 50% at certificate of occupancy, and 25 % 18 months after project completion would increase costs from $77,802 to $253,928 per 100,000 square feet of office space depending on the interest rate and the time required for construction. Large office projects downtown have been in the range of 300,000 to 600,000 square feet and required two to three years for construction.

  The additional cost per 100,000 square feet of office space to pay 100% of the JHIF at building permit issuance and earlier than currently required can be expressed as **increasing the impact fee by +10% to +32%** depending on the project.

- **JHIF Option 2: Paying 100% of the fee at certificate of occupancy** would result in a net increase in costs of $24,150 to $30,188 per 100,000 square feet of office space.

  The increase in cost would be equivalent to an **increase in the impact fee of +3% to +4%.** The net increase in cost of the JHIF results from a savings of costs from paying 25% of the fee at occupancy instead of building permit issuance and an increase in costs for paying 25% of the fee at occupancy instead of 18 months after project completion as currently required.

Figure 9
JHIF Payment Timing Examples for Option 1 and Option 2

Jobs/Housing Impact Fee per sq. ft.	$8.05	*effective 7/1/23*		
Fee Amount for 100,000 sf office	$805,000	100%		
At building permit issuance	$201,250	25%		
At project completion	$402,500	50%		
18 months after project completion	$201,250	25%		
JHIF Option 1: 100% of fee at building permit issuance				
Estimated interest cost to fund 100% at building permit issuance for 1 - 3 year construction periods:		**Construction Loan Interest Rate (annual)**		
		8%	9%	10%
		Cost per 100,000 sq. ft.		
Years of construction period prior to building occupancy	1	$77,802	$88,326	$99,040
	2	$134,370	$153,247	$172,631
	3	$195,634	$224,259	$253,928
		Equivalent increase in fee per 100,000 sq.ft.		
Years of construction period prior to building occupancy	1	10%	11%	12%
	2	17%	19%	21%
	3	24%	28%	32%
JHIF Option 2: 100% of fee at building occupancy				
Estimated net interest cost to fund 100% at certificate of occupancy for 1 - 3 year construction periods:		**Construction Loan Interest Rate (annual)**		
		8%	9%	10%
		Cost per 100,000 sq. ft.		
Years of construction period prior to building occupancy	1	$24,150	$27,169	$30,188
	2	$24,150	$27,169	$30,188
	3	$24,150	$27,169	$30,188
		Equivalent increase in fee per 100,000 sq.ft.		
Years of construction period prior to building occupancy	1	3%	3%	4%
	2	3%	3%	4%
	3	3%	3%	4%

Source: Hausrath Economics Group

<u>Additional JHIF Timing Example</u>: Shift last 25% JHIF Payment to Building Permit Issuance (see **Figure 10**)

By shifting the last 25% of the JHIF payment forward to building permit issuance, the payment schedule for the JHIF would be the same as the current payment schedule for the AHIF. Both fees would be paid **50%** at building permit issuance and **50%** at certificate of occupancy.

- **JHIF Option 3: Shifting the last 25% of the JHIF to building permit issuance** instead of paying it 18 months after project completion would increase costs from $44,394 to $113,785 per 100,000 square feet of office space depending on the interest rate and the time required for construction. Large office projects downtown have been in the range of 300,000 to 600,000 square feet and required two to three years for construction.

  The additional cost per 100,000 sq. ft. of office space of shifting the last 25% of the JHIF to building permit issuance can be expressed as **increasing the impact fee by 6% to 14%** depending on the project.

Figure 10
JHIF Payment Timing Examples for Option 3

Jobs/Housing Impact Fee per sq. ft.	$8.05	*effective 7/1/23*		
Fee Amount for 100,000 sf office	$805,000	100%		
At building permit issuance	$201,250	25%		
At project completion	$402,500	50%		
18 months after project completion	$201,250	25%		
JHIF Option 3: Shift last 25% payment to payment at building permit issuance				
Estimated interest cost per 100,000 sq. ft. to fund 50% at building permit issuance and 50% at certificate of occupancy for 1 - 3 year construction periods at various interest rates:		**Construction Loan Interest Rate (annual)**		
		8%	9%	10%
		Cost per 100,000 sq. ft.		
Years of construction period prior to building occupancy	1	$44,394	$50,568	$56,893
	2	$64,783	$74,191	$83,923
	3	$86,863	$100,029	$113,785
		Equivalent increase in fee per 100,000 sq.ft.		
Years of construction period prior to building occupancy	1	6%	6%	7%
	2	8%	9%	10%
	3	11%	12%	14%

<u>Pros and Cons of Three Potential Changes to the Timing of Impact Fee Payments</u>

1. Moving Affordable Housing and Jobs/Housing Impact Fee Payments <u>Up to Building Permit Issuance</u>

- **Pros.** Moving both fee payments up to building permit issuance would result in fee revenue earlier than is currently the case. Fee revenue collected earlier in the process is more valuable (goes further) as the cost of building affordable housing goes up over time.

- **Cons.** There would be additional costs to projects, particularly in a high interest rate environment as exists today (see **Figure 11**). This would not be perceived as a development-friendly move as the local real estate market struggles through the after-effects brought about by the pandemic which are made worse by current high interest rates. In fact, this change may not be allowed if SB 937 passes as it proposes all fee payments be shifted to later in the development process at the certificate of occupancy to relieve costs on new development.

Figure 11
Summary of Change in Project Costs
Moving AHIF and JHIF Payments to Building Permit Issuance

AHIF Option 1: 100% of fee at building permit issuance				
Cost = interest cost to fund 50% of fee earlier than currently required				
Interest cost **expressed as percentage increase in AHIF:**				
		Construction Loan Interest Rate (annual)		
		8%	9.0%	10%
Years of construction period prior to building occupancy	1	4%	5%	5%
	2	9%	10%	11%
	3	14%	15%	17%

JHIF Option 1: 100% of fee at building permit issuance				
Cost = interest cost to fund 75% of fee earlier than currently required				
Interest cost **expressed as percentage increase in JHIF:**				
		Construction Loan Interest Rate (annual)		
		8%	9%	10%
Years of construction period prior to building occupancy	1	10%	11%	12%
	2	17%	19%	21%
	3	24%	28%	32%

2. Moving Affordable Housing and Jobs/Housing Impact Fee Payments <u>Back to Certificate of Occupancy</u> (Project-Completion)

- **Pros.** Moving all fee payments of the AHIF to certificate of occupancy would result in cost savings for development. Moving all fee payments of the JHIF to certificate of occupancy would result in a small net additional cost from the savings of paying 25% of the fee later than currently required and the additional cost for the 25% paid earlier than currently required (see **Figure 12**). This policy change would be perceived as beneficial for development feasibility and would be consistent with the measure (SB 937) being considered by the state legislature to relieve costs on new development.
- **Cons.** Moving both fee payments to certificate of occupancy would result in impact fee revenue collected later than is currently the case, except for the 25% of the JHIF that now is collected 18 months after project completion. As a result, the total fee dollars would not go as far as they would if collected earlier because the cost of building the affordable housing goes up over time. For this choice, staff's current efforts to commit funding to 100% affordable housing projects before fee revenue is actually collected would offset negative impacts.

Figure 12
Summary of Change In Project Costs
Moving AHIF and JHIF Payments to Certificate of Occupancy

AHIF Option 2: 100% of fee at building occupancy					JHIF Option 2: 100% of fee at building occupancy				
Savings = interest cost to pay 50% of fee later than currently required					**Cost** = interest cost to fund last 25% of fee earlier at building occupancy + savings on interest cost to delay 25% of fee to building occupancy instead of building permit issuance				
Interest savings **expressed as percentage reduction of AHIF:**					***Net interest cost*** **expressed as percentage increase in JHIF:**				
		Construction Loan Interest Rate (annual)					**Construction Loan Interest Rate (annual)**		
		8%	9%	10%			8%	9%	10%
Years of construction	1	-4%	-5%	-5%	**Years of construction**	1	3%	3%	4%
period prior to building	2	-9%	-10%	-11%	**period prior to building**	2	3%	3%	4%
occupancy	3	-14%	-15%	-17%	**occupancy**	3	3%	3%	4%

3. Adopt the same payment schedules for both the Affordable Housing Impact Fees and Jobs/Housing Impact Fee to be 50% at building permit issuance and 50% at certificate of occupancy.

This option would retain the current fee payment schedules except for shifting the last 25% payment of the JHIF to payment at building permit issuance.

- **Pros.** Moving the last 25% payment of the JHIF up to building permit issuance would provide benefit to the Affordable Housing Trust Fund from receiving some fee revenue sooner than is currently the case. Making the AHIF and the JHIF fee schedules the same could also provide benefits for administrative efficiency (fee billing and collections) and reporting (see **Figure 13**). This option also represents less change from current conditions.
- **Cons.** There would also be some increase in costs to developments from paying 25% of the JHIF up front at building permit issuance instead of 18 months after project completion. This option would not be possible if SB 937 is adopted.

Figure 13
Summary of Change in Project Costs
Aligning the JHIF Payment Schedule to the Current AHIF Payment Schedule

JHIF Option 3: Shift last 25% payment to building permit issuance				
Cost = interest cost to fund last 25% of fee at building permit issuance, instead of delaying to 18 months after certificate of occupancy				
Interest cost **expressed as percentage increase in JHIF:**				
		Construction Loan Interest Rate (annual)		
		8%	9%	10%
Years of construction	1	6%	6%	7%
period prior to building	2	8%	9%	10%
occupancy	3	11%	12%	14%

ELEMENT 3: ADEQUACY OF IMPACT FEE ZONES FOR RESIDENTIAL PROJECTS

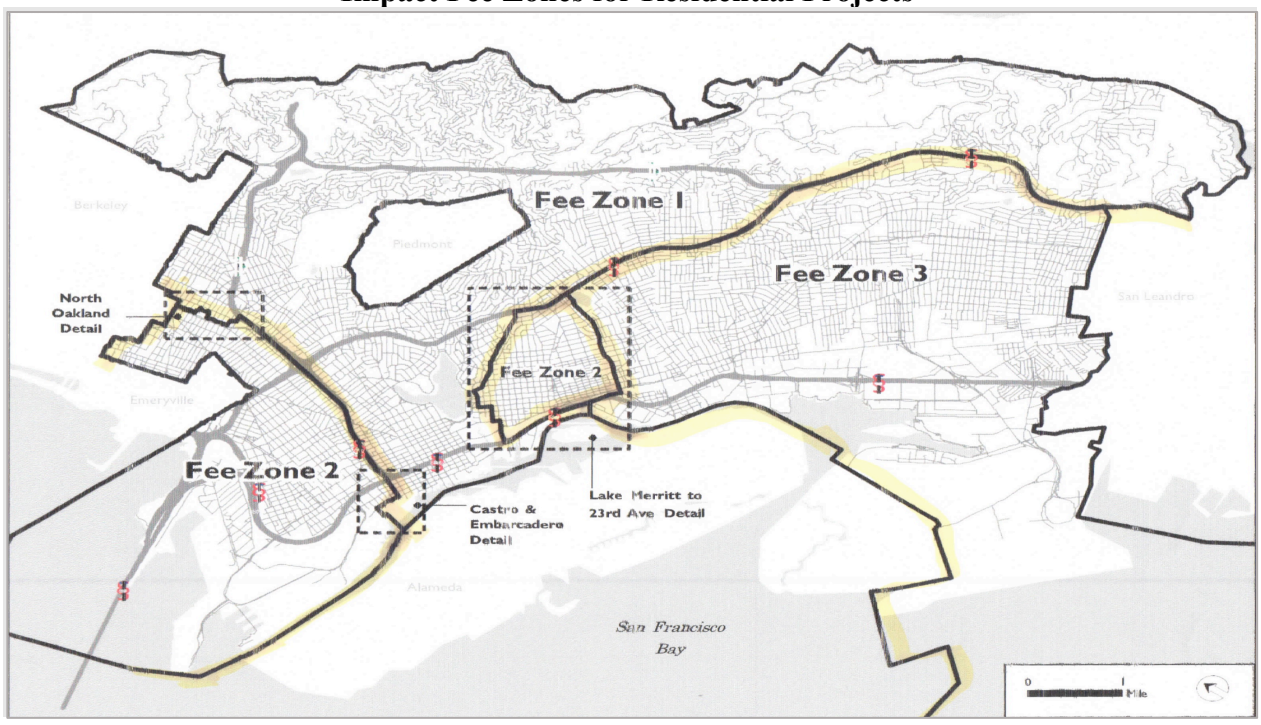
Three impact fee zones were established for residential projects when Oakland's impact fee program was begun. The fee zones reflect differences among parts of Oakland in the:

- Rents and prices of housing,
- Feasibility of housing development, and
- Demand for and types of new housing being built there.

