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# AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Darin Ranelletti  
Deputy Director, PBD

**SUBJECT:** Citywide Impact Fee Update

**DATE:** January 4, 2016

City Administrator Approval

Date:

1/14/16

## RECOMMENDATION

**Staff Recommends That The City Council Receive This Report And Possible Action On A Citywide Housing, Transportation, and Capital Improvement Impact Fee Proposal.**

## EXECUTIVE SUMMARY

There are a number of different initiatives underway to address the housing affordability crisis in Oakland, including: the work of the Mayor's Housing Cabinet; the City Council's recent approval of amendments to accessory dwelling unit regulations; revisions currently under development to the Rent Adjustment Program (RAP) fee; Assemblymember Bonta's recently introduced legislation which would authorize the City Council to issue affordable housing bonds against "boomerang funds" (funds distributed to the City after the dissolution of redevelopment); and the creation of a development impact fee strategy. This report addresses impact fees, presents the result of the Nexus Study and Economic Feasibility Analysis necessary to support the imposition of impact fees, and offers a draft impact fee proposal for consideration by the community and the City Council. The impact fee proposal seeks to balance the need to generate more affordable housing, while not impeding construction of new housing for all income levels. The generation of additional housing units addresses the scarcity of available units in the current market, scarcity which ultimately contributes to displacement.

The report also describes, in detail, the legal requirements for development impact fees, economic considerations when deciding when to impose such fees, information about units in the development project pipeline that could be subject to fees, and finally a set of impact fee proposals.

In sum, staff recommends that the City Council consider a development fee strategy as follows:

- 1) The amount of the fee would be determined at the time of building permit application.
- 2) Projects with completed building permit applications prior to December 1, 2016 would be exempt from paying fees.

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- 3) Projects with completed building permit applications between December 1, 2016 and November 30, 2017 would pay \$5,710 per unit (for Multi-Family Residential (MFR) in Zone 1, with \$710 allocated to Transportation and the remainder allocated to Affordable Housing; see the Analysis section for project type and geographic zone descriptions).
- 4) Projects with completed building permit applications between December 1, 2017 and November 30, 2018 would pay \$10,710 per unit (MFR in Zone 1).
- 5) Projects with completed building permit applications after December 1, 2018 would pay \$20,710 per unit (MFR in Zone 1).

Staff also recommends that the impact fee strategy allow the developer to meet the requirement by providing units, either on-site or off-site, instead of paying the fee, based on the cost impact to the project remaining equivalent to the applicable affordable housing fee amount. This approach is also described in more detail in the Analysis section of this report.

As the City Council deliberates about this matter, staff recommends the Council consider a series of policy questions related to impact fees prior to providing direction concerning an impact fee ordinance:

- 1.) What should be the target fee levels?
- 2.) What should be the relative distribution of impact fees among three (3) different fee categories (affordable housing, transportation, capital improvements)?
- 3.) How should the fees be phased in over time?
- 4.) What fees should be charged for different types of projects, such as multi-family, single-family, townhome, office, retail, industrial, warehouse, hotel/motel, and institutional?
- 5.) Should different geographic areas (zones) of the City have different fee levels?
- 6.) What, if any, development projects in the pipeline should be subject to the fee? What projects should be exempt from the fee?
- 7.) Whether a construction performance date should be included in the first two years of the program, such as a requirement that a project must be under construction within 12 months of building permit application and if not, the applicable impact fees would increase to the higher amount in place on that date. This policy could incentivize faster unit construction.

## **BACKGROUND / LEGISLATIVE HISTORY**

The City is considering adopting impact fees related to affordable housing, transportation, and capital facilities including imposing such fees on development applications that are already submitted, pursuant to the California Subdivision Map Act (Government Code Section 66474.2(b)).

## **Background**

Development impact fees are a commonly used method of collecting a proportional share of funds from new development for infrastructure improvements and/or other public facilities. With rare exceptions, development impact fees are one-time funds restricted to funding capital costs for new facilities or upgrades to existing facilities, and are not used for annual operations and/or maintenance. Impact fees may only be charged to new development and the funds collected must be expended on improvements needed as a result of the new development.

Pursuant to the Mitigation Fee Act, California Government Code Section 66000, et seq. (also known as AB 1600), adoption of impact fees requires documentation of the “nexus” or linkage between the fees being charged, the impacts of new development, the benefit of the facilities needed to mitigate such impacts, and the proportional cost allocation among different fee categories. Impact fees must be adopted by the Oakland City Council via ordinance. Impact fees are usually imposed either jurisdiction-wide or in other relatively large areas anticipating significant amounts of new development. The fees can vary by different geographical areas of the City. The revenue collected from impact fees may not be immediately available for projects because it may take some time to accumulate sufficient funding (since the City collects the fee project-by-project - in the building permit process, depending on how the program is adopted). In addition, impact fee programs are often phased-in to allow the real estate market to adjust to the higher development costs. Therefore, it may take time to accumulate enough revenue to, for example, pay for a major transportation project or to build an affordable housing project.

An important component that accompanies Oakland’s Impact Fee Nexus Study and Implementation Strategy is an Economic Feasibility Analysis. The purpose of the feasibility analysis is to ensure that any impact fee program appropriately addresses the need to mitigate development impacts without substantially affecting real estate investment in Oakland. Economic constraints are likely to preclude the adoption of the maximum justified impact fees under the nexus analyses because the level of economically feasible fees may be substantially lower than the level of legally justifiable fees. This is typically the case in urban areas like Oakland.

## **Legislative History**

The concept of initiating a development impact fee program in Oakland has been considered in the past as recently as 2009; however, these efforts were never funded. In 2013, the City Council identified funding in the Fiscal Year (FY) 2013-15 Adopted Policy Budget for the preparation of a nexus study for potential development impact fees for transportation, infrastructure (capital improvements), and affordable housing to offset impacts from new development.

The recently adopted specific plans for the Broadway Valdez District, West Oakland, Lake Merritt Station Area, and the Coliseum Area Specific Plan, and the City’s 2015-2023 Housing Element Update all include policies to support the preparing of a nexus study and economic feasibility analysis for adoption of potential transportation, infrastructure (capital improvements), and affordable housing development impact fees. The 1998 *Land Use and Transportation Element* (LUTE) of the City’s General Plan includes an objective T.5: “Secure funding for transportation infrastructure improvements and maintenance” and policies that support

considering “a range of strategies to provide funding for transportation improvements... including, but not limited to, special user fees, development impact fees, or assessment districts” (Policy T5.4).

In December 2014, the City selected a team of consultants, led by Hausrath Economics Group (HEG), to conduct a Citywide Impact Fee Nexus Study and Implementation Strategy (“Impact Fee Nexus Study”) and Economic Feasibility Study.

Staff presented an Informational Report to the City Council Community and Economic Development Committee (CED) on April 14, 2015 with an update on the Citywide Impact Fee Nexus Study and Implementation Strategy. A copy of the Agenda Report is included in **Attachment A**.

### **ANALYSIS AND POLICY ALTERNATIVES**

There are five (5) major discussion items in this Analysis Section including the nexus analysis identifying the maximum legal impact fees, the economic feasibility context for a new impact fee program, consideration of what projects are subject to the fee, the policy proposals (which includes a draft City staff proposal), housing unit development option discussion, and an impact fee comparison of other cities. The subsections below provide information on each topic.

#### ***Nexus Analysis of Maximum Legal Impact Fees***

The consultant team conducted a nexus analysis to determine the maximum legal impact fees that could be adopted by Council. The following three (3) fee categories were analyzed:

- 1.) Transportation impact fee on residential and nonresidential development that would fund expansion and improvements to the City’s transportation system for auto, bike, and pedestrian modes of travel.
- 2.) Capital improvements impact fee on residential and nonresidential development that would fund expansion and improvements to fire, library, parks, police, and storm drain public facilities or infrastructure.
- 3.) Affordable housing impact fee on market-rate residential development that would fund affordable housing development. The City has already adopted a jobs-housing linkage fee effective July 1, 2005 on some nonresidential development (office and warehouse land uses) to mitigate the increased demand for affordable housing generated by these types of nonresidential development.

**Attachment B** summarizes the nexus analysis for transportation, capital improvements, and affordable housing. The maximum legal impact fee amounts as determined by the nexus analysis are shown in **Attachment C**. Typically in urban areas the maximum legal fee amount is not adopted as it far exceeds what is economically feasible for a development to bear. Real estate market factors typically result in adopted fees at levels below the maximum legal amount to avoid slowing the pace of development. **Attachment C** also includes tables showing the land use data used in the nexus analyses for the transportation and capital improvement impact fees.

Detailed tables from the nexus model showing how the maximum legal impact fees were calculated are in the following attachments: **Attachment D** for transportation, **Attachment E** for capital improvements, and **Attachment F** for affordable housing.

**Economic Feasibility Context for New Impact Fee Program**

The consultant team is developing an economic feasibility analysis to inform the adoption of an impact fee program that will not adversely affect Oakland’s ability to address the scarcity of housing, and corresponding upward pressure on rents, resulting from lack of supply. The analysis will define representative development prototypes for Oakland and consider associated real estate market and cost data. An economic feasibility model will be used to assess the current economic feasibility of different land uses and building types in different parts of the city.

**Attachment G** contains information about Oakland’s market context for considering a new impact fee program, the current economic feasibility context for adopting new impact fees, and the effect of phasing in new fees so as to enhance project feasibility and increase development’s ability to pay higher fees. **Attachment H** includes Market and Economic Feasibility Background Tables and Charts.

**Projects Subject to the Impact Fee**

The City Council has the discretion to determine which projects in the pipeline would be subject to impact fees and which projects may be exempt from such fees, except for those exempt projects that have obtained a “vested right.” Exempt projects that have a “vested right” (as defined by state law) when the fee is adopted are not subject to the impact fee. This would include (1) projects with a development agreement, (2) projects with a vesting tentative map, and/or (3) projects that have building permits and have started substantial construction. As Option (A) the City Council can decide to only exempt “vested right” projects. Table 1 provides a better understanding of the different stages of the development application process.

**Table 1: Development Application Process**

Planning Application Filed	A project application is submitted to the Bureau of Planning and typically has to meet submittal requirements, such as architectural drawings of plans, survey, green building checklist, etc.
Planning Application Complete	A project application can be incomplete if the case planner notices information that is missing and cannot adequately review the project. An incompleteness letter must be issued within 30 days of the planning application submittal date under state law, otherwise it is automatically deemed complete.
Planning Permit Approved	A planning project is approved by either the Zoning Administrator, City Planning Commission and/or City Council (depending on the type of application and appeals) after the required 17 day public notice period and a final approval letter is issued.
Building Permit Applied	A building permit can only be applied for after the planning permit is approved. An applicant will need detailed plans and specifications meeting the current Building Code in order to apply for the building permit.
Building Permit Issued	Projects that have a building permit issued. Projects with building permits must continue construction and request inspections in order for the building permit to remain valid.

Vested Right	Includes (1) projects with a development agreement, (2) projects with a vesting tentative map; and/or and (3) projects that have building permits and have started substantial construction.
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**Exemption Status of Council-Approved Extensions**

The City Council adopted Resolution No. 85305 C.M.S. on December 9, 2014 granting extensions of approved planning projects to December 31, 2015, under certain conditions. One of the conditions is “that any projects/applications which are seeking extensions shall be subject to, agree to and pay any development impact fees that are eventually adopted by the City Council unless a vested right is obtained prior to the impact fee adoption date and such project is diligently pursued toward completion, as reasonably determined by the Planning Director or designee.”

Approximately 60 projects received extension letters from the aforementioned City Council resolution. Of the 60 projects, 12 were considered major projects (50 units or more) with approximately 1,516 residential units total; 15 were multi-family projects (less than 50 units) with approximately 362 units total; 25 were single-family unit projects, and the other 8 were non-residential projects.