Impact fees are charged in each zone, consistent with the development context there and its feasibility, assuming a stabilized market context. The zones apply for two of the three fees charged on residential development: the Affordable Housing Impact Fees (AHIF) and the Capital Improvements Impact Fees. The Transportation Impact Fees are the same in all three zones because of the fair share requirements under CEQA.

As a part of this Impact Fee Review, the existing fee zones were reviewed to evaluate if the zone boundaries and the variations in fees among zones are still applicable for use in today's market context. The map in **Figure 14** identifies the existing fee zones and their boundaries.

Figure 14
Impact Fee Zones for Residential Projects



Comparative Evaluation of Impact Fee Zones for Residential Projects

ZONE 1: Strongest Residential Markets in Oakland with the Highest Rents and Sales Prices and the Highest Impact Fees

Housing in Zone 1 captures the highest rents and sales prices among parts of Oakland. Housing demand has been strong and new construction feasible in Zone 1, consistent with market cycles. The large majority of the over10,000 new housing units built since 2016/2017 were built in Zone 1, including all of the new high-rise housing projects and the large majority of new mid-rise, multifamily housing projects as well. Zone 1 also includes the Oakland hills with high amenity sites and views for townhome and single-family development.

ZONE 2: Housing Rents and Prices Somewhat Below Those in Zone 1 as is the Feasibility of Housing Development and the Level of Impact Fees

New housing development in Zone 2 typically includes smaller, lower-rise multifamily housing projects and attached townhomes and row house construction. Zone 2 includes housing with artisan appeal (live-work) and residential areas with appeal to younger people due both to the types of neighborhoods and housing there and to the somewhat lower rents and prices. Zone 2 also includes housing mixed with or near to older industrial areas which is desirable to some households but not to others. Larger mid-rise and high-rise multifamily housing projects were proposed in parts of West Oakland/Zone 2 over the past 5 years, but none of those projects have been built. Affordable Housing Impact Fees (AHIF) for multifamily development in Zone 2 are about 80% of those in Zone 1 and the AHIFs for townhomes and single-family homes are 70% of those in Zone 1.[24]

ZONE 3: Lowest Housing Rents and Sales Prices, Very Little New Market-rate Housing Development Occurring in Zone 3, and Lowest Level of Impact Fees

In much of Zone 3, there is a lack of demand for housing at rents and prices needed for feasible new housing development. The feasibility of market rate development is improving in eastern parts of the zone. New affordable housing projects are being built in Zone 3 in a number of locations. Consistent with the market context, AHIFs for market-rate, multifamily housing development in Zone 3 are about 55% of the fees in Zone 1, and the AHIFs for single-family homes and townhomes are 35% to 40% of those in Zone 1. The lower fees in Zone 3 were adopted because housing rents and sales prices are substantially lower in Zone 3 while the costs to build housing are similar throughout the city. The lower fees are also intended to provide some incentive for developers to consider building in this zone.

[24] As with the original implementation, the details of Zone 2 boundaries that do not follow major streets and the boundaries of the Zone 2 area to the east of Lake Merritt were adjusted during final policy development by City staff and the City Council in 2016.

Findings of this Review

Use of the current impact fee zones for residential projects is still supported by today's demand for and feasibility of market-rate housing development in different parts of Oakland. Both the boundaries of the zones and the variations in impact fees among the zones are consistent with and supported by the current market and feasibility context. Thus, the analysis indicates that no changes are needed.

ELEMENT 4: PROJECT SIZE AND UNIT COUNT THRESHOLDS FOR AFFORDABLE HOUSING IMPACT FEES

Oakland has no minimum size threshold for the Affordable Housing Impact Fees (AHIF) requirement. All residential development projects *except Accessory Development Units (ADUs)* are required to pay the AHIF or to provide affordable units on-site or off-site in-lieu of the impact fee.[25] The on-site and off-site options are typically not a realistic alternative for single-family dwellings or duplex, triplex, or four-plex projects. Furthermore, projects of fewer than five units are not eligible for the Density Bonus program that offers revenue incentives and cost savings to projects that choose the option to provide affordable units on-site. Density Bonus projects can add more market-rate units (resulting in more project income) and can take advantage of cost-savings from concessions and waivers that reduce total project costs when affordable units are provided on-site (in-lieu of paying the AHIFs). Recent development trends in Oakland show an increasing share of multifamily residential development projects using the Density Bonus program.

In December 2023, HEG researched affordable housing impact fee implementation in 10 Bay Area jurisdictions identified as Oakland peer jurisdictions: Alameda County cities except those in the Tri-Valley area plus San Francisco and San Jose. **Table 12** presents the minimum size thresholds and related implementation details for the selected Bay Area jurisdictions. Eight of 10 cities have a minimum project size, ranging from 2 – 10 units. Carve-outs or waivers can be tailored to satisfy Housing Element policy priorities.

Reasons to Have a Size Threshold

By eliminating the Affordable Housing Impact Fees requirement for projects under a minimum unit count, a size threshold reduces project costs for these types of projects.

- Encourages projects that are "affordable by design": small in-fill projects and missing-middle housing types.

[25] The off-site parcel must be within one-half mile of the development project. The same number of affordable units is required as under the on-site option.

Table 12
Affordable Housing Fees Implementation in Selected Bay Area Jurisdictions

Jurisdiction	Project Threshold Size	Fee Requirements Related to Project Size
Alameda	**5 units**	
Albany	**5 units**	
Berkeley	Threshold of 5 units eliminated in 2023 in favor of **tiered fee schedule for projects < 12,000 square feet**	Projects of **less than 5,000 square feet** are exempt through April 2025. On-site family-sized unit incentive allows 20% of residential floor area (instead of 20% of units) if on-site affordable units have 2 or 3 bedrooms. In 2023, Berkeley eliminated a 5-unit minimum in favor of a tiered fee schedule for projects of less than 12,000 square feet.[26]
Emeryville	**10 units**	
Fremont	**2 units**	Lower in-lieu fees for for-sale stacked flats; Lower per square foot fees for rental **units up to 700 sq. ft.**
Hayward	**2 units**	**2 - 9 units:** tiered percentage of fee; **10+ units:** lower per square foot fee for higher density units (35 du/acre) and higher per square foot fee for lower density units (<35 du/acre)
Oakland	**No minimum**	
San Leandro	Rental projects: **4 units** For-sale projects: **2 units**	
Union City	**No minimum**	**6 units or less**: small project in-lieu fee (per unit base fee + per sq. ft. over 1,000 sq. ft.) **7 units or more**: large project optional in-lieu fee
San Francisco	**10 units**	
San Jose	**10 units**	Different fees for for-sale and rental and by project size **20+ units vs. 10 - 19 units**. Rental projects also vary by whether or not in Strong or Moderate Market Area. In-lieu fees reduced 50% for projects **between 10 and 19 units** if build at 90% or more of General Plan maximum density.

Source: Hausrath Economics Group research, December 2023. Local implementing ordinances, code sections, and other background documentation are the primary sources.

- Aligns with Action 3.2.1 in the Housing Element and related zoning changes to encourage more units on single-family parcels. Oakland has developed new design and zoning standards to increase the diversity of housing types in currently single-family neighborhoods: flats, duplexes, triplexes, fourplexes, row houses, townhouses, and ADUs.

[26] Berkeley's initial in-lieu fee for projects of 12,000 square feet or more is $56.25 per square foot. For every 1,000 square foot decrease in unit size, the per square foot fee is also reduced: from 4% lower ($53.75 per square foot) for 11,000 – 11,999 square feet down to 31% lower ($38.75 per square foot) for 5,000 – 5,999 square feet. The smallest projects—less than 1,000 square feet—pay $26.25 per square foot.

In the Housing Element, Oakland commits to a number of actions to reduce costs for these building types.

- Aligns with Senate Bill (SB) 684, where cities are required to ministerially approve subdivisions of 10 or fewer residential lots with a minimum lot size of 600 square feet for homeownership units that are 1,750 square feet or smaller. The intent is to reduce development costs for starter homes.

Options for Size Thresholds to Be Exempt from Affordable Housing Impact Fees

- Exempt projects of two-to-four units.
- Exempt single-family homes of 1,750 square feet or less.

Larger subdivisions as part of a Planned Unit Development (PUD) no matter what the size of the single-family home or if they include 2 – 4 unit projects would still be required to pay the Affordable Housing Impact Fees. In addition, single-family residential units that are built anywhere in the City over a certain size (exceeding 1,750 square feet) would still be required to pay Affordable Housing Impact Fees.

In addition, an impact fee charged per square foot of residential space rather than per unit would make the impact fee charged more equitable. (See following discussion.)

ELEMENT 5: CONVERTING RESIDENTIAL IMPACT FEES FROM FEES PER UNIT TO FEE PER SQUARE FOOT

The Affordable Housing Impact Fees (AHIF), Transportation and Capital Improvements Impact Fees are assessed per unit of residential development. Under this system, within a single project, the fee cost for a 500 square foot studio unit is the same as the fee cost for a 1,100 square foot two-bedroom unit. Within a fee zone, the fee cost for a three-bedroom single family unit on a large lot is the same as the fee cost for a small single family unit on an infill lot.

Rationale for a Fee Per Square Foot

AB 602 of 2021 requires impact fees adopted after July 1 2022 to be assessed per square foot of residential development. AB 602 was an effort to impose standards for the structure and design of impact fee programs, in response to concerns that impact fees may be increasing the cost of housing. The bill recommended imposing fees on a per square foot basis to lower the relative burden on multifamily and other small units, thereby addressing concerns that per-unit fees result in disproportionate costs on these housing types.

> A nexus study adopted after July 1, 2022, shall calculate a fee imposed on a housing development project proportionately to the square footage of proposed units of the development. A local agency that imposes a fee proportionately to the square footage of the proposed units of the development shall be deemed to have used a valid method to establish a reasonable relationship between the fee charged and the burden posed by the development. (*CA Gov't Code 66016.5(a)(5)(A)*)

Alternatively, local agencies may make findings that square footage is not the appropriate metric for imposing fees on housing development and provide an explanation that the alternative method meets the reasonable relationship test between the amount of the fee and the impact of the development. The local agency must also demonstrate that other program policies support smaller developments and ensure that small projects are not charged disproportionate fees.

There are a number of consequences to this change. A fee per square foot is a more refined approach to impact fee assessment, addressing equity concerns and eliminating incentives to entitle a project with a few large units that are subsequently developed as more smaller units. Converting to a fee per square foot reduces the fee cost for smaller units, improving feasibility for naturally occurring affordable housing. Larger units would pay more than they would under the fee-per-unit system. This would include both large relatively expensive housing and more affordable family-sized units. The fact that Oakland has different fee levels by zone (capturing differences in market characteristics) somewhat mitigates against the higher burdens on the latter type of housing that the city wants to encourage.

Background Analysis to Convert the AHIF to a Per Square Foot Fee

Appropriate Unit of Measurement

Net residential square footage is the appropriate unit of measurement to achieve the conversion of a per-unit fee to a per-square-foot fee for residential development. The intent is to capture the residential unit floor area, exclusive of parking, storage, or other areas not exclusively residential, such as amenity spaces in a multi-unit building.

Current Average Unit Sizes for Multifamily Housing

HEG analyzed CoStar data for 32 projects built recently in Oakland totaling 8,500 dwelling units. **Table 13** presents the results of the unit size analysis. For each of three prototypical multifamily development prototypes: high rise, mid-rise, and lower mid-rise, we developed weighted average unit sizes from these completed projects. For 3-4 story lower mid-rise apartments, the weighted average unit size is 720 square feet because of the high percentage of small studio units. For 5 – 8 story mid-rise apartments, the weighted average unit size is 850 square feet. For 18 – 40 story high-rise apartments, the weighted average unit size is 790 square feet, as a consequence of the high percentage of one-bedroom units. After accounting for the proportion of the total represented by each category of multifamily development, **the weighted average across all recent Oakland multifamily residential development is a unit size of 820 net square feet**.