The following table lists the pending development projects still in the pipeline. These projects are on the Major Projects list and have complete planning applications or an approved planning permit. Some projects have been in the pipeline for 10 years and have received numerous City Council extensions and administrative extensions over the years. It is difficult to determine how many of these projects will actually be built. Those projects that have vesting maps, development agreements, and/or are affordable housing units are shown and then subtracted out of the final column, because they potentially would not be subject to paying an impact fee.

**Table 2: Housing Units in the Pipeline**

<i>Project Approval Milestone</i>	<i>Total Housing Units</i>	<i>Units with Vesting Maps</i>	<i>Units Subject to Development Agreements</i>	<i>Affordable Housing Units</i>	<i>Remaining Units Potentially Subject to New Impact Fee*</i>
Planning Application Complete	3,304	859	0	59	2,386
Planning Permit Approved	10,500	2,022	235	492	7,751
<b>Total</b>	<b>13,804</b>	<b>2,881</b>	<b>235</b>	<b>551</b>	<b>10,384</b>

Note: Data is based on analysis from the Major Projects list as of August 2015 and excludes single-family units, duplexes, and multi-family projects fewer than 50 units in size. Does not include approved multi-phased projects for which the final planning permit application has not been submitted (e.g., Brooklyn Basin, Jack London Square Redevelopment Project).

\* The number of “Remaining Units Potentially Subject to the Impact Fee” equal the total housing units number minus the projects with vesting maps, development agreements, or are affordable housing units.

Table 3 below shows only recent project applications from January 2014 through the middle of November 2015. This table represents a more realistic summary of projects that may actually be built. It also identifies projects that have already applied for their building permit since January 2014, but have not yet been built. As stated above, those projects that have vesting maps, development agreements, and/or are affordable housing units are shown and then subtracted out of the final column, because they potentially would not be subject to paying an impact fee.

**Table 3: Housing Units Pipeline, Most Recent Projects (applied January 2014 – mid November 2015)**

<i>Project Approval Milestone</i>	<i>Total Housing Units</i>	<i>Units with Vesting Maps</i>	<i>Units Subject to Development Agreements</i>	<i>Affordable Housing Units</i>	<i>Remaining Units Potentially Subject to New Impact Fee*</i>
Planning Application Complete	3,698	1,257	0	74	2,367
Planning Permit Approved	1,896	674	235	59	928
Building Permit Applied, but Not Approved	970	372	0	0	598
<b>Total</b>	<b>6,594</b>	<b>2,303</b>	<b>235</b>	<b>133</b>	<b>3,893</b>

Note: Data based on analysis of Major Projects applied for from January 2014–mid November 2015 that excludes single family units, duplexes, and multi-family projects under 50 units in size. Data search may have missed some vesting maps. A total of 434 units that were considered Major Projects had building permits issued in 2015.

\*Table 2 shows fewer units for planning applications complete and vesting maps because it is based on the Major Projects list that was published in August 2015, while Table 3 shows unit counts based on projects through mid-November 2015.

\* The number of “Remaining Units Potentially Subject to the Impact Fee” equal the total housing units number minus the projects with vesting maps, development agreements, or are affordable housing units.

Given the number of projects in the pipeline, staff recommends that fees be imposed on units for which completed building permit applications are submitted after December 1, 2016. Other options for identifying which projects in the pipeline would be subject to the fee were considered and are described below.

- a) Option A: Only exempt projects that have a “vested right” (as defined by state law) when the fee is adopted. This would include (1) projects with a development agreement, (2) projects with a vesting tentative map, and/or (3) projects that have building permits and have started substantial construction. (This option would impose the fee on the greatest number of projects)
- b) Option B: Also exempt projects that have received planning approvals/permits and also have applied for and/or obtained a building permit by a date certain, but have not yet begun construction. Staff recommends this option, with a date

- certain for completed building permit application of December 1, 2016. (This option would impose the fee on slightly fewer projects than Option A)
- c) Option C: Also exempt projects that have received planning approvals/permits but have not yet applied for and or/obtained a building permit. (This would exempt more projects than Option B and capture even fewer projects to pay the fee)
  - d) Option D Also exempt projects that have submitted “complete” planning applications but have not yet received a planning approval/permit. (This would exempt the most projects and capture the least number of projects to pay the fee):

All the above options may also include applying the fee to “vesting” subdivision applications already submitted, as authorized by the State Subdivision Map Act (Government Code section 66474.2(b), provided such applications have not been approved prior to the impact fees adoption date.

### ***Policy Proposals***

At the November 12, 2015 Impact Fee Stakeholder Working Group meeting, City Staff presented the members with a target fee of \$20,000 per unit of multi-family housing development in Zone 1. Staff also asked the group how they would propose to phase in the fee program, beginning in 2016 and achieve the target fee amount of \$20,000 per unit. The Stakeholder Working Group members generated three (3) different potential impact fee policy proposals, which are summarized below the City’s proposal below in Tables 8A – 8C and in ***Attachment I***. On December 14, 2015, the last of six Impact Fee Stakeholder Working Group meetings, each member was asked to summarize their position on an impact fee proposal. This summary is also included in ***Attachment I***. City staff generated a policy proposal explained below.

### ***City Staff Impact Fee Proposal***

City staff considered the first two proposals presented by Stakeholder Working Group members on November 12 and 19, 2015 (summarized in Tables 8A and 8B and in text in ***Attachment I***) before presenting a proposal on November 30, 2015. Staff had some concerns with both proposals. In part, these concerns are based on two assumptions about the fungible costs of development: land price and financing criteria, including return on investment (profit). For those cities that have imposed fees, evidence suggests that land price and return on investment are the factors that adjust to account for impact fees. Hard costs, such as construction and labor costs have more narrow parameters and cannot be adjusted as easily. Within this development context, a project may become infeasible if a new fee is imposed on a project where land has been purchased and financing obtained. These requirements most often are confirmed during the building permit phase of a project.

For the proposal presented at the November 12, 2015 meeting, there was concern about exempting all of the pipeline projects with approved planning permits and/or completed planning applications. As stated in the previous subsection, there are a large number of projects that fall into those categories as well as projects that could still achieve completed applications about a



month before the fee program would start in December 2016. Staff was also aware of the December 2014 City Council resolution that projects that received extensions would be subject to paying the impact fee. From the economic perspective, the November 12, 2015 proposal has relatively low risk of affecting the rate and amount of development in Oakland. Under this proposal, the implementation of impact fees would “follow” the market, phasing in new fees consistent with continued real growth of rents and improved feasibility of housing development. By doing so, it would encourage near-term development that provides “successes on the ground” for lenders and investors, and increases the ability to absorb higher fees in the future.

For the proposal presented at the November 19, 2015 meeting, there was concern about starting with the target impact fee of \$20,000 per unit on July 1, 2016 and not allowing for a phase in period. In addition, the proposal is to increase the fee to \$24,000 one year later, on July 1, 2017. The economic analysis concluded that there is high risk and that this proposal would adversely affect project feasibility and the timing and amount of development in Oakland. This proposal does not provide a phase-in period for the market to adjust to significant new fees nor does it allow time for planned projects with existing financial commitments to be built. According to the economic analysis, this proposal would require higher rent increases than are projected to occur over the short time period proposed for implementing the new fees. Under this proposal, rent increases would be required to both enhance existing project feasibility and cover the new fees proposed at high levels over two (2) years. Further, additional rent increases would be required if additional transportation or capital facilities fees were collected in addition to the affordable housing and CEQA transportation fees proposed.

For the proposal that was emailed on December 7 and discussed at the December 10 meeting, the total impact fees and phasing in was similar to the City Staff proposal, but the allocation of fees to the three different fee categories was different. Therefore, the economic analysis is the same as the City Staff proposal listed below.

Based on the above considerations, a City Staff Proposal has been identified. Key points of the City Staff Proposal are:

- The fee amount is determined at the building permit application.
- Any project that applies for a building permit prior to December 1, 2016 will not pay the impact fee; this includes projects extended by the City Council in December 2014.
- The impact fee is paid during the building permit process. It is recommended that 50 percent of the impact fee be collected at building permit issuance and 50 percent be collected prior to certificate of occupancy with demonstration of security that it will be paid. The transportation impact fee may be required to be paid earlier to allow those funds to be used to construct transportation projects prior to certificate of occupancy. By allowing for impact fee payment in a phased approach or payment at certificate of occupancy of the building permit process would benefit economic feasibility by reducing the carrying cost time frame.

#### Residential Impact Fees (City Staff Proposal)

Staff proposes that projects applying for building permits on or after December 1, 2016 would be subject to the fee. The initial fee on December 1, 2016 is proposed to be \$5,710 for multi-family residential developments in an area referred to as “Zone 1”, namely Central Oakland and the

hills. Fees are proposed to vary by zone and building type. Staff proposes three different fee zones for the City, which are further described below. All projects that apply for a building permit prior to December 1, 2016 would not be subject to the fees. This would include projects given extensions by action of the City Council in December 2014. There are approximately 60 approved planning projects that received extensions per the City Council resolution in December 2014. Of those 60, projects that apply for a building permit with a complete application prior to December 1, 2016, would not be subject to the fee under this proposal. Any projects that received extensions, but apply for a building permit with a complete application after December 1, 2016, would be subject to the impact fee.

Key points of the City staff proposal for Multi-family Residential Units in Zone 1 are shown in the Table 4 below and are summarized as follows:

- The fee amount is determined at building permit application.
- Any project that applies for a building permit prior to December 1, 2016 would not pay the impact fee; this includes projects extended by the City Council in December 2014.
- Any project that applies for a building permit from December 1, 2016 through November 30, 2017 will pay \$5,710 per unit during the building permit process.
- Any project that applies for a building permit from December 1, 2017 through November 30, 2018 will pay \$10,710 per unit during the building permit process.
- Any project that applies for a building permit after December 1, 2018 will pay \$20,710 per unit during the building permit process.
- The above impact fees are the total impact fees that would be charged for multi-family Residential in Zone 1 during those years. They include a \$710 transportation impact fee, with the remainder allocated to the affordable housing impact fee. No capital improvement impact fees are included for multi-family residential units in Zone 1 in the years listed above. An additional amount for capital improvement could be added in subsequent years.

For the residential impact fees, staff divided the City into three (3) different geographic zones that have different market characteristics (support different prices and rent) and different levels of economic feasibility, and thus different abilities to pay impact fees. Impact fee Zone 1 includes downtown, the east side of Lake Merritt, much of North Oakland, and the Hills above I-580, (see **Attachment J** for a map of the zones). Impact fee Zone 2 includes West Oakland and a small part of North Oakland. Lastly, Impact fee Zone 3 includes areas east of Park Boulevard to 2<sup>nd</sup> Avenue to International Avenue to 4<sup>th</sup> Avenue to E. 10<sup>th</sup> Street to 5<sup>th</sup> Avenue and below I-580.

The proposed target fee amount for multi-family housing development units in Zone 1 is \$20,710 per unit, which is reached in December 2018. The target fee anticipates increases in rents over current levels (2015) to support additional ability to pay the fees, along with adjustments to land prices and financing criteria.

The transportation impact fee is sufficient to cover the California Environmental Quality Act (CEQA) transportation cumulative impact mitigations that are within the Environmental Impact Reports for all of the Specific Plans, Redevelopment Plans, General Plan, and other major projects. Therefore, paying the impact fee would satisfy a development's obligation to contribute its fair share towards mitigating the impact without having to fully fund the mitigation

project. The remainder of the impact fees for multi-family housing are allocated to affordable housing due to the immediate need for affordable units. The staff proposal includes an impact fee for capital improvements starting in December 2016 for single-family and townhome developments. A later phase-in of a capital improvement fee for multi-family developments could also occur.

- **Multi-family, Zone 1:** target fee will phase in over two (2) years, -2016 through 2018 to address the economic feasibility considerations as mentioned above.
- **Single-family, Zone 1:** target fee will phase in over two (2) years to 2018 due to economic feasibility considerations. This category includes new housing in several submarkets and covering a range of housing prices.
- **Townhome, Zone 1:** target fee will phase in over two (2) years to 2018 due to economic feasibility considerations.
- The residential impact fees for Zone 2 and Zone 3 are proposed at lower target fee amounts than for Zone 1 to account for differences in market characteristics and levels of feasibility, and thus differences in ability to pay impact fees. Residential impact fees for Zone 2 (West Oakland and a small part of North Oakland) are proposed at somewhat lower levels than in Zone 1 as newer development and development proposals in Zone 2 are targeted to markets supporting lower rents and prices. Residential impact fees for Zone 3 (East Oakland below 580 and excluding areas just east of Lake Merritt) are proposed at levels below those in Zone 1 and Zone 2, as development in Zone 3 is anticipated to target markets supporting lower rents and prices. Also because feasibility levels in Zone 3 are currently below those in Zone 1 and Zone 2.

**Table 4: City Staff Proposal Residential Impact Fees for Zone 1**

City Staff Proposed Residential Impact Fees (Fee is Per Unit)				
The Date is Based on When the Applicant Applies for Building Permit				
Housing Use Type	Fee Category	12/1/16 – 11/30/17	12/1/17 – 11/30/18	12/1/18 – (target fee)
Multi-family, Zone 1	Affordable Hsg.	\$5,000	\$10,000	\$20,000
	Capital Imp.*	\$0	\$0	\$0*
	Transportation	\$710	\$710	\$710
	<b>Total</b>	<b>\$5,710</b>	<b>\$10,710</b>	<b>\$20,710</b>
Townhome, Zone 1	Affordable Hsg.	\$5,500	\$10,000	\$17,000
	Capital Imp.	\$1,000	\$1,000	\$3,000
	Transportation	\$1,000	\$1,000	\$1,000
	<b>Total</b>	<b>\$7,500</b>	<b>\$12,000</b>	<b>\$21,000</b>
Single-family, Zone 1	Affordable Hsg.	\$5,000	\$10,000	\$20,000
	Capital Imp.	\$1,500	\$4,000	\$4,000
	Transportation	\$1,000	\$1,000	\$1,000
	<b>Total</b>	<b>\$7,500</b>	<b>\$15,000</b>	<b>\$25,000</b>

\*An impact fee, yet to be determined, for Capital Improvements will phase in later.

**Table 5: City Staff Proposal Residential Impact Fees for Zone 2**

City Staff Proposed Residential Impact Fees (Fee is Per Unit) The Date is Based on When the Applicant Applies for Building Permit				
Housing Use Type	Fee Category	12/1/16 – 11/30/17	12/1/17 – 11/30/18	12/1/18 – (target fee)
Multi-family, Zone 2	Affordable Hsg.	\$4,000	\$8,000	\$16,000
	Capital Imp.*	\$0	\$0	\$0*
	Transportation	\$710	\$710	\$710
	<b>Total</b>	<b>\$4,710</b>	<b>\$8,710</b>	<b>\$16,710</b>
Townhome, Zone 2	Affordable Hsg.	\$2,000	\$6,000	\$12,000
	Capital Imp.	\$1,000	\$1,000	\$2,000
	Transportation	\$1,000	\$1,000	\$1,000
	<b>Total</b>	<b>\$4,000</b>	<b>\$8,000</b>	<b>\$15,000</b>
Single-family, Zone 2	Affordable Hsg.	\$3,000	\$8,000	\$14,000
	Capital Imp.	\$1,000	\$1,000	\$3,000
	Transportation	\$1,000	\$1,000	\$1,000
	<b>Total</b>	<b>\$5,000</b>	<b>\$10,000</b>	<b>\$18,000</b>

\*An impact fee, yet to be determined, for Capital Improvements will phase in later.

**Table 6: City Staff Proposal Residential Impact Fees for Zone 3**

City Staff Proposed Residential Impact Fees (Fee is Per Unit) The Date is Based on When the Applicant Applies for Building Permit				
Housing Use Type	Fee Category	12/1/16 – 11/30/17	12/1/17 – 11/30/18	12/1/18 – (target fee)
Multi-family, Zone 3	Affordable Hsg.	\$3,000	\$6,000	\$12,000
	Capital Imp.*	\$0	\$0	\$0*
	Transportation	\$710	\$710	\$710
	<b>Total</b>	<b>\$3,710</b>	<b>\$6,710</b>	<b>\$12,710</b>
Townhome, Zone 3	Affordable Hsg.	\$1,000	\$4,000	\$8,000
	Capital Imp.	\$1,000	\$1,000	\$1,000
	Transportation	\$1,000	\$1,000	\$1,000
	<b>Total</b>	<b>\$3,000</b>	<b>\$6,000</b>	<b>\$10,000</b>
Single-family, Zone 3	Affordable Hsg.	\$1,000	\$4,000	\$8,000
	Capital Imp.	\$1,000	\$1,000	\$1,000
	Transportation	\$1,000	\$1,000	\$1,000
	<b>Total</b>	<b>\$3,000</b>	<b>\$6,000</b>	<b>\$10,000</b>

\*An impact fee, yet to be determined, for Capital Improvements will phase in later.

Nonresidential Impact Fees (City Staff Proposal)

There is an existing jobs-housing linkage fee of \$5.44 per square foot in Fiscal Year (FY) July 1, 2015 – June 30, 2016 on office and warehouse to provide funding for affordable housing. Therefore, new proposed impact fees are for capital improvements and transportation only. For all of the nonresidential uses the proposed impact fees include the minimum amount to cover CEQA transportation cumulative impact mitigations starting in 2016 so developers can pay their fair share of required transportation improvements. For Capital Improvements the fees vary by land use depending on the current economic feasibility for that land use, economic development considerations, and the phasing in of increases as development becomes more feasible. The combined fee was allocated toward 50 percent to transportation and 50 percent to capital improvements where economically feasible and where the maximum legal amount for the capital improvement fee does not limit the fee amount.

- **Office:** target fee is proposed to phase in over 5 years to 2020 due to the need for substantial increase in office rents to make projects feasible, and the City's desire to encourage new office building construction.
- **Retail (freestanding and ground floor):** target fee is based on economic feasibility and economic development considerations for encouraging retail development that Oakland is lacking in order to provide more local shopping opportunities for residents and to collect much needed sales tax revenue. Increased sales tax revenue allows for a larger General Purpose Fund, which pays for numerous City needs.
- **Light Industrial:** target fee addresses economic feasibility along with consideration that light industrial activities provide business opportunities and jobs for Oakland residents.
- **Warehouse:** target fee based on consideration of economic feasibility. The Capital Improvement fee is affected by the maximum legal amount.
- **Hotel/motel:** similar to retail, the target fee for hotel/motel is constrained to encourage economic development of hotel/motel uses for the economic and fiscal benefits they provide. In addition, the City already imposes a Transit Occupancy Tax (TOT) on hotels.
- **Institutional:** target fee is based on economic feasibility and nexus analysis considerations.

**Table 7: City Staff Proposal Nonresidential Impact Fees**

City Staff Proposed Nonresidential Impact Fees (Fee is Per Square Foot) The Date is Based on When the Applicant Applies for Building Permit						
Use Type	Fee Category	12/1/16 – 11/30/17	12/1/17 – 11/30/18	12/1/18 – 11/30/19	12/1/19 – 11/30/20	12/1/20 + (target fee)
Office*	Capital Imp.	\$0.00	\$0.00	\$1.00	\$1.00	\$2.00
	Transportation	\$0.85	\$0.85	\$1.00	\$1.00	\$2.00
	<b>Total</b>	<b>\$0.85</b>	<b>\$0.85</b>	<b>\$2.00</b>	<b>\$2.00</b>	<b>\$4.00</b>
Retail, Freestanding	Capital Imp.	\$0.00	\$0.15	\$0.25	\$0.25	\$0.50
	Transportation	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
	<b>Total</b>	<b>\$0.75</b>	<b>\$0.90</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.25</b>
Retail, Ground Floor	Capital Imp.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Transportation	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
	<b>Total</b>	<b>\$0.75</b>	<b>\$0.75</b>	<b>\$0.75</b>	<b>\$0.75</b>	<b>\$0.75</b>
Light Industrial	Capital Imp.	\$0.40	\$0.40	\$0.75	\$0.75	\$1.00
	Transportation	\$0.60	\$0.60	\$0.75	\$0.75	\$1.00
	<b>Total</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.50</b>	<b>\$1.50</b>	<b>\$2.00</b>
Warehouse*	Capital Imp.	\$0.65	\$0.90	\$1.00	\$1.00	\$1.00
	Transportation	\$0.35	\$1.10	\$2.00	\$3.00	\$3.00
	<b>Total</b>	<b>\$1.00</b>	<b>\$2.00</b>	<b>\$3.00</b>	<b>\$4.00</b>	<b>\$4.00</b>
Hotel/Motel	Capital Imp.	\$0.10	\$0.20	\$0.35	\$0.35	\$0.60
	Transportation	\$0.65	\$0.65	\$0.65	\$0.65	\$0.65
	<b>Total</b>	<b>\$0.75</b>	<b>\$0.90</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.25</b>
Institutional	Capital Imp.	\$2.50	\$2.50	\$2.50	\$2.50	\$3.00
	Transportation	\$1.50	\$1.50	\$2.50	\$2.50	\$3.00
	<b>Total</b>	<b>\$4.00</b>	<b>\$4.00</b>	<b>\$5.00</b>	<b>\$5.00</b>	<b>\$6.00</b>

\*Existing jobs-housing linkage fee for affordable housing = \$5.44 per square foot for July 1, 2015 – June 30, 2016.

*Stakeholder Working Group Proposal Summary Tables*

The first proposal presented by some of the Stakeholder Working Group members on November 12, 2015 is shown in Table 8A below. Some key points are:

- The fee amount is based upon when a planning application is complete for a project.
- Any planning application complete prior to July 1, 2016 is exempt from the impact fee.
- Building permits must be applied for within one (1) year of planning application approval or fee changes to current fee at time of building permit.
- Construction must start within one (1) year of building permit issuance or the fee changes to the current fee at time of building permit. The fee is to cover all three (3) impact fee categories (affordable housing, capital improvements, and transportation).

Item: \_\_\_\_\_  
 CED Committee  
 January 26, 2016

**Table 8A: Stakeholder Working Group Proposal**

<b><i>Fee Proposal from Some Working Group Members at the Nov. 12, 2015 Meeting</i></b>						
Proposed Fee is the Total Impact Fee for all Three (3) Impact Fee Categories for Multi-Family in Zone 1 and Amount is Per Residential Unit						
	Prior to 7/1/16	7/1/16 – 6/30/17	7/1/17 – 6/30/18	7/1/18 – 6/30/19	7/1/19 – 6/30/20	7/1/20 – 6/30/21
Projects Subject to the Fee	Projects that do not have a completed planning application.					
Fee Amount	\$0	\$5,000	\$10,000	\$20,000	\$20,000	\$20,000
Estimated Timing of when Payment Would Occur (at building permit stage)*	\$0	\$0	\$0	\$5,000	\$10,000	\$20,000
*The payment during building permit could be spread out over different stages of the building permit; including; but not limited to a percentage at application a percentage at issuance, and a percentage at certificate of occupancy; and/or any variation on this.						

The second proposal presented by some of the Stakeholder Working Group members on November 19, 2015 is shown in Table 8B below. Some key points are:

- The fee amount is determined at building permit application milestone.
- Any project that applies for a building permit prior to July 1, 2016 is exempt from the impact fee, except projects that had received a City Council extension of their approved planning permit from December 31, 2014 to December 31, 2015 would still be subject to pay the fee if they do not have a vested right.
- There is flexibility on when the impact fee is paid in the building permit process (application, issuance, or certificate of occupancy).
- Under this proposal, the fees are only the affordable housing impact fees, and additional fee amounts will need to be charged for a transportation impact fee and a capital improvements impact fee, if desired. No specific fee amounts were listed for those categories.
- An addition was added to this proposal at the December 14, 2015 Stakeholder Working Group meeting to add \$710 for a transportation impact fee to start on July 1, 2016, but to hold off on charging a capital improvements impact fee until a future date.