Table 13
Multifamily Housing Prototypes: Unit Types and Sizes

Housing Type / Prototype	Percentage by Unit Type / Size	Bedrooms / Bathrooms	Average Unit Size (net sq. ft.)
Lower Mid Rise Apartments (3 – 4 stories)	40%	Studio	368
	33%	1 BR / 1 BA	831
	21%	2 BR / 2 BA	1,025
	7%	3 BR / 2 BA	1,323
	100%	**Weighted Average**	**720**
Mid-Rise Apartments (5-8 stories over podium)	17%	Studio	548
	50%	1 BR / 1 BA	736
	28%	2 BR / 2 BA	1,119
	5%	3 BR / 2 BA	1,458
	100%	**Weighted Average**	**850**
High-Rise Apartments (18 – 40 stories)	13%	Studio	507
	58%	1 BR / 1 BA	694
	26%	2 BR / 2 BA	1,043
	3%	3 BR Penthouse	1,565
	100%	**Weighted Average**	**780**

Source: City of Oakland, Hausrath Economics Group, CoStar (data from 32 Oakland projects with 8,466 units).

Average Unit Sizes for Single Family & Townhome Development

There are not as many recently completed single-family or townhome development projects from which to develop a typical set of unit size characteristics. HEG identified a few example project proposals and plans, with the results summarized in **Table 14**. Unit sizes span a broader range for these development types than is the case for multifamily development. For single family units the sizes range from 1,600 – 2,200 square feet for small lot single family detached units up to 2,800 – 3,200 square feet for larger single-family units. The range is somewhat narrower for townhomes: 1,500 square feet up to 2,220 square feet. HEG developed representative median values after evaluating these ranges: 2,450 square feet for single-family detached units and 1,800 square feet for townhome units.

The range of unit sizes within these housing types will be a factor in the amount of the AHIF assessed to these types of units when the fee is converted from a per-unit fee to a per-square-foot fee.

Table 14
Single Family and Townhome Prototypes: Unit Types and Sizes

Housing Type / Prototype	Bedrooms	Average Unit Size (net sq. ft.)
Single-family Detached Homes (modest to mid-level prices and construction)	3 BR	1,600 - 2,200
Single-family Detached Homes (high quality sites and construction)	4 BR	2,800 - 3,200
Townhomes / Row Houses (mid-level prices and construction)	2 BR & 3 BR	1,500
H-2B Townhomes / Row Houses (larger units and higher quality construction)	3 BR	2,000 - 2,200

Source: Hausrath Economics Group based on current relevant project plans.

Per-Unit Fees Converted to Equivalent Per-Square-Foot Fees

Table 15 presents the factors used to convert the current fees per unit by housing type and impact fee zone to an equivalent fees per net residential square foot. The first part of the table shows the current fees per unit by housing type and impact fee zone, in effect as of July 2023. The second part of the table shows the average unit size (from the analysis presented above) for each housing type. The average unit size does not vary by impact fee zone. Dividing the current per-unit fee for each housing type and zone by the average unit size for that housing type results in an equivalent per-square-foot fee. The third section of the table displays the resultant per-square-foot fees for each housing type and zone. This methodology maintains the same differential in fee level by zone as the per-unit fees.

Table 15
Affordable Housing Impact Fees
Conversion of Per Unit Fees to Per Square Foot Fees

Current Fees as of July 2023, per Dwelling Unit			
Impact Fee Zone	**Single-family**	**Townhome**	**Multifamily**
Zone 1	$31,005.81	$26,961.57	$29,657.73
Zone 2	$22,243.94	$19,209.81	$23,928.72
Zone 3	$10,784.63	$10,784.63	$16,176.94
Average Unit Size (net residential square feet)			
	2,450	**1,800**	**820**
July 2023 Fees per Unit Converted to Fees per Square Foot			
Impact Fee Zone	**Single-family**	**Townhome**	**Multifamily**
Zone 1	$12.66	$14.98	$36.17
Zone 2	$9.08	$10.67	$29.18
Zone 3	$4.40	$5.99	$19.73

Source: City of Oakland and Hausrath Economics Group

Fee Per Square Foot Approach Evaluated

The next two tables present evaluation of the outcomes of this change using real example projects. **Table 16** shows the examples for multifamily development and **Table 17** shows the examples for single family and townhome development.

For multifamily residential development we evaluate two projects in each prototype category: high rise, mid-rise, and lower mid-rise. Reviewing the actual unit mix and unit sizes for completed projects, we picked examples that had average overall unit sizes that bracketed the 820 net square foot multifamily average identified by the detail in **Table 13.**

Table 16 shows the detailed characteristics of each project (unit counts by type and size), the per unit and per square foot fee amounts, and, at the bottom, the total AHIF amount that would be assessed, first using the current system of fee per unit (total units multiplied by per-unit fee) and below that using the proposed new system of fee per square foot (total net residential square feet multiplied by the per-square-foot fee). The final row shows, for each project, the percent difference in total fee assessed if the fees were to be assessed per square foot of residential development.

For example: high rise Project A (many small units and one bedroom units) would pay **15% less** in AHIF under the per-square-foot fee system than it would under the per-unit fee system. Project B (no studios and more larger units) would pay **13% more** under the per-square-foot fee system. There are comparisons for each of the other multifamily residential development examples.

Table 16
Evaluation of Multifamily Residential Development Fee Obligations

	Zone 1 High Rise		Zone 1 Mid Rise		Zone 2 Lower Mid-Rise	
	Project A	**Project B**	**Project A**	**Project B**	**Project A**	**Project B**
Unit Count by Unit Type						
All Studios	21	-	69	28	29	30
All 1 Beds	590	118	113	147	51	55
All 2 Beds	22	110	42	75	30	73
All 3 Beds	-	26	-	14	-	18
Totals	**633**	**254**	**224**	**264**	**110**	**176**
Unit Size by Unit Type (average net square feet)						
All Studios	463	-	526	570	510	704
All 1 Beds	694	692	771	814	566	889
All 2 Beds	936	1,090	984	1,246	988	1,035
All 3 Beds	-	1,338	-	1,733	-	1,231
Average	**695**	**930**	**735**	**960**	**666**	**953**
July 2023 Fees Per Unit	$31,006		$31,006		$23,929	
Proposed Fees Per Square Foot	$36.17		$36.17		$29.18	
Total AHIF Assessed Per Unit	**$18,773,000**	**$7,533,000**	**$6,643,000**	**$7,830,000**	**$2,632,000**	**$4,211,000**
Total AHIF Assessed Per Square Foot	**$15,906,000**	**$8,548,000**	**$5,958,000**	**$9,162,000**	**$2,139,000**	**$4,895,000**
Percent Difference	**-15%**	**13%**	**-10%**	**17%**	**-19%**	**16%**

Source: Hausrath Economics Group based on City of Oakland Impact Fee Schedule and project data from CoStar.

Table 16 presents the same evaluation for single-family and townhome development projects. For five example projects, the table shows the actual unit sizes, the current fees per unit, the proposed fees per square foot, and how that would translate into a fee amount per unit for units of these sizes. The result is compared to the current fees per unit. Some projects would pay more than they otherwise would, and some projects would pay less.

Table 17
Evaluation of Single Family and Townhome Development Fee Obligations

Example Development	Unit Size (net square feet)	July 2023 Fees Per Unit	Proposed Fees Per Square Foot	Equivalent Fees Per Unit	Percent Difference
Single Family Detached Zone 1	2,795	**$31,006**	$12.66	**$35,372**	**14%**
Small Lot Single Family Detached Zone 1	2,235	**$31,006**	$12.66	**$28,285**	**-9%**
Townhouse Zone 1	2,020	**$26,962**	$14.98	**$30,257**	**12%**
Townhouse Zone 2	1,500	**$19,210**	$10.67	**$16,008**	**-17%**
Townhouse Zone 3	1,500	**$10,785**	$5.99	**$8,987**	**-17%**

Source: Hausrath Economics Group based on City of Oakland Impact Fee Schedule and project data recent proposals and plans.

Converting the Transportation and Capital Improvements Impact Fees per Unit to Equivalent Per-Square-Foot Fees

The Transportation and Capital Improvements Impact Fees are assessed on both residential and non-residential uses. The non-residential fees are already assessed per building square foot. The methodology for determining the fees for residential uses already incorporate a generalized estimate of average unit size (building square feet per housing unit).[27] **Table 18** replicates the earlier **Table 15** for the AHIF, presenting the factors used to convert the current fees per unit by housing type and impact fee zone to equivalent fees per net residential square foot. As for the AHIF, this methodology maintains the same differential in fee level by zone as the per-unit fees. (Note that the Transportation Impact Fees do not vary by zone.)

[27] City of Oakland, *Transportation and Capital Improvements Impact Fee Five-Year Review and Update*, December 18, 2021, particularly Table 7 and Table 12.

Table 18
Transportation and Capital Improvements Impact Fees
Conversion of Per Unit Fees to Per Square Foot Fees

Transportation Impact Fees as of July 2023, per Dwelling Unit			
	Single-family	**Townhome**	**Multifamily**
All Zones	$1,349	$1,349	$1,012
Average Unit Size (net residential square feet)[a]			
	1,834	**1,834**	**916**
July 2023 Transportation Impact Fees per Unit Converted to Fees per Square Foot			
	Single-family	**Townhome**	**Multifamily**
All Zones	$0.74	$0.74	$1.10
Capital Improvements Impact Fees as of July 2023, per Dwelling Unit			
Impact Fee Zone	**Single-family**	**Townhome**	**Multifamily**
Zone 1	$5,392	$4,045	$1,686
Zone 2	$4,045	$2,696	$1,012
Zone 3	$1,349	$1,349	$337
Average Unit Size (net residential square feet)[a]			
	1,834	**1,834**	**916**
July 2023 Capital Improvements Impact Fees per Unit Converted to Fees per Square Foot			
	Single-family	**Townhome**	**Multifamily**
Zone 1	$2.94	$2.21	$1.84
Zone 2	$2.21	$1.47	$1.10
Zone 3	$0.74	$0.74	$0.37

a. Conversion factor derived from *Oakland Transportation and Capital Improvements Impact Fee Five-Year Review and Update*, Final December 18, 2021, Table 7 and Table 12.

Source: City of Oakland and Hausrath Economics Group

ELEMENT 6: INCREASING THE PERCENTAGE REQUIREMENT FOR THE ON-SITE ALTERNATIVE TO PAYING AFFORDABLE HOUSING IMPACT FEES

Cost of the AHIF Compared to Cost to Provide Affordable Units On-Site: Implications for the On-Site Percentage

In a pro forma analysis of project development options, a developer compares the cost of the AHIF (a one-time up front cost converted to an equivalent monthly cost using a capitalization

rate) to the cost to provide enough affordable units on-site to satisfy the on-site option to the AHIF (cost measured by the rental income forgone by including units generating less than market-rate rents on-site). The same analysis indicates what on-site percentage, at the various household income categories, is **lower in cost than the cost to pay the AHIF**. [28] **Table 19** summarizes this analysis for the three multifamily development prototypes defined for our analysis and for each of three impact fee zones. [29]

The results presented in the table are based solely on comparing rent differentials (the cost to offer some units at below-market-rate rents) and the impact fee cost. The results do not take into account other important aspects of the development economics calculation, specifically density bonus incentives (allowing more market-rate units and revenue) and density bonus concessions / waivers (resulting in cost savings). As indicated by the preceding analysis and discussion in Chapter III, it would be extremely difficult to generalize about the net effect of density bonus revenue enhancements and cost savings; the values are highly dependent on specific design and cost parameters for any particular project. Nevertheless, the more limited scope of this analysis of project development economics provides a generalized baseline for establishing roughly comparable costs between the AHIFs and the on-site option.

In all cases, the rent differentials between market-rate and affordable rents are compared to the impact fee cost for multifamily units: currently $29,658 per unit in Zone 1, $23,929 per unit in Zone 2, and $16,177 per unit in Zone 3. The differences within a zone by building type represent differences in unit mix (studios, one-, two-, and three- bedroom units) and therefore weighted average rents among the building types. The differences within a building type across the impact fee zones reflect the variation in impact fee amounts among the impact fee zones. Within each zone, the range varies by prototype/unit mix.

[28] The administrative guidelines for the Affordable Housing Impact Fees allow for an off-site affordable housing option as an alternative means of compliance. The number and type of units required is calculated according to the same percentages applied in the case of the on-site affordable housing option. To date, no project has opted for off-site compliance. The potential changes discussed in this section would also apply to the off-site affordable housing option to the AHIF.

[29] To be conservative and to not risk on-site requirements that might make some projects infeasible, we target the analysis to identify percentages that are just below the equivalent fee cost.

Table 19
Percentages of On-Site Affordable Units that are a Lower Cost Option than the AHIFs, by Income Category Before Consideration of Density Bonus Incentives (more market-rate units) and Concessions / Waivers (cost savings)[a]

	Impact Fee Zone 1		
Income Category	**H-3A Lower Mid-Rise**	**H-4 Mid-Rise**	**H-5 High-Rise**
Very Low-Income Units	Up to 13%	Up to 10%	Up to 8%
Low- Income Units	Up to 18%	Up to 12%	Up to 10%
Moderate-Income Units	Current Moderate Income BMR rents > 2024 Market Rents		
	Impact Fee Zone 2		
Income Category	**H-3A Lower Mid-Rise**	**H-4 Mid-Rise**	**H-5 High-Rise**
Very Low- Income Units	Up to 10%	Up to 8%	Up to 7%
Low-Income Units	Up to 15%	Up to 10%	Up to 8%
Moderate-Income Units	Current Moderate-Income BMR rents > 2024 Market Rents		
	Impact Fee Zone 3		
Income Category	**H-3A Lower Mid-Rise**	**H-4 Mid-Rise**	**H-5 High-Rise**
Very Low-Income Units	Up to 7%	Up to 5%	None
Low-Income Units	Up to 10%	Up to 7%	Up to 5%
Moderate-Income Units	Current Moderate-Income BMR rents > 2024 Market Rents		

Assumptions:
Market rents: Asking rents as of February 2024 (CoStar data for Oakland projects built)
Capitalization rate: 6%
The analysis is specific to the unit mix in each prototype (percent distribution of studios, 1, 2, and 3 bedroom units)—assumed the same for both market-rate and affordable units) and assumptions about unit mix by income level (percent distribution market rent vs. affordable, for each income category).

a. To be conservative and to not risk on-site requirements that might make some projects infeasible, we target the analysis to identify percentages that are just below the equivalent fee cost.

Source: Hausrath Economics Group

In Zone 1 where the AHIFs are highest:

- Providing **8 – 13% very low-income units** on-site is lower cost than the current fee cost
- Providing **10 – 18% low-income units** on-site is lower cost than the current fee cost

In Zone 2 where the AHIFs are somewhat less than in Zone 1:

- Providing **7 – 10% very low-income units** on-site is lower cost than the current fee cost
- Providing **8 – 15% low- income units** on-site is lower cost than the current fee cost

In Zone 3 where the AHIFs are lowest:

- Providing **5 – 7% very low-income units** on-site is lower cost than the current fee cost
- Providing **5 – 10% low-income units** on-site is lower cost than the current fee cost

The current weighted average market-rate rents are lower than moderate-income rent limits in all cases. This result is borne out by recent reporting on the local real estate market describing the difficulties attracting occupants to moderate-income below-market-rate units when the existing rental market offers competitively priced alternatives and a faster lease-up process.[30] This does not mean that the City should not continue to incentivize and provide **deed-restricted** Moderate-Income units. In the recent past, market-rate rents have been significantly higher than moderate-income rents. Without deed restrictions for permanent affordability, market-rate rents that are now discounted will go up in the future. Oakland only met 2.7% of the goal of 2,815 moderate-income units allocated in the last Housing Element cycle between 2015-2023. Creating deed restricted Moderate-Income affordable units guarantees lower rents into the future and will help Oakland meet its 2023-2031 RHNA allocation of 4,457 Moderate-Income affordable units in the next eight years.

Analysis Supports Increasing the Percentage of Affordable Units Required to Satisfy the On-site Alternative to Paying the AHIFs

The analysis summarized in **Table 19** along with priorities established in the updated Housing Element and on-going differences in housing market characteristics among the impact fee zones suggests the following percentages for the on-site alternative to paying the AHIFs:

Zone 1 and Zone 2:

- Very Low-Income – 10% (increase from 5%)
- Low-Income – 12% (increase from 10%)
- Moderate-Income – 15% (increase from 10%)

Zone 3:

- Very Low-Income – 5% (no change)
- Low-Income – 10% (no change)
- Moderate-Income – 15% (increase from 10%)

[30] https://www.sfchronicle.com/sf/article/missing-middle-class-housing-19408027.php

Evaluation of Potential Increase in the Percentage Requirement

Since 2016 and a subsequent phase-in period, impact fee amounts have increased based on changes in the construction cost index. The percentage requirement for the on-site compliance option has not changed since originally established in 2016.

The current on-site percentages (5% very low-income and 10% low- or moderate-income) were set in 2016 at the minimum consistent with eligibility for the Density Bonus program. Analysis at that time indicated that the on-site percentage equivalent to the impact fee level proposed was very low. The rationale for establishing a somewhat higher percentage for the on-site option was that for projects that did choose the on-site option, the provisions of the density bonus program (more market rate units and concessions / waivers providing cost savings) would offset the additional cost of providing on-site units.

The experience of recent years indicates that density bonus incentives and concessions have indeed favored the on-site option as an alternative to paying the AHIFs. Most basically, increasing the minimum threshold percentage required to satisfy that alternative requirement recognizes recent market realities and aligns the percentage requirement with current fee levels.

There are a number of other reasons to accept an increase:

- Aligns the on-site alternative with updated market conditions to generate more on-site affordable units than would otherwise be the case.
- Requiring higher percentages of moderate-income housing production on-site would help address recent gaps in affordable housing production.
- Eliminates the ability to satisfy the alternatives to paying the AHIF with an on-site percentage that is substantially lower in cost than paying the impact fee.
- Recognizes the housing market differentials between Zones 1 and 2 and Zone 3 in the alternatives to the impact fee. This is consistent with the fee differentials between zones. (Fees in Zone 3 are 35-55% of fees in Zone 1 and 50-68% of the fees in Zone 2).

There are a few considerations on the negative side of the ledger:

- As demonstrated in the analysis elsewhere in this report, the on-site alternative means of compliance currently appears as the least costly option for meeting the requirements of the AHIF program. Increasing the percentage requirement would narrow that cost differential, resulting in some projects paying impact fees that might otherwise have built on-site affordable units. On-site affordable units in mixed-income projects are the only way that affordable units can be added in many parts of Oakland where this type of housing resource is desired (downtown and other transit-rich areas) because of constraints on the awarding of subsidies for 100% affordable projects in those areas.

- The suggested increase may foreclose on-site compliance for some projects because of higher costs. This outcome would be mitigated in Zone 3 by maintaining the current percentages.

APPENDIX A
OAKLAND DEVELOPMENT PROTOTYPES

The tables in Appendix A describe representative development prototypes that characterize market-rate development built and proposed in Oakland and subject to impact fees. These prototypes are updated versions of development prototypes identified in the 2015/2016 analysis done to establish Oakland's Impact Fee Program.

The tables identify and describe both residential and non-residential development prototypes in terms of the following characteristics: land use, building type, development density, locations where typically developed, project sizes, and identification of actual project examples built, permitted, or proposed in Oakland. For market-rate residential development, there are additional tables identifying housing unit characteristics and current rents and sales prices.

The results presented in these tables are derived from a number of sources of data and information, including the following:

- City of Oakland List of Major Projects, organized by land use type and development characteristics
- City of Oakland records, staff reports, and development plans for actual projects, accessed through Accela
- CoStar market reports and data from City of Oakland
- Zillow reports and market data
- Additional information and data from articles and reports from the San Francisco Business Times, SF Yimby Newsletter project descriptions, San Francisco Chronicle, and other sources

This appendix is organized by land use type. Residential development prototypes and additional tables are presented first, in **Tables A-1 through A-5**, followed by the Non-Residential development prototypes in **Tables A-6 through A-9**.

Table A-1
Oakland Multifamily Housing Development Prototypes

	Prototype H-3 Lower Mid-Rise, Multifamily Development	
Construction Type	Type V; over Type I podium in some cases	
Height	3-4 floors	
Parking Location	Surface or podium	
Description	**A. Mix of Apartment Units**	**B. All Studio Units**
Locations in City	West Oakland/North Oakland/East Oakland	West Oakland/North Oakland/ Peralta-Eastlake-Fruitvale
Tenure	Rental Apartments	Rental including short-term
Average Unit Size	892 square feet per unit	288 square feet per unit, all studios
Bedroom Mix	16% studios; 46% 1BR; 29% 2BR; 9% 3BR	Attached 3-story townhomes with 5 studio units in each
Parking	0.8 – 1.0 space per unit	Limited surface parking
Density	40 – 100 units/acre	Townhomes 35-40/acre; Studio units 170-190/acre
Project Examples	3250 Hollis St. – Hollis Oak – West Oakland 94 units + 30 work/live/ 2-4 floors	2242 Magnolia St. – Artthaus Magnolia – West Oakland 13 townhomes – 63 studios/3 floors
	2850 Hannah St. – Artthaus Hanna – West Oakland 90 units/4 floors	1705 Mandela Pkwy. – Artthaus Mandela – West Oakland 13 townhomes – 65 studios/3 floors
	2350 Valley St. – Mason at Hive – Broadway Valdez 105 units/3 floors	825 6th Ave. – Artthaus Six – East Peralta 75 Studios/3 floors
	347 E. 18th St. – Eastlake/Fruitvale 27 units/4 floors	
	2611 Seminary Ave – Central East Oakland 28 units/4 floors	

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

Table A-2
Oakland Multifamily Housing Development Prototypes

	Prototype H-4 Mid-Rise Multifamily Development	Prototype H-5 High-Rise Multifamily Development
Construction Type	Type III-A over Type I-A podium	Type I
Height	5-8 floors; most 6-7 floors	18-40 floors
Parking Location	Podium and below grade	Most above grade; some below grade
Locations in City	Downtown/Broadway Valdez/Jack London/ Brooklyn Basin/North Oakland	Downtown/Broadway Valdez
Tenure	Rental Apartments	Rental Apartments
Average Unit Size	846 square feet per unit	782 square feet per unit
Bedroom Mix	17% studios; 50% 1BR; 28% 2BR; 5% 3BR	13% studios; 58% 1BR; 26% 2BR; 3% 3BR/PH
Parking	0.6 – 1.0 space per unit	0.5 – 1.0 space per unit
Density	125 – 250 units/acre	370 – 480 units/acre
Project Examples	1889 Harrison – Downtown (224 units, 7 floors)	385 14th St. – Atlas – Downtown (634 units, 40 floors)
	1100 Webster – Webster Eleven – Downtown (333 units, 7 floors)	447 17th St. – Downtown (447 units, 33 floors)
	325 27th St. – Hanover Broadway – Broadway Valdez (254 units, 7 floors)	2883 Turquoise – Skylyne – North Oakland (402 units, 24 floors)
	2302 Valdez – Alta Waverly – Broadway Valdez (234 units, 6 floors)	171 7 Webster St. – Downtown (247 units, 24 floors)
	40 Harrison – Channel House – Jack London District (333 units, 8 floors)	330 17th St. – ZO – Downtown (206 units, 23 floors)
	255 9th Ave. – Orion – Brooklyn Basin (241 units, 7 floors)	1510 Webster – Downtown (236 units, 19 floors)
	5110 Telegraph -The Logan – North Oakland (204 units, 6 floors)	2016 Telegraph – Forma – Downtown (230 units, 18 floors)

Source: Hausrath Economics Group, based on recent and current housing developments in Oakland.