**Table 8B: Stakeholder Working Group Proposals**

<b><i>Fee Proposal from Some Working Group Members at the Nov. 19, 2015 Meeting (Amended at the Dec. 14, 2015 Meeting)</i></b>						
Proposed Fee is For Affordable Housing Impact Fee Only Across the Whole City of Oakland and Amount is Per Residential Unit						
	Prior to 7/1/16	7/1/16 – 6/30/17	7/1/17 – 6/30/18	7/1/18 – 6/30/19	7/1/19 – 6/30/20	7/1/20 – 6/30/21
Projects Subject to the Fee	Projects that do not have a completed planning application.					
Fee Amount						
Affordable Housing	\$0	\$20,000	\$24,000	\$24,000	\$24,000	\$24,000
Capital Improvement		\$0	\$0	\$0	+	+
Transportation		\$710	\$710	\$710	\$710	\$710
<b>Total</b>		\$20,710	\$24,710	\$24,710	\$24,710	\$24,710
Estimated Timing of when Payment Would Occur (at building permit stage)*	\$0	\$20,710	\$24,710	\$27,710	\$24,710	\$24,710
*The payment during building permit could be spread out over different stages of the building permit; including; but not limited to a percentage at application, a percentage at issuance, and a percentage at certificate of occupancy; and/or any variation on this.						
+Indicates that additional fee amounts would be required for the transportation and capital improvement impact fees.						

The third proposal presented by a Stakeholder Working Group member through an email on December 7, 2015 and discussed at the December 10, 2015 meeting is shown in Table 8C below. Some key points are:

- The fee amount is determined at building permit application milestone.
- Any project that applies for a building permit prior to September 1, 2016 is exempt from the impact fee.
- It is suggested that the impact fee is paid in the building permit process with 50% at building permit issuance and 50% at certificate of occupancy.
- Under this proposal, the fees are allocated with 60% to affordable housing, 20% to capital improvements, and 20% to transportation impact fees. This was based upon the percentages of the maximum fees that could be charged for each impact fee category.
- Recommended that parks and recreational facilities be disaggregated from capital improvement fees and that one of these three options be adopted: (1) a separate parks and recreation facilities impact fee, (2) a community facilities fee with parks and libraries combined, or (3) a city policy that the allocation of the capital facilities fees shall be proportional.



**Table 8C: Stakeholder Working Group Proposals**

<b><i>Fee Proposal from a Working Group Member emailed on Dec. 7, 2015 and Discussed at the Dec. 10, 2015 Meeting (Amended at the Dec. 14, 2015 Meeting)</i></b>						
Proposed Fee is the Total Impact Fee for all Three (3) Impact Fee Categories For Multi-family in Zone 1 and Amount is Per Residential Unit						
	Prior to 9/1/16	9/1/16 – 6/30/17	7/1/17 – 6/30/18	7/1/18 – 6/30/19	7/1/19 – 6/30/20	7/1/20 – 6/30/21
Projects Subject to the Fee	Projects that have not submitted a building permit application.					
Fee Amount						
Affordable Housing	\$0	\$3,000	\$6,000	\$12,317	\$12,317	\$12,317
Capital Improvement		\$1,000	\$2,000	\$4,106	\$4,106	\$4,106
Transportation		\$1,000	\$2,000	\$4,106	\$4,106	\$4,106
<b>Total</b>		<b>\$5,000</b>	<b>\$10,000</b>	<b>\$20,528</b>	<b>\$20,528</b>	<b>\$20,528</b>
Estimated Timing of When Payment Would Occur (at building permit stage)*	\$0	\$5,000	\$10,000	\$20,528	\$20,528	\$20,528

\*The payment during building permit would be spread out with 50 percent collected at building permit issuance and 50 percent collected at certificate of occupancy.

The proposal from a Stakeholder Working Group Member that was emailed on December 7, 2015 also included a proposal for impact fees for townhomes and single-family residential, this is shown in the table below. Additional impact fees were recommended for a potential zone that would be in East Oakland, lower fees were recommended than in Zone 1 for all three residential types.

<b><i>Fee Proposal from a Stakeholder Working Group Member emailed on Dec. 7, 2015 and Discussed at the Dec. 10, 2015 Meeting, Amended at the Dec. 14, 2015 Meeting</i></b>						
Proposed Fee is the Total Impact Fee for all Three (3) Impact Fee Categories For Single-family and Townhome in Zone 1 and Amount is Per Residential Unit						
	Prior to 9/1/16	9/1/16 – 6/30/17	7/1/17 – 6/30/18	7/1/18 – 6/30/19	7/1/19 – 6/30/20	7/1/20 – 6/30/21
Projects Subject to the Fee	Projects that have not submitted a building permit application.					
Fee Amount – Townhome						
Affordable Housing	\$0	\$3,000	\$6,000	\$15,448	\$15,448	\$15,448
Capital Improvement		\$1,000	\$2,000	\$5,149	\$5,149	\$5,149
Transportation		\$1,000	\$2,000	\$5,149	\$5,149	\$5,149
<b>Total</b>		<b>\$5,000</b>	<b>\$10,000</b>	<b>\$25,746</b>	<b>\$25,746</b>	<b>\$25,746</b>
Fee Amount – Single-family						
Affordable Housing	\$0	\$3,000	\$6,000	\$17,179	\$17,179	\$17,179
Capital Improvement		\$1,000	\$2,000	\$5,726	\$5,726	\$5,726
Transportation		\$1,000	\$2,000	\$5,726	\$5,726	\$5,726
<b>Total</b>		<b>\$5,000</b>	<b>\$10,000</b>	<b>\$28,631</b>	<b>\$28,631</b>	<b>\$28,631</b>

\*The payment during building permit would be spread out with 50 percent collected at building permit issuance and 50 percent collected at certificate of occupancy.

### ***Housing Unit Development Options***

As an alternative to payment of an affordable housing impact fee, a developer could mitigate their project's impacts by building affordable units on-site or off-site. The cost of on-site compliance is represented by the difference between the market-rate rent/sales price and the affordable rent/sales price for the affordable units required in a residential development. From the perspective of the market-rate project subject to the requirements, the "cost" is the reduction in revenues from renting or selling a unit at the affordable rent/price instead of the market-rate rent/price. It is assumed that the development costs for the affordable units would be essentially the same as the costs of developing the market-rate units in the project.

To provide units off-site, the developer could build the units directly or could contribute funds to another developer who would build the affordable units. The cost of off-site compliance is defined as the difference between affordable sales prices and the development costs of the off-site units. The development costs may understate the true costs of off-site compliance, as there could be additional risks and difficulties of developing two projects in the same time frame, which cannot be easily quantified. In most cases, the development costs of off-site units are likely to be less than the costs of on-site units, as it is assumed that developers of relatively more expensive, market-rate projects could develop affordable units on less valuable sites and with lower construction costs.

There are benefits to having projects build affordable units on-site because the units are built sooner and are mixed in with market rate units. Additionally, the units are built in neighborhoods with amenities and better public services that otherwise lack affordable housing opportunities. With payment of the impact fee, as previously mentioned, the fee revenue can be leveraged by a factor of more than 3:1 to produce more affordable units. Fee revenue for the City's Affordable Housing Trust Fund can also serve the lowest income groups and households with special needs, and fund affordable projects that provide services to residents such as job training and after school programs. There are benefits to both options thus making this an important policy question.

At the initial adoption of the program, staff recommends calibrating the unit production option so that it has the same cost impact on the project as the impact fee and allows the provision of moderate-income and/or lower-income units in the project. The City can monitor the production of affordable housing to understand what levels of affordability are generated. The City can then compare this information to housing goals by income category and geographic location. If new affordable housing production is low for certain targeted income categories and/or not occurring in certain neighborhoods, particularly high-cost neighborhoods, the City can recalibrate the unit production option to incentivize affordable housing at certain income levels or in certain neighborhoods.

### ***Impact Fee Comparison of Other Cities***

The consultant completed an impact fee survey and provided background information for relevant, selected cities including Oakland, the nearby East Bay cities of Berkeley and Emeryville, and lastly, the City of San Jose. The proposed target fee of \$20,710 in Zone 1 is within the scale of fees in place in other jurisdictions. However, impact fees in other cities are not necessarily indicative of the fee levels feasible and appropriate in Oakland because of many

factors, including differences in market context, in the types and densities of development occurring, and in the time frames over which fees have been established. The four (4) cities considered here are both comparable and different depending on the criteria and **Attachment K** summarizes information for each city.

### **FISCAL IMPACT**

The fiscal benefit of the revenues generated by the impact fees is dependent on the set fee amounts of the fee phase in, and the level of development activity that takes place and is subject to the fee. Based on the City Staff Draft Impact Fee Proposal above (Tables 4 – 7), the revenue generated over 10 years of the program is estimated to be \$79.3 million. Of this total, \$60.8 million (77%) would be generated by the affordable housing fee, \$5.7 million (7%) by the capital improvement fee, and \$12.8 million (16%) by the transportation fee. This 10-year estimate is based on a development projection of 10,000 total housing units of which approximately 6,000 would not pay the fee because of either vested rights or development agreements. Of the 6,000 units, about 4,000 units are in projects with agreements (e.g., development agreement, disposition and development agreement) that require some type of community benefits. The development projection also includes 3.6 million square feet of commercial and industrial space of which 200,000 square feet is estimated to not pay the fee due to either vested rights or development agreements.

The fiscal impact of administering and implementing the Citywide Impact Fee Study and Implementation Strategy and any future development impact fee program(s), is typically two percent (2%) of the impact fees charged. As part of the Council action adopting the fee, this amount would be added on top of the proposed impact fee amount and covers staff needed to administer the program. This amount will be studied to see if it covers the development impact fee program(s) administration and implementation.

### **PUBLIC OUTREACH / INTEREST**

Preliminarily, City Staff and the consultants made presentations about the Impact Fee Nexus Study and Economic Feasibility Analysis processto the following groups: 1) an Impact Fee Roundtable meeting of the Land Use Committee of the Oakland Chamber of Commerce; 2) a meeting held by the Oakland Builders Alliance (OBA); 3) a meeting with affordable housing advocates that included East Bay Housing Organizations (EBHO) and Satellite Affordable Housing Associates (SAHA);4) participation in a forum on Keeping Oakland Affordable held by TransFORM; and 5) a meeting with Oakland Community Investment Alliance (OCIA). Staff also held a follow up meeting with EBHO to review the assumptions for the affordable housing nexus analysis model in order to receive their input on the process.

As noted above, the Economic Feasibility Analysis indicated that the increment of impact fees feasible to charge is less than what may be the maximum legal fee amount according to the nexus study results. In order to solicit feedback from a variety of different stakeholders concerning how the City could adopt an economically viable set of impact fees, a Stakeholder Working Group was established. It consisted of City Staff and an ad-hoc panel of technical experts representing a cross section of stakeholders with interests associated with the impact

fee program. The goal of the group was to provide diverse input to City staff as staff developed its proposal for the City Council's consideration.

There were six (6) Stakeholder Working Group meetings. At the first meeting, staff-presented the results of the Nexus Study and Economic Feasibility Analysis. At the second meeting, staff presented a target impact fee proposal and received input from the Working Group on how to phase in the fee, how the fees should be applied in different geographic areas of the City, and how the fees should be distributed amongst three (3) different fee categories. At the third meeting, the group discussed a proposal presented in meeting number two (2) from some of the Working Group members along with a counter proposal presented by some other Working Group members, as well as a further discussion of how to distribute the fee amongst the three (3) different categories. At the fourth meeting, the group discussed a proposal from some of the Working Group members in meeting number three (3); as well as how the capital improvements fee should be allocated amongst the different fee categories. City staff also presented a proposal and asked for feedback from the Working Group. At the fifth meeting, discussions continued about the proposals; City staff presented fee information for nonresidential use and estimated revenues. At the sixth, and final, meeting, City staff reviewed the nonresidential fees from the City's proposal and concluded discussions with the group about four (4) key policy questions: target fee levels, which projects are subject to the fees, a phase-in schedule, and fee revenue allocations.