Table A-3
Oakland Single Family and Townhome/Row House Development Prototypes

	Prototype H-1 Single Family Detached		Prototype H-2 Townhomes/Row Houses	
Construction Type	Type V		Type V	
Height	2-story and 3-story		3-4 story, most 3-story	
Parking Location	attached garage		attached garage	
Description	**A. Modest to mid-level prices and construction**	**B. High-quality construction, features, and sites**	**A. Mid-level prices and construction**	**B. Higher-quality construction, features, and sites**
Locations in City	Urban Infill, East Oakland, Eastmont Hills	North Hills, East Hills, Upper Rockridge	West Oakland, parts of North Oakland, East Oakland	North Hills, East Hills, and parts of North Oakland
Tenure	For Sale	For Sale	For Sale; some rented thereafter	For Sale
Average Unit Size	1,600 – 2,200 sf	2,800 – 3,200 sf	1,500 sf	2,000 – 2,200 sf
Bedroom Mix	3BR/2BA – 3BR/3BA	4 BR/3 BA	2BRs and 3BRs	3BRs
Parking	1 – 2 cars	2 cars	1 car	2 cars
Density	avg. 15 homes/acre	avg. 6 homes/acre; if small lots 14/acre	30 – 40 homes/acre	15 – 40 homes/acre
Project Examples	Infill SFDs on individual lots or small number of lots	Oak Knoll – East Hills (170 SFDs on typical lots; 179 SFDs on small lots) Viewcrest Estates East Hills (10 SFDs)	Central Station Village 1405 Wood St West Oakland (90 THs) Blossom House/ Hill 9873 MacArthur Blvd. Central East Oakland (29 THs) 999 98th Ave. Central East Oakland (122 THs)	Oak Knoll – East Hills (569 THs) Telegraph Town Homes 5876 Telegraph Ave. North Oakland (23 THs)

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

Table A-4
Multifamily Housing Prototypes: Characteristics and Rents

Housing Type and Location	Percentage by Unit Type / Size	Bedrooms/ Bathrooms	Average Unit Size (sq. ft.)	Average Monthly Asking Rent (Feb.2024)	Average Rent per Square Foot
RENTAL APARTMENTS					
H-3: Lower Mid-Rise Apartments/a/	40%	Studio	368	$1,577	$4.29
(3-4 floors)	32%	1BR/1BA	831	$2,372	$2.85
West Oakland, parts of North Oakland,	21%	2 BR/2 BA	1,025	$2,691	$2.62
Peralta-Eastlake-Fruitvale	7%	3 BR/2 BA	1,323	$3,433	$2.60
	100%	*weighted average:*	**720**	**$2,194**	**$3.05**
H-4: Mid-Rise Apartment Development	17%	Studio	548	$2,116	$3.86
(5-8 floors over podium)	50%	1 BR/1 BA	736	$2,529	$3.44
Downtown, Jack London. Broadway	28%	2 BR/2 BA	1,119	$3,461	$3.09
Valdez, North Oakland	5%	3 BR/2 BA	1,458	$4,636	$3.18
	100%	*weighted average:*	**846**	**$2,821**	**$3.33**
H-5: High-Rise Apartment Development	13%	Studio	507	$2,033	$4.01
(Prime Sites; 18-40 floors)	58%	1 BR/1 BA	694	$2,867	$4.13
Downtown, Broadway Valdez, and a part	26%	2 BR/2 BA	1,043	$3,753	$3.60
of North Oakland	3%	3 BR/Penthouse	1,565	$5,686	$3.63
	100%	*weighted average:*	**782**	**$3,058**	**$3.91**

Note: 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 occur in the Temescal and 51st and Broadway areas, oriented for a higher-rent consumer. There is also an H-5 high-rise development in the MacArthur BART station area of North Oakland.

/a/ Combines prototypes H-3A and H-3B from Table A-1.

Source: Hausrath Economics Group, City of Oakland, CoStar, 2024

Table A-5
Single-Family and Townhome Prototypes: Characteristics and Sales Prices

Housing Type and Location	Bedrooms	Average Unit Size	Sales Prices	Average Price per Square Foot
		(sq. ft.)	(2/2024)	
FOR SALE HOMES				
H-1A: Single Family Detached Homes (Modest to mid-level prices and construction) Urban Infill / East Oakland/Eastmont Hills	3 BR	1,600 – 2,200	$650,000 – 875,000	$400
H-1B: Single Family Detached Homes (High-quality sites and construction) North Hills, East Hills, Upper Rockridge	4 BR	2,800 – 3,200	$1.5 mil – 2.1 mil	$535 - 650
H-2A: Townhomes/Row Houses (Mid-level prices and construction) West Oakland, parts of North Oakland, East Oakland	2BR & 3 BR	1,500	$775,000 – 875,000	$500 – 575
H-2B: Townhomes/Row Houses (Larger units and higher-quality construction) North Hills, East Hills, parts of North Oakland	3 BR	2,000 – 2,200	$975,000 – 1.2 mil.	$500 – 550

Source: Hausrath Economics Group, Zillow Oakland, February 2024

Table A-6
Oakland Office Development Prototypes

	Prototype O-1 High-rise Office	Prototype O-2 Lower High-Rise / Mid-Rise Office	Prototype O-3 Mid-Rise/Low-Rise Office
Construction Type	Type I - steel/concrete	Type I - II	Type I or II
Height	17-38 floors	4-12 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 3-4 floors parking in podium structure, 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	16 - 20	3.0 - 8.0	1.0 - 4.0
Location in City	Downtown	Greater Downtown, Jack London District	Commercial Corridors, Coliseum/Hegenberger Area
Project Sizes	350,000 – 1,100,000 sf	150,000 - 350,000 sf	80,000 - 200,000 sf
Examples Built	1101 Broadway (369,000 sf) 601 City Center (660,000 sf)	55 Harrison - Jack London Square (156,352 sf)	66th Ave & Oakport (~200,000 sf)
Approved / Proposed	2100 Telegraph (1,600,000 sf) 2201 Valley Street (765,000 sf) 1919 Webster Street (406,600 sf) 415 20th Street (1,100,000 sf)	2424 Webster (163,000 sf) Examples: Mission Bay / SF	Examples: Emeryville

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

Table A-7
Oakland Retail Development Prototypes

	Prototype R-1 **Freestanding larger store(s);** **surface parking**	**Prototype R-2** **Grocery Store;** **small shops possible too** **roof parking**
Construction Type	Type V or III	Type II or I
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
Parking	surface/on-site parking; 3-4 per 1,000 sf	roof parking; 3-4 per 1,000 sf
FAR	0.3 - 0.4	0.4 - 0.8
Location in City	Commercial Corridors / Districts	Commercial Corridors / Districts; Downtown; North Oak; Hills
Project Sizes	30,000 - 60,000 sf	35,000 - 65,000 sf
Examples Built ~10 years ago	Best Buy (45,000 sf) Lexus Dealership (22,000 sf building with outdoor auto sales and lower FAR of ~0.15)	Whole Foods (56,000 sf) Safeway - College Avenue (45,000 sf grocery + 9,500 sf small shops) 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:

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.

Source: Hausrath Economics Group, based on retail developments of types that have occurred in Oakland.

Table A-8
Oakland Hotel Development Prototypes

	Prototype H-1 High-rise Hotel	Prototype H-2 Mid-rise Hotel	Prototype H-3 Motel
Construction Type	Type I	Type III	Type V
Height	12-20 floors	5-8 floors	3 floors
Description	Full Service Hotel Upscale or Luxury Meeting Space Restaurant	Upscale or Luxury with restaurant and meeting space Upper – Mid-scale with meeting space	Upscale or Upper-mid-scale Some meeting space Some with outdoor amenities
Parking	On-site garage 0.6 – 0.75 parking spaces/room	Most with garage on-site or nearby 0.6 – 1.0 parking spaces/room	Surface parking on-site 0.75 – 1.10 parking spaces/room
FAR	10.0 – 16.0	4.0 - 7.0	1.5 - 2.0
Location in City	Downtown	Greater Downtown, Jack London District / Waterfront	Along Embarcadero / Estuary Vicinity of Airport
Project Sizes	175 – 300 rooms	120 – 180 rooms	80 - 140 rooms
Examples Built (year)	Marriott Dual Brand Hotel - Residence Inn (143 studios) - Marriott AC Hotel (133 rooms) 1431 Jefferson (2023)	Kissel Uptown (168 rooms) 2455 Broadway (2022) Moxy Oakland Downtown (172 rooms) 2225 Telegraph (2021) Hampton Inn (121 rooms) 378 11th Street (2019)	Best Western & Bayside Hotel (81 rooms) 1717 Embarcadero (2013) Homewood Suites (132 rooms) 1103 Embarcadero (2001)

Source: Hausrath Economics Group, based on hotel/motel developments built recently in Oakland.

Table A-9
Oakland Industrial Development Prototypes

	Prototype I-1 Warehouse / Distribution & Logistics	Prototype I-2 Custom Manufacturing / Light Industrial	Prototype I-3 Adaptive Reuse of Industrial Buildings
Construction Type	Tilt-up concrete panels with steel frame or precast undulated panels	Tilt-up	Preserving facades and renovating/rebuilding existing industrial buildings to provide modernized industrial space and amenities
Height	1 story	1-2 stories / 1 story + mezzanine	
Description	Large floorplate Clear height minimums of 18 ft/up to 36 ft for newest product On-site loading area Dock and/or graded door Minimal build-out Ancillary office option	May require clear heights May require storage / staging on-site May require on-site loading area and dock or graded doors Likely includes some office space Likely build-to-suit Development costs vary depending on business type and functions	Adaptive reuse/rehab for early stage biotechnology, advanced manufacturing, sustainable technology start-ups, food processing/manufacturing, etc. Creating clusters of industrial, R&D, and office business activities with amenities.
Parking	Surface; on-site parking	Surface; on-site parking	Surface; on-site, and street
FAR	0.4 - 0.5	0.45 - 0.65	
Location in City	East Oakland Industrial / West Oakland / Maritime	East Oakland Industrial / West Oakland Industrial	West Oakland
Project Sizes	150,000 - 540,000 sf	20,000 - 250,000 sf smaller and larger facilities	5,000 - 32,000 sf and larger spaces in multiple, existing buildings

(continued on next page)

Table – A-9 (continued)
Oakland Industrial Development Prototypes

	Prototype I-1 Warehouse / Distribution & Logistics	Prototype I-2 Custom Manufacturing / Light Industrial	Prototype I-3 Adaptive Reuse of Industrial Buildings
Examples, recent & about 10 yrs. ago	Bridge Point 5441 International Boulevard (534,210 sf)	Mettler-Toledo Rainin Instruments manufacturing and office facility 7500 Edgewater (~200,000 sf) life sciences (pipettes)	Prescott Blocks / srmErnst 7 smaller buildings Range of spaces: 5,000 – 32,000 sf
	Oakland Global Logistics Center 3 bldgs., Maritime St. (189,000, 232,800, 256,200 sf)	Other examples: brewery food processing/manufacturing	American Steel Blocks Cluster of larger industrial buildings totaling 440,000 sf
	Goodman Logistics Center 8350 Pardee Dr. (377,725 sf)		
	Horizon Beverages Headquarters & Distribution Center Pardee Dr. (155,000 sf)		NOTE: Adaptive reuse cannot be generalized into a prototype and varies case-by-case depending on the specifics of existing buildings and their future tenant(s).

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

APPENDIX B : SUPPORTING MATERIAL FOR AFFORDABLE HOUSING STRATEGY DISCUSSION

Key elements of inclusionary housing programs (either Impact Fees or Inclusionary Zoning) in peer jurisdictions

The Grounded Solutions Network maintains an Inclusionary Housing Database[31] This database includes both inclusionary zoning requiring provision of affordable housing on-site and affordable housing mitigation fee policies such as that adopted by the City of Oakland. The database lists 240 programs in California jurisdictions, including 111 programs for residential development (inclusionary zoning requirements and/or mitigation fees) in 69 of the 101 Bay Area cities (including San Francisco).