The intent of these meetings was to engage and inform stakeholders and to seek input on policy issues prior to staff presenting its proposal to the City Council. A summary of the groups key themes from this wrap up discussion are included in **Attachment I**.

## **COORDINATION**

Project management, policy guidance, and implementation was coordinated with the City Administrator's Office, Office of the City Attorney, and the Planning and Building Department as well as the Public Works, Housing and Community Development, Police, Fire, and Parks and Recreation Departments along with other departments, as appropriate, based on the topic(s) addressed.

## **SUSTAINABLE OPPORTUNITIES**

**Economic:** The proposed impact fees will require private development to fund its fair share of potential transportation, infrastructure, affordable housing projects, and capital improvement projects in a manner that does not hamper new development. The application of the development impact fee process will help provide certainty about development costs.

**Environmental:** Establishing impact fees could pay for the impacts that a potential project creates and serve to mitigate the cumulative transportation impacts.

**Social Equity:** Establishing impact fees on new development could provide funding for transportation, capital improvements, and affordable housing units. These funds will be used to mitigate impacts of new development citywide.

**CEQA**

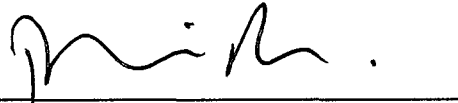
Adoption of an impact fee program is (1) not a Project under CEQA and is therefore exempt pursuant to CEQA Guidelines section 15378 (b)(4); (2) statutorily exempt pursuant to CEQA Guidelines section 15273(4) (Rates, Tolls, Fares and Charges for obtaining funds for capital projects necessary to maintain service within existing service area); (3) at least for the housing component, statutorily exempt pursuant to CEQA Guidelines section 15267 (Financial Assistance to Low or Moderate Income Housing); (4) not intended to apply to specific capital improvement projects and as such it is speculative to evaluate such projects now and any specifically identified transportation projects were already evaluated under CEQA and imposed as mitigation measures in previously certified EIRs and/or adopted mitigated negative declarations; and/or (5) not intended to, nor does it, provide CEQA clearance for future development-related projects by mere payment of the fees. Each of the foregoing provides a separate and independent basis for CEQA compliance and when viewed collectively provides an overall basis for CEQA compliance.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Receive This Report And Provide Direction to Staff to Prepare the Necessary Legislation to Enable Imposition of Citywide Housing, Transportation, and Capital Improvement Impact Fees.

For questions regarding this report, please contact Laura Kaminski, Planner III, at (510) 238-6809.

Respectfully submitted,



DARIN RANELLETTI  
Deputy Director, Planning and Building  
Department

Prepared by:  
Laura Kaminski, Planner III  
Strategic Planning Division

Attachments (12):

- A. April 14, 2015 Agenda Report, Update on Citywide Impact Fee Nexus Study and Implementation Strategy
- B. Nexus Study Summary
- C. Maximum Legal Impact Fees Tables Summary (details in Attachments C, D & E)
- D. Maximum Legal Impact Fee Nexus Analysis Transportation Infrastructure
- E. Maximum Legal Impact Fee Nexus Analysis Capital Improvements
- F. Maximum Legal Impact Fee Nexus Analysis Affordable Housing
- G. Oakland's Market Context (details in Attachment H)
- H. Market and Economic Feasibility Background Tables and Charts
- I. Impact Fee Proposals from Members of the Stakeholder Working Group and Stakeholder Group Meeting #6 Key Policy Points Summary
- J. Impact Fee Zone Boundary Map
- K. Comparison of Other Cities (tables in Attachment K)
- L. City Impact Fee Survey Tables

***Economic Feasibility Context for New Impact Fee Program***

The consultant team analyzed the economic feasibility context as a basis for creating an impact fee program that can be implemented without adversely affecting Oakland's ability to attract new development. The analysis defined representative development prototypes for Oakland and developed associated real estate market and cost data. The economic feasibility models were used to assess the current economic feasibility of different land uses and building types in different parts of the city. The feasibility models are now being used to assess the impacts of potential impact fee options on project feasibility and development in Oakland.

Below contains information about Oakland's market context for considering a new impact fee program, the current economic feasibility context for adopting new impact fees, and the effect of phasing in new fees so as to enhance project feasibility and increase development's ability to pay higher fees.

*1.) Oakland Market Context for Considering an Impact Fee Program*

Growing Demand on the Heels of the Recession

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

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

As demand grows for Oakland locations, recent changes (years 2013-2015) in the real estate market context have been substantial, and include the following:

- 1.) Occupancies of existing buildings increased resulting in low vacancy rates today.
- 2.) Housing and commercial space rents and prices increased substantially. Recent percentage increases in Oakland's apartment rents have been among the highest in the country. Rents for downtown office space have also increased substantially.
- 3.) There has been increasing investment in existing buildings, such as in older commercial buildings in the downtown area, including the recent sale and future upgrading of the former Sears building as a new location for Uber.
- 4.) Potentials for new development have been increasing, as has developer interest in Oakland. There is a large pipeline of potential development projects.
- 5.) While the potentials for development are increasing, there has been very limited new market-rate housing development and no office development in Oakland since the Recession.

- a) Only 332 units in larger, market-rate, multi-family developments (5+ units) were built over the five (5) years from 2010 through 2014.
  - b) No new office buildings have been built since 2000.
- 6.) Some smaller residential projects and single-family detached and townhouse developments have occurred. Additionally, building permit activity has recently increased in 2014 and 2015.
- 7.) Larger residential projects are anticipated to begin applying for building permits in late 2015 through 2017 based on future anticipated higher rents and prices which will enhance new project feasibility.

Increasing rents and prices indicate growing potential for future development in Oakland if the regional and national economies remain strong. Growth forecasts for Oakland over the next 15 to 25 years indicate the most potential for growth of multi-family residential development and for office development. From the perspective of a new impact fee program in Oakland, multi-family residential development and office development hold the most potential for generating impact fee revenues in the future.

*2.) Current Economic Feasibility Context for Adopting New Impact Fee Program*

Multi-Family Housing and Office Buildings

The limited amount of recent new development in Oakland, along with growing demand, exemplify the finding that Oakland's increasing rents are still below those needed today for feasible development of the more costly building types: multi-family housing development and office building development. The feasibility of these higher-density developments depend on further future rent increases over and above development cost increases. Projects being planned today anticipate higher future rents by the time new projects are completed and ready for occupancy. Developing projects based on anticipated future rents adds risk and affects a developer's ability to attract financing and investment. As there are few existing "comparables" for successful, recent projects, there is the need for more successes in Oakland to prove the feasibility of developments and provide more certainty to developers, investors, and lenders who are often located outside of the Bay Area.

The ability to pay impact fees requires that project rents and prices increase to levels that are high enough to cover development costs, pay new impact fees, and provide a competitive return to attract developers and investors and cover risks. If not, new impact fees would slow development. Revenues also need to be able to provide enough value for land owners to encourage and support land sales so that impact fees would not slow land transactions and limit development. One way to help the market adjust to new impact fees is to phase in the fees.

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



Phasing-in also would allow time for the market to adjust to and plan for higher fees and for developers to plan future developments with knowledge of the new fee magnitude. Developers with projects in the pipeline that may have already bought land and made other commitments prior to knowing the new fee magnitude would benefit from the phasing in of new fees to allow their projects to proceed without delay. Allowing little or no time for those adjustments could have unintended consequences for project feasibility and could slow development.

### 3.) *Summary of Economic Feasibility Analysis*

The base case 2015 economic feasibility analyses are presented in charts and tables in **Attachment H**. **Attachment H-1** includes charts that summarize the current economic feasibility of new development in Oakland and the ability of different land uses to pay new impact fees based on current 2015 revenues and development costs (shown in Figures 1, 2, and 3 in **Attachment H-1**). **Attachment H-2** provides charts and base case pro formas summarizing the current economic feasibility of representative development prototypes for different land uses and building types in different areas of Oakland. The following text sections summarize the current feasibility context as relevant to ability to pay new impact fees for each development type.

#### Feasibility Overview: Multi-Family Housing Development

Multi-family housing projects are marginally feasible or not yet feasible based on 2015 rents and without new impact fees. The higher density building types are costly to develop and larger projects carry substantial risk. No large, market-rate multi-family housing projects have yet been developed in Oakland since the Recession. However, recent high rates of Oakland apartment rent increases have attracted substantial developer interest, and there is a large pipeline of potential future projects. Development feasibility and ability to pay new impact fees could be much improved with increasing rents over the next two (2) to three (3) years, if trends continue and the regional economy stays strong. Projects being planned now are based on higher future rents. The potential for developers to absorb new impact fees would be greatest if the fees are phased in consistent with improving development feasibility (as shown in Tables 1 and 2 and Figures 4 and 5 in **Attachment H-2**.)

#### Feasibility Overview: Single Family Housing Development

The development of single family detached homes and townhouses is feasible today in Oakland. Single family housing can be developed incrementally, in phases, and is much less risky than the larger, more costly building types required for multi-family housing development. Single family detached homes and townhouse development have been occurring in the Oakland Hills areas, and townhouse development is getting underway in West Oakland with more units planned. Infill, single family homes have also been developed in East Oakland, where the new development is particularly sensitive to costs. New impact fees could be phased in on single family housing development, consistent with the different markets served in different parts of the city (as shown in Table 1, Figure 3, and Table 6 in **Attachment H-2**).

#### Feasibility Overview: Office Building Development

There has been growing demand for office space in downtown Oakland where rents have been increasing, vacancies are low, and there has been investment in upgrading

existing office buildings. However, development of new office buildings is not yet feasible. Substantially higher rents are required for costly, new high rise office development downtown, and somewhat higher rents for mid-rise office development. Uber's recent commitment to locating in downtown Oakland enhances the potential for attracting other major tenants who are accustomed to paying higher rents in San Francisco or elsewhere. For more feasible projects, developers need tenant commitments at high rents for major portions of new buildings. Feasibility could be reached sooner or later, the timing of which depends on tenant commitments which are difficult to predict. Office projects need to attain feasibility before new impact fees can be paid. Figure 7 and Tables 4, 5A, and 5B in **Attachment H-2** show data related to this.

#### Feasibility Overview: Retail Development

Freestanding retail development, including grocery stores, possibly with small shops, and potentially larger stores, have been feasibly developed in various locations in Oakland, although such development can be sensitive to costs. Recent new retail developments primarily include new grocery stores: the new Safeway at College and Claremont, the Whole Foods in Adams Point, the new Lucky store on East 18<sup>th</sup>, the new FoodsCo at Foothill Square, the new Sprouts and other shops on Broadway, and the new Safeway under construction at 51<sup>st</sup> and Broadway. Beyond grocery stores and other convenience shopping, however, Oakland has had trouble attracting retail development offering comparison goods (including clothing/shoes/accessories, home furnishings / appliances, specialty goods, electronics, and department/general merchandise stores). A large share of Oakland residents' spending for comparison goods continues to be made outside the city (sales leakage). While freestanding retail development has some ability to pay impact fees, the City could consider policy goals for attracting more retailing for both the shopping opportunities and the sales tax base these developments can provide. Adopting a relatively low retail impact fee could encourage more retail development along with the tax benefits it provides. Figure 8 and Tables 6 and 7 in **Attachment H-2** show data related to this.

The feasibility of developing ground floor retail space in new residential and office buildings depends on overall development feasibility of the residential and office developments. Ground floor retail is often seen as an amenity for these projects, and does not typically cover development costs.