All cities in Alameda County except Piedmont and Newark have inclusionary housing programs, either through Impact Fees or Inclusionary Zoning. (Newark's 2021-2023 Affordable Housing Work Plan includes an item to study the potential for new affordable housing requirements.) **Table B-1** presents the characteristics of inclusionary programs in nine Alameda County cities and in San Francisco and San Jose. The programs in Dublin, Livermore and Pleasanton are not covered because of the different real estate market context in those Tri-Valley cities. The following points summarize how these jurisdictions have framed their inclusionary housing programs (on-site option to an impact fee, in the case of Oakland):

- **Project threshold size**: eight of the 11 cities have a minimum project size, ranging from two to ten units. Only Berkeley, Oakland, and Union City have no minimum size for projects paying impact fees or in-lieu fees. In 2023, Berkeley eliminated a five-unit minimum in favor of a tiered schedule for projects of less than 12,000 square feet.
- **Percent affordable housing required on-site:** 10% up to 15% in most cities. Alameda, Albany, Berkeley, Emeryville, and San Francisco have percentages as high as 20% or higher in some cases (depending on tenure, size of project, and/or location). In 2023, San Francisco adopted temporary reductions of percentages in the range of 22 – 24% to 12 – 15% and eliminated the distinction between rental and ownership projects until 2026. The reductions are intended to incentive entitled projects to move forward by reducing project costs to enhance project feasibility. Percentages are lowest in Oakland and Hayward.
- **Affordability by income category:** tends to vary by rental or for-sale projects. Rental projects require units affordable to very low- and low-income households, while for-sale projects target moderate-income households. Albany is the only city that targets only very low- and low-income households. For projects of 25 or more units, San Francisco requires

[31] Grounded Solutions Network (2020). Inclusionary Housing Database. Retrieved from http://inclusionaryhousing.org/map

some units affordable to middle-income households. Oakland's on-site option allows for very low-, low-, and moderate-income units.

- **In-lieu fee:** all cities have fee options to the inclusionary zoning requirement. In Alameda and Albany, the fee option is only available to smaller projects. Fee amounts often vary by size of project and whether it is rental or for-sale. To incentivize on-site production, in San Francisco and San Jose, the inclusionary percentage used to calculate the in-lieu fee is higher than it is for the on-site requirement. Berkeley recently revised their program to set the same fee for ownership and rental projects. San Jose's 2021 update adopted different fees for rental projects in "strong market areas" and "moderate market areas." Oakland from the beginning established impact fee zones recognizing the variations in real estate development conditions in different parts of the city.
- **Other compliance options:** a full range of options in most cities, including off-site, land dedication, fewer units for deeper affordability, mixed compliance (fee and on-site). Berkeley does not offer an off-site option, although the city does allow land dedication. The off-site options in San Francisco and San Jose require higher percentages of affordable units. Fremont and San Jose allow acquisition and rehabilitation of existing units. Oakland allows an off-site option as an alternative to the AHIF.
- **Incentives to encourage on-site production:** most cities including Oakland offer incentives, usually in the form of a density bonus or modified development standards. Some cities offer reduced permit fees or reductions/waivers of capital improvements or similar types of impact fees, and/or expedited processing. As noted above, in San Francisco and San Jose, in-lieu fees are set to encourage on-site production. Oakland exempts on-site affordable units from the Capital Improvements Impact Fees.

Details of inclusionary zoning in-lieu fees / affordable housing impact fees in peer jurisdictions

In-lieu fees and affordable housing impact fees are important components of affordable housing programs. Before AB 1505 reinstated the ability to impose inclusionary zoning requirements on rental housing, most California jurisdictions turned to affordable housing impact fees to implement affordable housing requirements on rental housing. Some cities, such as Oakland, adopted affordable housing impact fees in 2016 instead of inclusionary zoning requirements, because State law prohibited adopting inclusionary zoning for rental housing at the time. Those impact fees, justified with residential nexus analysis documenting the need for affordable housing associated with new market-rate development and the associated mitigation cost, continue to be the basis for the maximum legal fee amounts established in many places in California. Against these maximums, cities set actual impact fee levels based on economic feasibility analysis and local policy priorities. More recently, among the peer jurisdictions evaluated here, both San Francisco and San Jose have developed alternative methodologies for establishing initial impact fee levels that are then subject to adaptation based on feasibility considerations and local policy priorities.

Table B-2 presents the key elements of impact fee options in Oakland and peer jurisdictions. The elements are:

- Timing of fee payment: building permit issuance, certificate of occupancy, incentives for early payment
- How fee determined: method for determining maximum / initial fee
- How fee amount is expressed: per unit or per square foot, with details on the definition of square footage
- Basis for annual changes: construction cost indices inflation rate

Table B-1: Characteristics of Inclusionary Affordable Housing Programs in Selected Jurisdictions

Jurisdiction	Year Adopted	Most Recent Update	Project Threshold Size	Percent Affordable Housing Required On-Site	Affordability by Income Category	In-Lieu Fee	Other Compliance Options	Incentives to Encourage On-Site Production	Affordability Time Limit	Design Standards
Alameda	2003		5 units	**15%** outside redevelopment areas; **25%** in redevelopment areas	54% split evenly between VLI and LI and 46% MI	**$23,352 per unit** (for projects of 9 or fewer units only)	Off-site	Expedited processing	59 years	None specified in ordinance
Albany	2005	2005	5 units	14 or more total units: **15%**; San Pablo Area Specific Plan (2022) has incentives for projects providing **20%**; 7 - 13 units require at least 1 affordable unit; 5-6 units pay	10 or more units: divided evenly between low and very low; 7-9 units all low income	In-lieu fee for projects of 5-6 units, equivalent to 15% inclusionary requirement	Off-site; land dedication; conversion of existing market rate to affordable units	If not applying for Density Bonus, projects that provide more than the required inclusionary units may seek incentives to enhance feasibility; may include deferral	In perpetuity	None specified in ordinance
Berkeley	1986	Updated most recently in 2023 to consolidate rental and owner under inclusionary requirement with in-lieu fee. Feasibility analysis under way in 2024 to verify and refine.	Threshold of 5 units eliminated in 2023 in favor of tiered fee schedule for projects < 12,000 square feet	**20%**	Ownership units: up to 80% AMI; rental projects at least 50% affordable to VLI	As of July 2022: Rental projects pay in-lieu fee: **$46,185 per unit** at certificate of occupancy or **$43,185 per unit** at building permit (schedule in effect in 2022). Fee changed to **$56.25 per square foot** in 2023, with lower tiered fee for projects < 12,000 square feet.	Land dedication; on-site option with 20% of floor area if provide 2 and 3 BR units; mixed compliance option	None specified in current ordinance although 2023 update provides for family-sized unit incentive where projects that provide 2 and 3 BR BMR units may provide 20% of total residential square feet instead of 20% of units	In perpetuity	Same proportion of unit types (i.e. number of bedrooms) and unit size as market rate, except no affordable unit has more than 3 bedrooms. Reasonably dispersed and comparable in appearance, materials, and finish quality.
Emeryville	1996		10 units	Ownership projects: **20%** to moderate income households; rental projects: on-site option to in-lieu fee is **12%**	Ownership projects: 100% MI; rental projects: on-site option to in-lieu fee 33% VLI and 67% LI	Rental projects pay Affordable Housing Mitigation Fee with on-site option: **$33,999 per unit** (FY 2023-24)	On-site for ownership projects; fewer units required if deeper affordability; off-site	If project targets median income households, the affordable percentage is lower and city can subsidize impact and other permit fees. City may also subsidize impact and other permit fees.	45 years	Upon showing of hardship: city may allow reduction in amenities or units size.
Fremont	2002	2021 and 2022	2 units	For-sale: **15%**; rental: **10%**	For-sale: LI and MI; rental: LI	For-sale: In-lieu fee is **$27 per sq. ft.** for stacked flats or **$44 per sq. ft.** all other types; if only 5% affordable to MI, **$12 per sq. ft.** for stacked flats or **$29 per sq. ft.** for all other (based on mitigation for low income units). Rental: **$17.50 per sq. ft.** for units > 700 sq.ft., **$8.75 per sq. ft.** for units up to 700 sq. ft., **$27 per sq.ft.** with underlying subdivision map; Reduced in-lieu fees per sq. ft. when low income units provided on-site instead of moderate income	For-sale projects: off-site; preserve existing affordable housing; purchase and renovate existing unregulated buildings; land dedication; rental projects: on-site	Density bonus and other development standards modifications	Successive 30-year minimum periods for ownership	Projects not applying for density bonus: may allow different finishes and features in affordable units
Hayward	2003	2023	2 units	High-density condos: **7.5%**; other ownership: **12%**; rental projects: **6%**	High-density condos: affordable to MI; other ownership: 50% MI and 50% LI; rental projects: 50% VLI and 50% LI	10+ Units: high-density condos (35 du/ac) **$19.35 per sq.ft.** habitable space; lower density ownership housing (<35 du/ac) **$26 per sq. ft.** habitable space; all other dwelling unit types: **$23.46 per sq. ft.** habitable space; 2 - 9 units: tiered percentage of fee	Off-site, deeper level of affordability	Density bonus; modified development standards to increase density; expedited processing; technical and financial assistance	In perpetuity	Affordable units may have different interior features and fixtures
Oakland	2016	2024	no minimum	On-site is not required but is option to AHIF. **5%** affordable to very low income HH or **10%** affordable to low or moderate income HH	VLI, LI, and MI	All projects required to pay Affordable Housing Impact Fee with on-site option: 3 fee zones with fees ranging from **$10K per unit to $31K per unit** depending on zone and housing type	Off-site	Density bonus	55 years or the life of the project	Reasonably dispersed, of same size and on average same number of bedrooms as market rate units. Comparable in terms of appearance, amenities, materials, and finish quality.

(continued on next page)

Table B-1: Characteristics of Inclusionary Affordable Housing Programs in Selected Jurisdictions

Jurisdiction	Year Adopted	Most Recent Update	Project Threshold Size	Percent Affordable Housing Required On-Site	Affordability by Income Category	In-Lieu Fee	Other Compliance Options	Incentives to Encourage On-Site Production	Affordability Time Limit	Design Standards
San Leandro	2004	2019	Rental projects: 4 units; for-sale projects 2 units	**15%** of total units for projects of 50 units or more; comparable numbers units specified for tiers of small projects.	Generally 40% LI / 60% VLI	In-lieu option for for-sale projects of 6 units or fewer; if more than 6 units, fee may be allowed for partial obligation in combination with other alternatives.	Off-site; land dedication; credit transfers; or combination	Flexible zoning standards may be offered	55 years for rental and 45 years for owner	Inclusionary units can be smaller than market rate units
Union City	2002	2018	no minimum	**15%**	Rental projects 30% VLI / 70% LI; Ownership projects 10% LI, 30% MI up to 100% AMI, 60% MI 101 - 120% AMI	For small projects only, 6 units or less: small project in-lieu fee **($24K per unit base fee + $8 per sq. ft.** over 1,000 sq. ft. for units > 1,000 sq. ft. For large projects 7 units or more: large project optional in-lieu fee: **$27 per sq. ft.** (23/24 master fee schedule)	Off-site; alternative construction option	Priority processing, technical and financial assistance.	55 years for rental and successive 45-year periods for ownership	For single family projects, can satisfy requirement with duplex units on corner lots
San Francisco	2002	2023	10 units	**Temporary Reductions 2024 - 2026**: pipeline projects requirement reduced to **12%** for both rental and ownership (requires building permit by May 1, 2029); new projects requirement reduced to **15%**; **2022 requirements for rental:** 10-24 unit projects - **14.5%**; 25+ projects - **21.5%** and **2022 requirements for ownership:** 10-24 unit projects - **14.5%**; 25+ projects - **23.5%**	10 - 24 units: 55% AMI rental and 80% AMI for-sale; 25+ units: rental split between 55% AMI, 80% AMI, and 110% AMI and for-sale split between 80% AMI, 110% AMI, and 130% AMI. Percentage allocations among income categories adjusted from 2022 requirements during Temporary Reduction period.	**$249.66 per sq. ft.** of gross floor area of residential use (effective 1/1/24) times applicable percentage; **Temporary Reductions 2024 - 2026**: pipeline projects requirement reduced to **16.4%** for both rental and ownership (requires building permit by May 1, 2029); new projects 25 or more units requirement reduced to **20.5%**	**Temporary Reductions 2024 - 2026** for off-site: pipeline projects requirement reduced to **16.4%** for both rental and ownership (requires building permit by May 1, 2029); new projects requirement reduced to **20.5%**; **2022 requirements:** 10 - 24 units: 20% (rental at 55% AMI and ownership 80% AMI) and 25+ units: 30% for rental (18/6/6/) and 33% for ownership (18/8/7)	Local density bonus program has different BMR requirements; if developer chooses State density bonus, bonus units pay the Affordable Housing Fee on the additional units or square footage	Life of the project	Comparable in number of bedrooms, exterior appearance, and overall quality of construction to market rate units. Affordable units not required to be the same size; can be smaller subject to minimums. Off-site units located within one mile of principal project.
San Jose	2010	2021 / 2022	10 units	For-sale projects: **15%**; rental projects: **15% or 10%** at deeper affordability	For-sale projects: affordable to no more than 110% AMI; rental projects: split evenly between 110% AMI, 60% AMI, and 50% AMI or all at at 30% AMI	Different fees for for-sale and rental and by project size 20+ units vs. 10 - 19 units. Rental projects also vary by whether or not in Strong or Moderate Market Area. For-sale development: **$41.54 per sq. ft.** Rental projects in strong market area **$49.99 per sq. ft.** and **$21.74 per sq. ft.** in moderate market area. In-lieu fees reduced 50% for projects between 10 and 19 units if build at 90% or more of General Plan maximum density.	On-site (including substituting rental for owner units with different affordability requirements); off-site option equivalent to **20%** inclusionary and requires deeper affordability; acquisition and rehabilitation of existing units; provide HUD restricted units at a ratio of 2:1 required by inclusionary; credits for surplus units and transfer of credits; land dedication; mixed compliance option providing at least 5% affordable and rest in adjusted in-lieu fee; partnerships for clustered units to concentrate affordable units in one portion of larger site to access affordable housing financing	Financial assistance if provide more than required or deeper affordability than required	99 or years or 55 years for rental and 45 years for owner if needed for financing	Inclusionary units may have different interior fixtures and finishes. SFD may include SFA inclusionary unit and may have smaller lots for inclusionary units.

Abbreviations: AMI = Area Median Income, BR = bedroom, du/ac = dwelling units per acre, HH = household, LI = Low Income, MI = Moderate Income, sq. ft. = square foot, SFA - Single famly attached, SFD = Single family detached, VLI = Very Low Income,

Note: This table is necessarily limited to abbreviated review of key points of often complicated programs. Local implementing ordinances, code sections, and other background documentation are the primary sources.
Sources: Local implementing ordinances, code sections, and other background documentation are the primary sources.

Table B-2: Details of Inclusionary Affordable Housing In-Lieu Fees and Affordable Housing Impact Fees in Selected Jurisdictions

Jurisdiction / Most Recent Fee Update	Timing of Fee Payment	How Fee Determined	How Fee Amount Expressed	Basis for Annual Changes Between Updates
Alameda	Building permit	Affordability gap and residential nexus analysis determines maximum	Per unit	Construction Cost Index
Albany (2016)	Building permit	Case-by case: Difference between the fair market value of an inclusionary unit and the ability of a household in the target income group to afford the rental or purchase price, as determined by the City at the time of issuance of a building permit for the housing development project.	Per unit	
Berkeley (2023)	As of 2023, certificate of occupancy; formerly discount for earlier payment at building permit.	Affordability gap and residential nexus analysis determines maximum	Per square foot of residential unit floor area (as of 2023); formerly per unit. Residential unit floor area is measured from the interior walls of each unit. Excludes areas that are not habitable such as balconies, storage lockers, and parking, as well as any exclusively commercial space. Represents net residential square footage.	Automatically Increased biennially by changes in California Construction Cost Index
Emeryville (2014)	Building permit	Affordability gap and residential nexus analysis determines maximum	Per unit	Engineering News-Record Construction Cost Index for San Francisco. Opted to use SF Bay Area CPI in 2022 because CCI increase was deemed excessive and burdensome.
Fremont (2020)	Building permit	Affordability gap and residential nexus analysis determines maximum	Per square foot habitable space	Engineering News-Record McGraw-Hill Construction Weekly Building Cost Index for San Francisco.
Hayward (2017)	Either prior to issuance of a building permit or prior to approval of a final inspection or issuance of an occupancy permit. Fees paid after building permit are increased by 10 percent (10%).	Affordability gap and residential nexus analysis determines maximum	Per square foot habitable space (floor area within a dwelling unit designed, used, or intended to be used exclusively for living and sleeping purposes and exclusive of vent shafts, eaves, overhangs, atriums, covered entries and courts and any portion of a structure above ground used for parking, parking aisles, loading areas, or accessory uses)	Engineering News-Record Construction Cost Index for San Francisco Bay Area
Oakland (2021/2024)	50% at building permit and 50% at certificate of occupancy	Affordability gap and residential nexus analysis determines maximum	Per unit	Building cost index published by Marshall and Swift (wood frame buildings in the Western District)
San Leandro	Building permit	Median sales price of a dwelling unit in San Leandro, (single family detached, single family attached or condominium, whichever is applicable), minus the Affordable Ownership Cost, multiplied by the fractional inclusionary unit required	Per unit	Engineering News-Record San Francisco Building Cost Index.
Union City (2016)	Building permit	Affordability gap and residential nexus analysis determines maximum	Projects of 6 units or fewer: per unit base fee with per square foot fee for units in excess of 1,000 sf; Projects of 7 unts or more: per square foot fee	No change
San Francisco (2023)	Building permit, with deferral to certificate of occupancy allowed if 15% of total fee owed paid at building permit.	Calculated each year based on Mayor's Office of Housing & Community Development average cost to constuct an affordable unit in projects that were financed in the previous 3 years and the Planning Department's average residential gross floor area of projects that elected to pay the fee and were entitled in the same time period.	Per square foot of gross floor area of residential use applied to applicable inclusionary percentage for the project; gross floor area is area within the building's exterior walls, exclusive of areas devoted to off-street parking	Re-calculated each year using updated data
San Jose (2021)	After issuance of development permit but prior to issuance of certificante of occupancy	In-lieu fee methodology occurs every five years. For-sale: Calculate affordability gap based on market prices for attached units built in the most recent 5-year period by unit size and bedroom mix and affordable sales prices for same bedroom mix. Multiply affordability gap by the affordable percent required and divide by the average square footage of the market rate units reflected in the sales data to determine the per square foot in-lieu fee. Rental Residential Development: Determine affordabiilty gap based on capitalized difference between market rate rents and affordable rents. Market rate rents based on rents charged for the most recently built three thousand (3,000) market rate rental units. Average affordable rents for each income category weighted to reflect the average number of bedrooms in the market rate rental units used to determine market rate rents. Multiply affordability gap by affordable percent required in each income category and divide by average square footage of 3,000 market rate rental units used to determine market rate rents. Total fee is sum of fees for each income category.	Per net new square foot of residential floor area. For-sale: net square footage measured from outside surface of the exterior stud walls, including all finished living space and common areas inside the single family units. Does not include unheated areas such as parking and balconies. For rent: rentable square footage measured from outside surface of the exterior stud walls, including all finished living space. Does not include parking areas, common hallways, common rooms, building lobbies, balconies, elevator shafts, common stairways, utility shafts, janitorial closets, common recreation areas, and storage lockers not located within unit.	Engineering News Record Construction Cost Index for the San Francisco Bay Area

Sources: Implementing ordinances and administrative guidelines in each jurisdiction.

Table B-3

Mixed Income **Residential Development Projects / Proposals Using Density Bonus Incentives / Concessions /a/**

Street Address	Pipeline Status	Building Activity Year[b]	Units by Household Income Category				Total Units	Total Density Bonus Applied[f]	Calculations Based on City Input			
			Very Low-Income up to 50% AMI[c]	Low-Income 51% - 80% AMI[d]	Moderate-Income 81% - 120% AMI[e]	Above Moderate-Income / Market-Rate			Total Base Units	Bonus Units	Total Units	% Density Bonus[g]
Proposed Projects												
2401 Adeline Street	Proposed	2022	2	-	-	16	**18**	50%	13	5	18	38%
8930 MacArthur Blvd.	Proposed	2022	4	-	-	31	**35**	50%	23	12	35	52%
7300 MacArthur Blvd.	Proposed	2022	18	2	-	180	**200**	38.75%	147	53	200	36%
220 Alice Street	Proposed	2022	-	-	30	130	**160**	15%	145	15	160	10%
3801 Telegraph Avenue	Proposed	2022	-	-	20	90	**110**	16%	94	16	110	17%
2114 MacArthur Blvd.	Proposed	2022	5	-	-	39	**44**	47%	30	14	44	47%
1523 Harrison Street	Proposed	2022	-	-	51	218	**269**	17%	230	39	269	17%
4185 Piedmont Avenue	Proposed	2022	2	-	-	12	**14**	50%	9.33	5	14	50%
Approved Projects												
3300 Broadway	Approved	2018	-	4	-	42	**46**	20%	38.00	8.00	46.00	21%
1433 Webster Street (Village Glen)	Approved	2018	7	-	-	161	**168**	20%	140.00	28.00	168.00	20%
500 Kirkham Street	Approved	2019	85	-	-	947	**1,032**	35.0%	764.00	268.00	1,032.00	35%
500 Grand Avenue	Approved	2019	-	4	-	36	**40**	23.0%	32.00	8.00	40.00	25%
88 Grand Avenue	Approved	2020	12	-	-	263	**275**	20.0%	229.00	46.00	275.00	20%
2600 Telegraph Avenue	Approved	2020	15	-	-	210	**225**	27.5%	176.00	49.00	225.00	27.8%
1510 Webster Street	Approved	2021	-	35	-	187	**222**	42.5%	158.00	64.00	222.00	41%
578 7th Street	Approved	2021	-	-	16	40	**56**	46.25%	38.00	18.00	56.00	47.4%
451 28th Street	Approved	2021	3	-	-	51	**54**	0.0%	54.00	-	54.00	0%
424 28th Street	Approved	2021	5	-	-	42	**47**	35.0%	35.00	12.00	47.00	34%
347 East 18th Street	Approved	2021	-	3	-	24	**27**	23.0%	21.95	5.05	27.00	23%
2323 San Pablo Avenue	Approved	2021	1	-	-	15	**16**	25.0%	12.80	3.20	16.00	25%
430 Adams Street	Approved	2021	1	-	-	10	**11**	35.0%	8.00	3.00	11.00	38%
1396 5th Street	Approved	2022	16	-	-	206	**222**	25.0%	177.60	44.40	222.00	25%
2901 Broadway / 2929 Broadway	Approved	2022	23			197	**220**	49.7%	146.96	73.04	220.00	50%
685 9th Street	Approved	2022	-	-	35	82	**117**	50.0%	78.00	39.00	117.00	50%
3403 Piedmont Avenue (Sawmill Residences)	Approved	2023	3		21	69	**93**	48.0%	63.00	30.00	93.00	48%
2311 San Pablo Avenue	Approved	2022	5	-	-	39	**44**	46.7%	30.00	14.00	44.00	47%
469 40th Street	Approved	2022	8	-	-	26	**34**	47.8%	23.00	11.00	34.00	48%
2611 Seminary Avenue	Approved	2022	3	-	-	25	**28**	21.7%	23.00	5.00	28.00	22%
5976 - 5998 Telegraph Avenue (Telegraph Townhomes)	Approved	2022	-	-	3	20	**23**	0.0%	23.00	-	23.00	0%
459 Wayne Avenue	Approved	2022	1	3	-	16	**20**	53.8%	13.00	7.00	20.00	54%
1431 Franklin Street	Approved	2023	39	-	-	342	**381**	50%	254.00	127.00	381.00	50%
533 Kirkham	Approved	2023	13	-	-	276	**289**	20%	241.00	48.00	289.00	20%
Permitted Projects												
385 14th Street . 1314 Franklin (Atlas)	Permitted	2018	27	-	-	607	**634**	20.0%	545.00	89.00	634.00	16%
6651 Bancroft	Permitted	2018	3	-	-	18	**21**	35%	16.00	5.00	21.00	31%
230 - 240 West MacArthur Blvd. (One Piedmont)	Permitted	2020	3	-	-	54	**57**	0.0%	58.00	-	58.00	0%
2359 Harrison Street (Lark at Uptown / 24th & Waverly)	Permitted	2022	15	-	-	315	**330**	20.0%	275.00	55.00	330.00	20%
233 Broadway (Z Hotel Conversion)	Permitted	2022	-	-	13	117	**130**	0.0%	130.00	-	130.00	0%
4400 Martin Luther King Jr. Way	Permitted	2022	7	-	-	50	**57**	35.7%	42.00	15.00	57.00	35.7%
335 3rd Street	Permitted	2022	3	-	-	35	**38**	32.5%	29.00	9.00	38.00	31.0%
316 12th Street	Permitted	2022	-	-	3	24	**27**	0.0%	27.00	-	27.00	0.0%
Completed Projects												
5110 Telegraph Avenue (The Logan)	Completed	2022	17	-	-	187	**204**	32.0%	152.00	52.00	204.00	34.2%
2415 Valdez Street (Electric Lofts)	Completed	2022	-	-	9	80	**89**	0.0%	89.00	-	89.00	0.0%
524 41st Street	Completed	2022	-	1	-	4	**5**	0.0%	5.00	-	5.00	0.0%