#### Feasibility Overview: Industrial Development

Warehouse development is feasible in Oakland. Projects have been built recently and future development is dependent on site availability for new warehouse development as there is demand for new warehouse facilities. Developments for custom manufacturing and light industrial uses, including industrial arts, also appear to be feasible and are desirable in parts of the West Oakland, Central Estuary, and the Coliseum Specific Plan Areas for the business and job opportunities they can provide. Additional impact fees could likely be collected from industrial development, particularly warehouse developments. Developments for smaller manufacturing and light industrial businesses have less ability to pay impact fees. Figure 9 and Tables 8 and 9 in **Attachment H-2** show data related to this.

## **Attachment H**

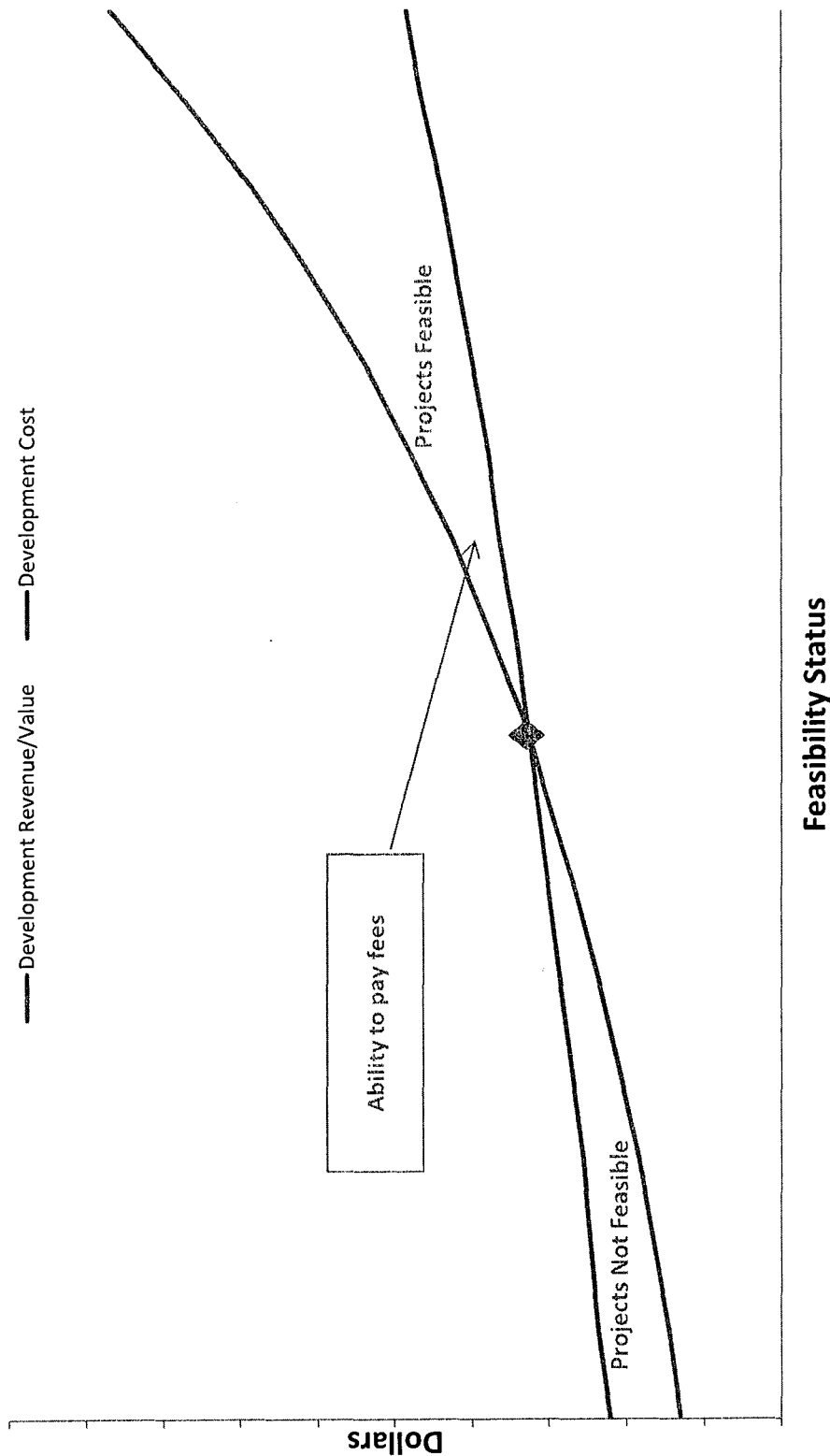
### **Economic Feasibility Analysis**

#### **Base Case 2015 Context**

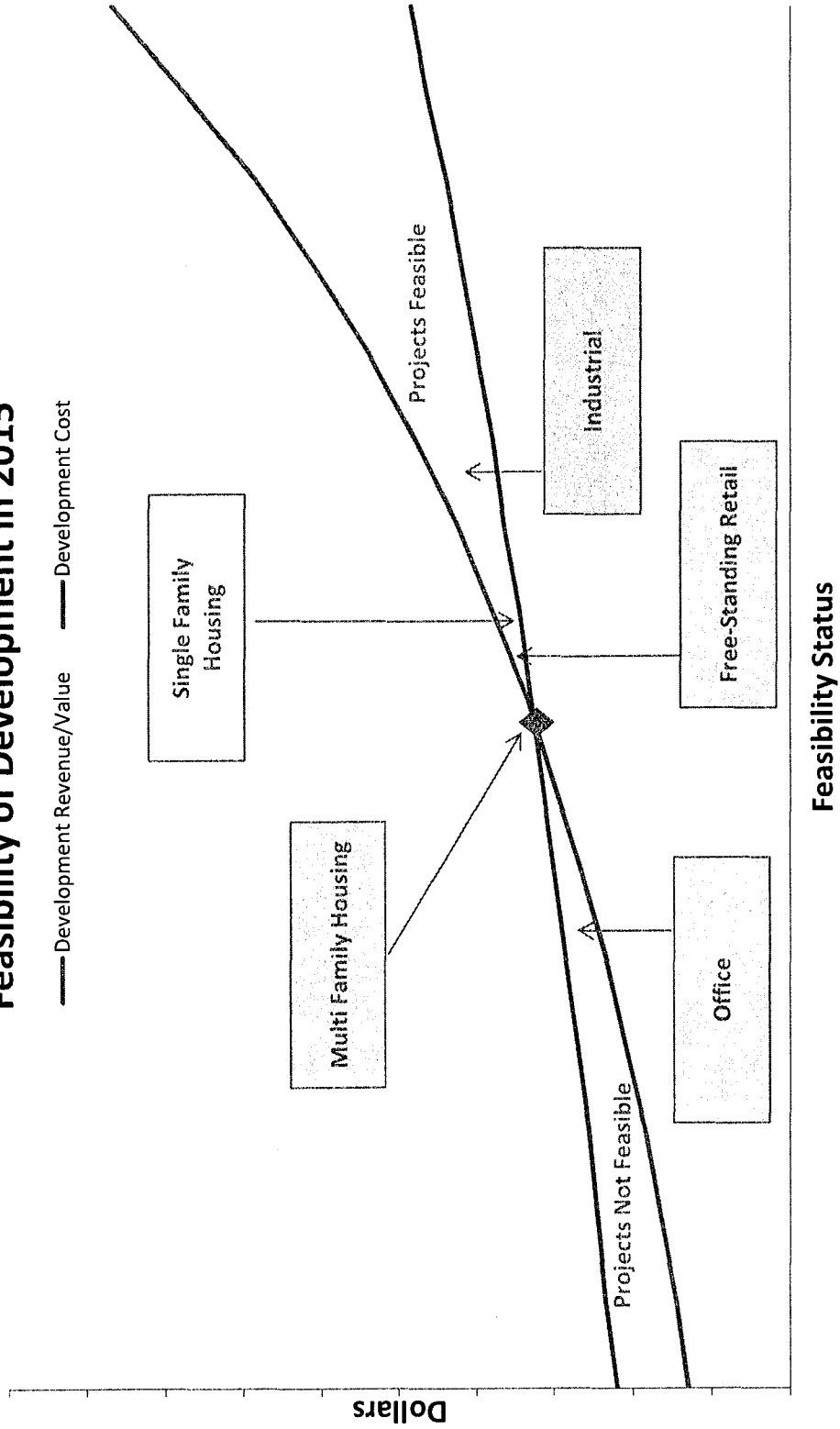
## **Attachment H-1**

# **Charts Summarizing: Current Economic Feasibility of New Development in Oakland, and Ability of Different Land Uses to Pay New Impact Fees based on 2015 Revenues and Costs**

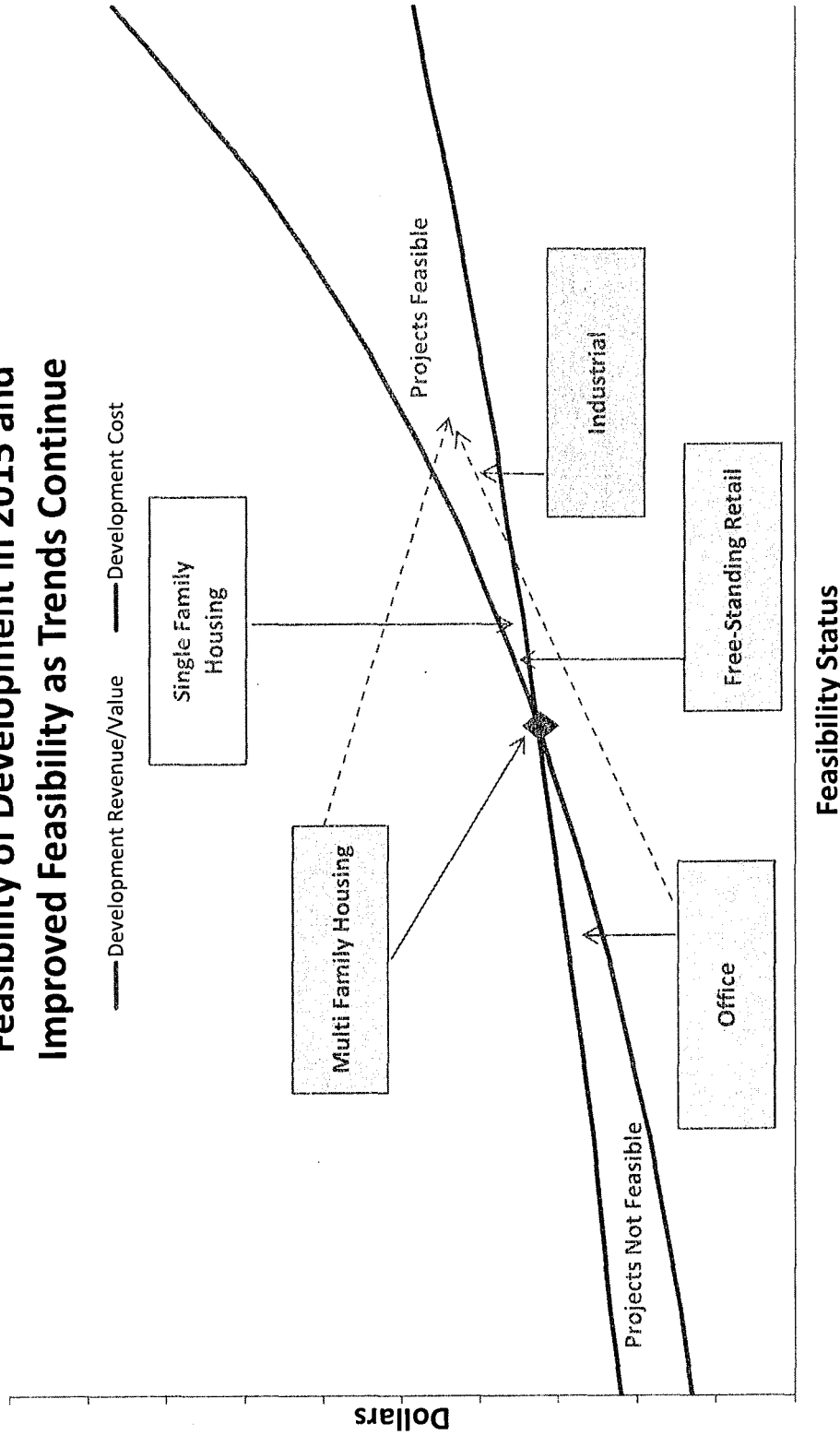
**Figure 1**  
**Ability to Pay Impact Fees Based on**  
**Relationship between Development Cost and Revenue**



**Figure 2**  
**Relationship between Development Cost and Revenue:**  
**Feasibility of Development in 2015**



**Figure 3**  
**Relationship between Development Cost and Revenue:**  
**Feasibility of Development in 2015 and**  
**Improved Feasibility as Trends Continue**



**Attachment H-2**

**Charts and Base Case Pro Formas Summarizing  
Economic Feasibility of Representative  
Development Prototypes in Oakland**



TABLE 1  
OAKLAND HOUSING DEVELOPMENT PROTOTYPES

Construction Type Height Parking Location Locations in City Tenure Average Unit Size Bedroom Mix Parking Density Prototype: Examples Built	Prototype H-1 Single Family Detached		Prototype H-2 Townhomes / Row Houses		Prototype H-3 Lower / Mid-Rise Multi-Family Apts.		
	Type V 2-story typically attached garage	Type V 3-story THs including garage garage in unit	Type V Typically over Type I podium 3-4 floors over podium; under 65 feet Podium above grade and possibly some surface pkg.	A. East Oakland For Sale 1,600 sf 3 BR 2 cars avg. 15 units / acre Individual Homes Infill Locations	B. No. Hills/Rockridge/ So. Hills/Lower Hills For Sale 3,000 sf 4 BR 2-3 cars avg. 6 units / acre Individual Homes Infill/300-unit dev. over time	A. West Oakland For Sale 1,340 sf 90% 2BR; 10% 3 BR 1-2 cars 20-40 units / acre 150 units/ 30 per phase; 30 DU/acre	B. North Hills/South Hills For Sale 2,085 sf 10% 2BR; 75% 3 BR; 15% 4 BR 2 cars 15-40 units / acre 150 units/ 30 per phase; 30 DU/acre
	A. East Oakland For Sale 1,600 sf 3 BR 2 cars avg. 15 units / acre Individual Homes Infill Locations	B. No. Hills/Rockridge/ So. Hills/Lower Hills For Sale 3,000 sf 4 BR 2-3 cars avg. 6 units / acre Individual Homes Infill/300-unit dev. over time	A. West Oakland For Sale 1,340 sf 90% 2BR; 10% 3 BR 1-2 cars 20-40 units / acre 150 units/ 30 per phase; 30 DU/acre	B. North Hills/South Hills For Sale 2,085 sf 10% 2BR; 75% 3 BR; 15% 4 BR 2 cars 15-40 units / acre 150 units/ 30 per phase; 30 DU/acre	West Oakland/North Oakland/ East Oakland Rental 760 sf per unit 15% ST; 45% 1BR; 32% 2BR; 8% 3BR 1 space per unit 60-130 units/acre 120 units, 4 over 1, 100 DU/acre		
	Individual Homes - Infill Arcadia Park / Pulte Homes (168 homes)	Individual Homes - Infill Bellevue (Leona Quarry) (under construction)	Zephyr Gate - WO (130 THs) Magnolia Row - WO (36 THs) Louise Row - WO (12 THs)	Jade Townhomes / Monte Vista Villas (Leona Quarry) (320 units)	Tenescal Place - NO Allegro - JLD 901 Jefferson - DT Uptown - DT		
Approved / Proposed:	Infill - individual lots Oak Knoll (~365 SFD homes)	Infill - individual lots Oak Knoll (~365 SFD homes)	Wood St. - Area 4 (174 THs)	Oak Knoll (~433 THs)	3250 Hollis - WO (120 units rental) Oak Knolls - Hills (134 apts) 4700 Telegraph - NO (48 units) 4801 Shattuck - NO (44 units) 5227 Claremont - NO (33 units) 2315 Valdez - BV (234 units - rental & condo map) 459 8th - DT (50 units)		

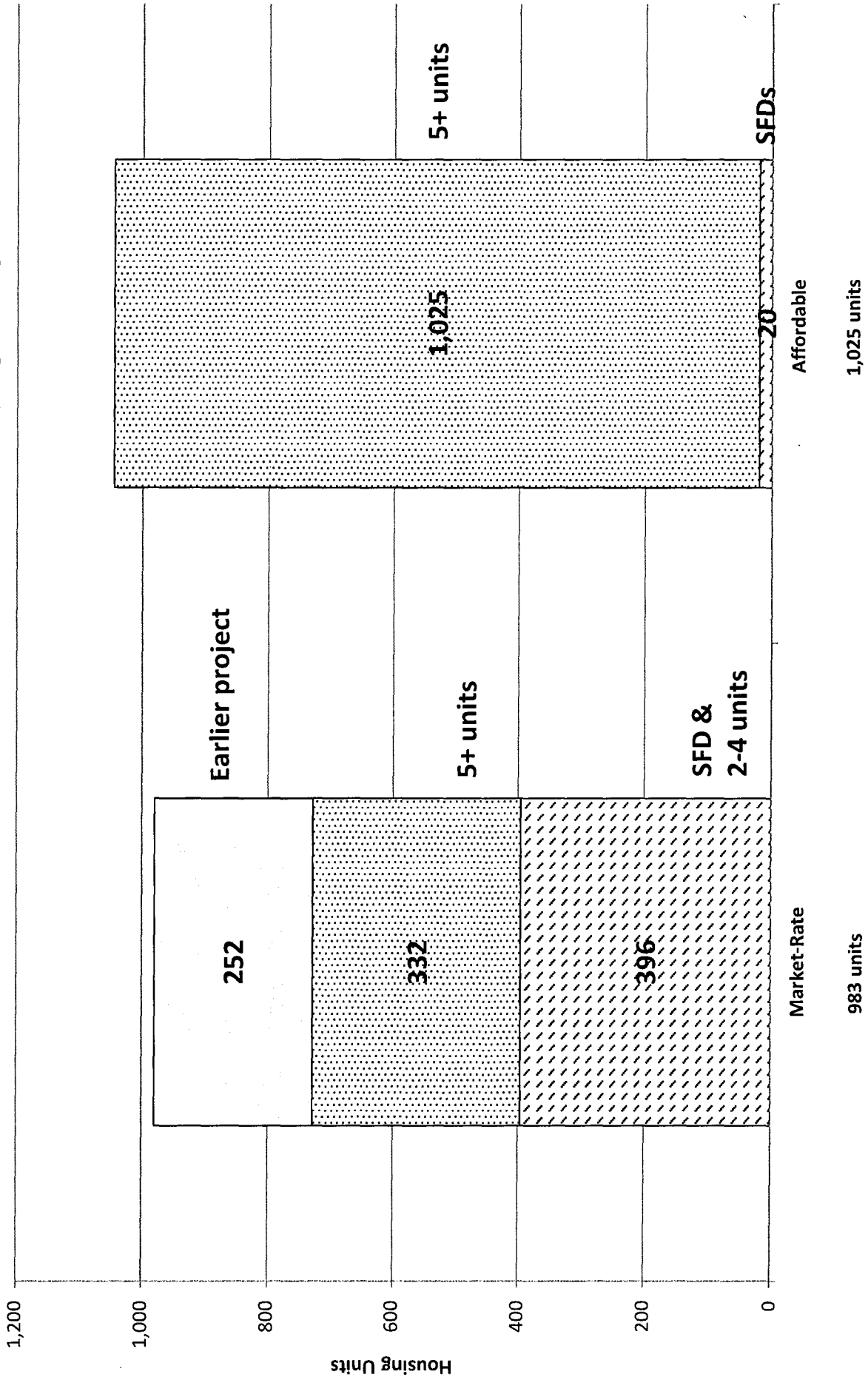
Source: Hausraath Economics Group, based on housing developments occurring and proposed in Oakland.

**TABLE 1  
OAKLAND HOUSING DEVELOPMENT PROTOTYPES (cont'd)**

	Prototype H-4		Prototype H-5	
	Mid-Rise Multi-Family Development		High-Rise Multi-Family Development	
<b>Construction Type</b>	Type III over Type I podium		Type I	
<b>Height</b>	5-6 floors over podium; up to 85 feet podium; typically 2 levels above grade		20-28 floors	
<b>Parking Location</b>			Most above grade; some below grade possible	
<b>Locations in City</b>	Downtown/Jack London/ Broadway Valdez/North Oakland		Downtown/Jack London/ Broadway Valdez	
<b>Tenure</b>			<b>B. For Sale Condos</b>	
<b>Average Unit Size</b>	825 sf per unit		940 sf per unit	
<b>Bedroom Mix</b>	17% ST; 50% 1BR; 30% 2BR; 3% 2+BR		24% ST; 50% 1BR; 25% 2BR; 1% 3BR/PH	
<b>Parking</b>	1 space per unit		1 space per unit	
<b>Density</b>	90-200 units/acre		350-485 units/acre	
<b>Prototype:</b>	180 units, 5-6 over 1+, 200 DU/acre		220 units, 22 fls, 400 DU/acre	
<b>Examples Built</b>	Domain by Alta - DT (rental)		100 Grand - DT (243 units, 22 floors)	
	311 2nd St. - The Bond - JLD (101 units)		The Essex - DT (270 units, 20 floors)	
	288 Third St - JLD (91 units)		The Ellington - JLD (134 units, 16 floors)	
	428 Alice St - JLD (93 units)			
	200 Second St. - JLD (101 units)			
	Uptown Place - DT (86 units)			
<b>Approved / Proposed:</b>	51st & Broadway - NO (126 units - rental)		1700 Webster - DT (206 Units, 22 floors)	
	3053 Broadway - BV (423 units - rental)		2270 Broadway - BV (223 units, 24 floors)	
	200 4th St. - JLD (330 units - rental)		1640 Broadway - DT (247 units, 38 floors)	
	2315 Valdez - BV (234 units - rental & condo map)		1331 Harrison - DT (166 units, 27 floors)	
	459 23rd - DT (65 units)		1900 Broadway - DT (345 units, 33 floors)	

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

**Figure 4  
Housing Development 2010-2014 (5 years)**



# Figure 5 Multi-Family Housing Development

Prototypes	Feasibility 2015	New Construction?
<p><b>H-3 Lower/Mid-Rise Apts.</b> West Oak/East Oak/ parts of North Oak</p>	<p>Marginal to small positives with today's rents; building types are costly</p>	<p>Limited; no large market rate projects completed since recession</p>
<p><b>H-4 Mid-Rise Apts.</b> Downtown/JL/BV/ parts of North Oak</p>	<p>Very sensitive to assumptions</p> <p>Recent high rates of increase in rents</p>	<p>Projects to be proceeding based on higher, future rents</p>
<p><b>H-5 High-Rise Apts.</b> Prime Sites: DT/JL/ BV</p>	<p>Feasibility much improved with higher rents as trends continue; could take 2-3 years</p> <p>For-sale condos are not feasible today</p>	<p>Large pipeline</p>

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TABLE 2A  
RENTAL HOUSING DEVELOPMENT PROTOTYPES - BASE CASE MID-2015  
CITY OF OAKLAND DEVELOPMENT IMPACT FEE STUDY