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Table B-3

***Mixed Income* Residential Development Projects / Proposals Using Density Bonus Incentives / Concessions /a/**

Street Address	Affordable Percent of Base Units / Equivalent Inclusionary Percent (calculated)			DB Allowed Per Table 3 DB Calculator	Affordable Percent of Total Units (calculated)			Impact Fee Zone	On-Site Affordable Housing in lieu of AHIF, per City List thru FY 2022-23
	Very Low-Income up to 50% AMI[c]	Low-Income 51% - 80% AMI[d]	Moderate-Income 81% - 120% AMI[e]		Very Low-Income up to 50% AMI[c]	Low-Income 51% - 80% AMI[d]	Moderate-Income 81% - 120% AMI[e]		
Proposed Projects									
2401 Adeline Street	15.4%	0.0%	0.0%	50.0%	11.1%	0.0%	0.0%	Zone 2	
8930 MacArthur Blvd.	17.4%	0.0%	0.0%	50.0%	11.4%	0.0%	0.0%	Zone 3	
7300 MacArthur Blvd.	12.2%	1.4%	0.0%	38.75%	9.0%	1.0%	0.0%	Zone 3	
220 Alice Street	0.0%	0.0%	20.7%	15.0%	0.0%	0.0%	18.8%	Zone 1	
3801 Telegraph Avenue	0.0%	0.0%	21.3%	16.0%	0.0%	0.0%	18.2%	Zone 1	
2114 MacArthur Blvd.	16.7%	0.0%	0.0%	50%	11.4%	0.0%	0.0%	Zone 1	
1523 Harrison Street	0.0%	0.0%	22.2%	17.0%	0.0%	0.0%	19.0%	Zone 1	
4185 Piedmont Avenue	21.4%	0.0%	0.0%	50.0%	14.3%	0.0%	0.0%	Zone 1	
Approved Projects									
3300 Broadway	0%	11%	0%	21.5%	0%	9%	0%	Zone 1	**Y**
1433 Webster Street (Village Glen)	5%	0%	0%	20%	4%	0%	0%	Zone 1	**Y**
500 Kirkham Street	11.1%	0.0%	0.0%	35%	8.2%	0.0%	0.0%	Zone 2	**Y**
500 Grand Avenue	0.0%	12.5%	0.0%	23.0%	0.0%	10.0%	0.0%	Zone 1	**Y**
88 Grand Avenue	5.2%	0.0%	0.0%	20.0%	4.4%	0.0%	0.0%	Zone 1	
2600 Telegraph Avenue	8.5%	0.0%	0.0%	28.75%	6.7%	0.0%	0.0%	Zone 1	
1510 Webster Street	0.0%	22.2%	0.0%	42.5%	0.0%	15.8%	0.0%	Zone 1	**Y**
578 7th Street	0.0%	0.0%	43.0%	46.25%	0.0%	0.0%	28.6%	Zone 1	
451 28th Street	5.6%	0.0%	0.0%	22.5%	5.6%	0.0%	0.0%	Zone 1	
424 28th Street	14.3%	0.0%	0.0%	46.25%	10.6%	0.0%	0.0%	Zone 1	
347 East 18th Street	0.0%	13.7%	0.0%	24.5%	0.0%	11.1%	0.0%	Zone 2	
2323 San Pablo Avenue	7.8%	0.0%	0.0%	25.0%	6.3%	0.0%	0.0%	Zone 2	
430 Adams Street	12.5%	0.0%	0.0%	40.625%	9.1%	0.0%	0.0%	Zone 1	
1396 5th Street	9.0%	0.0%	0.0%	30.0%	7.2%	0.0%	0.0%	Zone 2	
2901 Broadway / 2929 Broadway	15.7%	0.0%	0.0%	50.0%	10.5%	0.0%	0.0%	Zone 1	**Y**
685 9th Street	0.0%	0.0%	44.9%	50.0%	0.0%	0.0%	29.9%	Zone 1	
3403 Piedmont Avenue (Sawmill Residences)	4.8%	0.0%	33.3%	48.0%	3.2%	0.0%	22.6%	Zone 1	**Y**
2311 San Pablo Avenue	16.7%	0.0%	0.0%	50.0%	11.4%	0.0%	0.0%	Zone 2	
469 40th Street	34.8%	0.0%	0.0%	50.0%	23.5%	0.0%	0.0%	Zone 1	
2611 Seminary Avenue	13.0%	0.0%	0.0%	42.5%	10.7%	0.0%	0.0%	Zone 3	
5976 - 5998 Telegraph Avenue (Telegraph Townhomes)	0.0%	0.0%	13.0%	8.0%	0.0%	0.0%	13.0%	Zone 1	
459 Wayne Avenue	7.7%	23.1%	0.0%	71.3%	5.0%	15.0%	0.0%	Zone 1	
1431 Franklin Street	15.4%	0.0%	0.0%	50.0%	10.2%	0.0%	0.0%	Zone 1	
533 Kirkham	5.4%	0.0%	0.0%	20.0%	4.5%	0.0%	0.0%	Zone 2	
Permitted Projects									
385 14th Street . 1314 Franklin (Atlas)	5.0%	0.0%	0.0%	20.0%	4.3%	0.0%	0.0%	Zone 1	**Y**
6651 Bancroft	20%	0%	0%	50%	14%	0%	0%	Zone 3	**Y**
230 - 240 West MacArthur Blvd. (One Piedmont)	5.2%	0.0%	0.0%	20.0%	5.3%	0.0%	0.0%	Zone 1	**Y**
2359 Harrison Street (Lark at Uptown / 24th & Waverly)	5.5%	0.0%	0.0%	20.0%	4.5%	0.0%	0.0%	Zone 1	
233 Broadway (Z Hotel Conversion)	0.0%	0.0%	10.0%	5.0%	0.0%	0.0%	10.0%	Zone 1	**Y**
4400 Martin Luther King Jr. Way	16.7%	0.0%	0.0%	50.0%	12.3%	0.0%	0.0%	Zone 2	
335 3rd Street	10.3%	0.0%	0.0%	32.5%	7.9%	0.0%	0.0%	Zone 1	**Y**
316 12th Street	0.0%	0.0%	11.1%	6.0%	0.0%	0.0%	11.1%	Zone 1	
Completed Projects									
5110 Telegraph Avenue (The Logan)	11%	0%	0%	35%	8%	0%	0%	Zone 1	
2415 Valdez Street (Electric Lofts)	0.0%	0.0%	10%	5%	0%	0%	10%	Zone 1	**Y**
524 41st Street	0.0%	20%	0%	35%	0%	20%	0%	Zone 1	**Y**

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Table B-3

Mixed-Income Residential Development Projects / Proposals Using Density Bonus Incentives / Concessions[a]

Notes:

a. All projects categorized in the Housing Element Annual Reports as 5+ units except Telegraph Townhomes (Single Family Attached).

b. Building Activity Year refers to the year of the Housing Element Annual Report used to determine most recent pipeline status.

c. Units deed restricted to Very Low-Income households at up to 50% of Area Median Income (AMI) per Section 50105 of the California Health & Safety Code.

d. Units deed restricted to Low-Income households at 51% up to 80% of AMI per Section 50079.5 of the California Health & Safety Code.

e. Units deed restricted to Moderate-Income households at 81 - 120% of AMI per Section 50093 of the California Health & Safety Code.

f. From Table A-2 Building Activity Report or provided by Oakland Planning Department staff. Percentage increase in total allowable units or total proposed units.

g. Calculated based on rounded numbers so may not match exactly with value in Density Bonus Applied column.

Sources: City of Oakland, Housing Element Annual Reports, 2018 - 2022, Table A-2 Annual Building Activity Report Summary – New Construction, Entitled, Permits, and Completed Units; Impact Fees Annual Report (FY 2022-23), December 27, 2023, Attachment B for FY 2022-2023 Annual Report-PBD (EXCEL), and staff input.

Table B-4
Mixed-Income Residential Projects Providing On-site Affordable Housing In Lieu of Paying Affordable Housing Impact Fees and Not Using Density Bonus/a/

Street Address	Pipeline Status	Building Activity Year[b]	Units by Household Income Category				Total Units	Density Bonus Incentives	Affordable Percent of Total Units (calculated)			Impact Fee Zone
			Very Low-Income up to 50% AMI[c]	Low-Income 51% - 80% AMI[d]	Moderate-Income 81% - 120% AMI[e]	Above Moderate-Income / Market-Rate			Very Low-Income up to 50% AMI[c]	Low-Income 51% - 80% AMI[d]	Moderate-Income 81% - 120% AMI[e]	
Approved Projects												
8425 MacArthur Blvd. (Reem's Academy / Daniel's Den)	Approved	2021	-	5	-	23	**28**	**N**	0%	18%	0%	Zone 3
Permitted Projects												
1888 Martin Luther King Jr. Way	Permitted	2020	-	-	9	79	**88**	**N**	0%	0%	10%	Zone 1
2121 Wood Street	Permitted	2022	-	-	24	211	**235**	**N**	0%	0%	10%	Zone 2
Completed Projects												
2315 Valdez Street / 2330 Webster Street	Completed	2017	14	11	11	198	**234**	**N**	6%	5%	5%	Zone 1
2040 Solano Way (live-work conversion)	Completed	2022	-	-	1	7	**8**	**N**	0%	0%	13%	Zone 2
Other Projects[f]												
2970 Summit Street		Permit 2016	-	-	1	7	**8**	**N**	0%	0%	13%	Zone 1
1414 Martin Luther King Jr. Way		Permit 2019	-	-	4	35	**39**	**N**	0%	0%	10%	Zone 1
8024 Rudsdale		Permit 2018	2	-	-	13	**15**	**N**	13%	0%	0%	Zone 3
856 34th Avenue		Permit 2022			1	5	**6**	**N**	0%	0%	17%	Zone 3

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Table B-4

Mixed Income Projects Providing On-Site Affordable Housing In Lieu of Paying Affordable Housing Impact Fees and *Not Using Density Bonus* [a]

Notes:

a. All projects categorized as 5+ units.

b. Building Activity Year refers to the year of the Housing Element Annual Report used to determine most recent pipeline status.

c. Units deed restricted to Very Low-Income households at up to 50% of Area Median Income (AMI) per Section 50105 of the California Health & Safety Code.

d. Units deed restricted to Low-Income households at 51% up to 80% of AMI per Section 50079.5 of the California Health & Safety Code.

e. Units deed restricted to Moderate-Income households at 81 - 120% of AMI per Section 50093 of the California Health & Safety Code.

f. Other projects not listed as mixed-income housing projects in Housing Element Annual Reports, 2015 - 2022 (Table A2).

Sources: City of Oakland, Housing Element Annual Reports, 2018 - 2022, Table A-2 Annual Building Activity Report Summary – New Construction, Entitled, Permits, and Completed Units; Impact Fees Annual Report (FY 2022-23), December 27, 2023, Attachment B for FY 2022-2023 Annual Report-PBD (EXCEL), and staff input.