Development Characteristics	Rental Apartments Prototype H-3		Rental Apartments Prototype H-4		Rental Apartments Prototype H-5	
	Per SF Unit	Per Unit	Per SF Unit	Per Unit	Per SF Unit	Per Unit
<b>Development Characteristics</b>						
Construction Type	<b>Type V on Type I podium</b>		<b>Type III on Type I podium</b>		<b>Type I</b>	
Height	3-4 floors over podium		5-6 floors over podium		20 - 28 floors	
Parking Location	podium; above grade		podium; above grade		largely above grade	
Parking Ratio	1 space/du		1 space/du		1 space/du	
Average Unit Size	760 sf		825 sf		845 sf	
Density	60-130 units/acre		90-200 units/acre		350 - 485 units/acre	
Location in City	West Oak, North Oak, East Oak		Downtown / J.L / BV / No.Oak		Downtown / J.L / BV: prime sites	
Prototype	<b>120 units, 4 over 1, 100 DU/acre</b>		<b>180 units, 5-6 over 1+, 200 DU/acre</b>		<b>220 units, 22 flrs, 400 DU/acre</b>	
<b>Development Costs</b>	<b>Per SF Unit</b>	<b>Per Unit</b>	<b>Per SF Unit</b>	<b>Per Unit</b>	<b>Per SF Unit</b>	<b>Per Unit</b>
Land	\$42.99	\$32,670	\$39.64	\$32,700	\$32.25	\$27,250
Hard Construction	\$328.13	\$249,380	\$359.36	\$296,470	\$417.16	\$352,500
Government Permits and Fees	\$34.76	\$26,420	\$33.67	\$27,780	\$36.37	\$30,730
Other Soft Costs	\$42.67	\$32,432	\$57.50	\$47,435	\$75.09	\$63,450
Construction Financing	\$13.95	\$10,600	\$18.67	\$15,400	\$29.70	\$25,100
<b>Total Development Costs</b>	<b>\$462.50</b>	<b>\$351,502</b>	<b>\$508.84</b>	<b>\$419,785</b>	<b>\$590.57</b>	<b>\$499,030</b>
(excl. devel. fee & return on capital)						
<b>Revenue</b>						
Monthly Rent	\$3.33	\$2,530	\$3.73	\$3,080	\$4.58	\$3,870
Gross Potential Rev. (100% Occ.)	\$39.95	\$30,360	\$44.80	\$36,960	\$54.96	\$46,440
Annual Rental Revenue (5% Vac.)	\$37.95	\$28,840	\$42.56	\$35,110	\$52.21	\$44,120
(Less) Operating Expenses (30%)	(\$11.38)	(\$8,650)	(\$12.76)	(\$10,530)	(\$15.67)	(\$13,240)
<b>Net Operating Income (NOI)</b>	<b>\$26.57</b>	<b>\$20,190</b>	<b>\$29.79</b>	<b>\$24,580</b>	<b>\$36.54</b>	<b>\$30,880</b>
<b>Measures of Return</b>						
Yield on Cost (NOI % of costs)	5.7%		5.9%		6.2%	
Target Yield	≈ 6%		6 - 6.5%		≈ 6.5%	
Capitalization Rate	5.5%		5.5%		5.5%	
Estimated Market Value	\$483.03	\$367,100	\$541.70	\$446,900	\$684.50	\$561,500
(Less) Dev. Costs & Sales Exp.	(\$486.65)	(\$369,857)	(\$535.92)	(\$442,130)	(\$623.79)	(\$527,105)
<b>Net Value Over Costs</b>	<b>(\$3.62)</b>	<b>(\$2,757)</b>	<b>\$5.78</b>	<b>\$4,770</b>	<b>\$40.71</b>	<b>\$34,395</b>
As % of Development Costs	-1%		1%		7%	
Required % of Cost	13-15%		15-19%		19-25%	
Capitalization Rate	5%		5%		5%	
Estimated Market Value	\$531.32	\$403,800	\$595.88	\$491,600	\$730.89	\$617,600
(Less) Dev. Costs & Sales Exp.	(\$489.07)	(\$371,692)	(\$538.62)	(\$444,365)	(\$627.11)	(\$529,910)
<b>Net Value After Costs</b>	<b>\$42.25</b>	<b>\$32,108</b>	<b>\$57.26</b>	<b>\$47,235</b>	<b>\$103.78</b>	<b>\$87,690</b>
As % of Development Costs	9%		11%		18%	
Required % of Cost	13-16%		15-19%		19-25%	
Equivalent IRR for ROC	12-15%		12-15%		12-15%	

Source: Hausrath Economics Group

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TABLE 2B  
RENTAL HOUSING DEVELOPMENT PROTOTYPES - BASE CASE WITH RENTS FOR FEASIBLE PROJECTS (2015 \$)  
CITY OF OAKLAND DEVELOPMENT IMPACT FEE STUDY

Development Characteristics	Rental Apartments Prototype H-3		Rental Apartments Prototype H-4		Rental Apartments Prototype H-5	
	Type V on Type I podium 3-4 floors over podium podium: above grade 1 space/du 760 sf 60-130 units/acre West Oak, North Oak, East Oak 120 units, 4 over 1, 100 DU/acre	Per SF Unit	Type III on Type I podium 5-6 floors over podium podium: above grade 1 space/du 825 sf 90-200 units/acre Downtown / JL / BV / No.Oak 180 units, 5-6 over 1+, 200 DU/acre	Per SF Unit	Type I 20 - 28 floors largely above grade 1 space/du 845 sf 350 - 485 units/acre Downtown / JL / BV; prime sites 220 units, 22 flrs, 400 DU/acre	Per SF Unit
<b>Development Costs</b>						
Land	\$42.99	75/sf	\$39.64	150/sf	\$32.25	250/sf
Hard Construction	\$328.13		\$359.36		\$417.16	
Government Permits and Fees	\$34.76		\$33.67		\$36.37	
Other Soft Costs	\$42.67		\$57.50		\$75.09	
Construction Financing	\$13.95		\$18.67		\$29.70	
<b>Total Development Costs</b> (excl. devel. fee & return on capital)	<b>\$462.50</b>		<b>\$508.84</b>		<b>\$590.57</b>	
						<b>\$499,030</b>
<b>Revenue</b>						
<b>Monthly Rent</b>	<b>\$3.55</b>		<b>\$4.00</b>		<b>\$4.85</b>	
Gross Potential Rev. (100% Occ.)	\$42.63		\$48.00		\$58.22	
Annual Rental Revenue (5% Vac.)	\$40.50		\$45.60		\$55.31	
(Less) Operating Expenses (30%)	(\$12.14)		(\$13.68)		(\$16.59)	
<b>Net Operating Income (NOI)</b>	<b>\$28.36</b>		<b>\$31.92</b>		<b>\$38.72</b>	
						<b>\$32,720</b>
<b>Measures of Return</b>						
<b>Yield on Cost (NOI % of costs)</b>	<b>6.1%</b>		<b>6.3%</b>		<b>6.6%</b>	
Target Yield	≈ 6%		6 - 6.5%		≈ 6.5%	
<b>Capitalization Rate</b>	<b>5.5%</b>		<b>5.5%</b>		<b>5.5%</b>	
Estimated Market Value	\$515.53		\$580.24		\$704.02	
(Less) Dev. Costs & Sales Exp.	(\$488.28)		(\$537.84)		(\$625.77)	
<b>Net Value Over Costs</b>	<b>\$27.25</b>		<b>\$42.40</b>		<b>\$78.25</b>	
<b>As % of Development Costs</b>	<b>6%</b>		<b>8%</b>		<b>13%</b>	
Required % of Cost	13-15%		15-19%		19-25%	
<b>Capitalization Rate</b>	<b>5%</b>		<b>5%</b>		<b>5%</b>	
Estimated Market Value	\$567.11		\$638.30		\$774.44	
(Less) Dev. Costs & Sales Exp.	(\$490.86)		(\$540.75)		(\$629.29)	
<b>Net Value After Costs</b>	<b>\$76.25</b>		<b>\$97.55</b>		<b>\$145.15</b>	
<b>As % of Development Costs</b>	<b>16%</b>		<b>19%</b>		<b>25%</b>	
Required % of Cost	13-16%		15-19%		19-25%	
Equivalent IRR for ROC	12-15%		12-15%		12-15%	

Source: Hausrath Economics Group

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TABLE 2C  
FOR SALE HOUSING DEVELOPMENT PROTOTYPES - BASE CASE MID-2015  
CITY OF OAKLAND DEVELOPMENT IMPACT FEE STUDY

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

Source: Hausrath Economics Group

# Figure 6 Single-Family Housing Development

Prototypes	Feasibility 2015	New Construction?
<p><b>H-1A Single Family Home</b> East Oakland / Infill</p>	<p>Feasible today</p>	<p>Has been proceeding incrementally and in phases</p>
<p><b>H-1B Single Family Home</b> No. / So. / Lower Hills &amp; Rockridge Infill / Larger Dev.</p>	<p>SFD homes in East Oakland very sensitive to costs</p> <p>Can be developed incrementally and in phases</p>	<p>SFD and Townhome development occurring in Hill areas</p>
<p><b>H-2A Townhomes</b> West Oakland</p>	<p>Less risky than multi-family development</p>	<p>Townhome development getting underway in West Oakland with more planned</p>
<p><b>H-2B Townhomes</b> North Hills / South Hills</p>		



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TABLE 3  
FOR SALE HOUSING DEVELOPMENT PROTOTYPES - BASE CASE MID-2015  
CITY OF OAKLAND DEVELOPMENT IMPACT FEE STUDY

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

Source: Hausrath Economics Group

# Figure 7 Office Development

Prototypes	Feasibility 2015	New Construction?
<p><b>O-1 High-rise Office</b> Downtown</p>	<p>Rents increasing</p>	<p>No new office buildings since around 2000</p>
<p><b>O-2 Mid-rise Office</b> Downtown</p>	<p>Vacancies low</p>	<p>Developers need tenant commitments at much higher rents for Oakland</p>
<p><b>O-3 Lower/mid-rise Office</b> Coliseum / West Oakland</p>	<p>Investment in Existing buildings</p> <p>New construction not yet feasible</p> <p>UBER commitment increases potentials</p> <p>SF spillover increasing</p>	

TABLE 4  
OAKLAND OFFICE DEVELOPMENT PROTOTYPES

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

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

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TABLE 5A  
OFFICE PROTOTYPES - BASE CASE MID-2015  
CITY OF OAKLAND IMPACT FEE STUDY

Development Characteristics	Highrise Office Prototype O-1		Mid Rise Office Prototype O-2		Lower/Mid Rise Office Prototype O-3		Mid Rise Office/No Parking Prototype O-2 Option	
	Per GSF	Per LSF	Per GSF	Per LSF	Per GSF	Per LSF	Per GSF	Per LSF
<b>Development Costs</b>								
Land	\$15	\$18	\$23	\$28	\$28	\$31	\$23	\$24
Hard Construction	\$220	\$259	\$190	\$232	\$170	\$189	\$190	\$200
Tenant Improvements	\$55	\$65	\$45	\$55	\$45	\$55	\$52	\$55
Parking	\$39	\$46	\$32	\$39	\$50	\$56	\$0	\$0
Government Permits and Fees	\$20	\$24	\$20	\$24	\$15	\$17	\$20	\$21
Other Soft Costs	\$54	\$64	\$47	\$57	\$45	\$50	\$42	\$44
Construction Financing	\$23	\$28	\$15	\$18	\$13	\$15	\$12	\$13
<b>Total Development Costs</b> (excl. devel. fee & return on capital)	<b>\$426</b>	<b>\$502</b>	<b>\$372</b>	<b>\$453</b>	<b>\$366</b>	<b>\$407</b>	<b>\$339</b>	<b>\$357</b>
<b>Revenue</b>								
Office Monthly Rent	\$3.19	\$3.75	\$2.79	\$3.40	\$2.25	\$2.50	\$3.23	\$3.40
Gross Potential Rev. (100% Occ.)	\$38.25	\$45.00	\$33.46	\$40.80	\$27.00	\$30.00	\$38.76	\$40.80
Annual Rental Revenue (10% Vac.)	\$34.43	\$40.50	\$30.11	\$36.72	\$24.30	\$27.00	\$34.88	\$36.72
(Less) Operating Expenses	(\$15.00)	(\$17.65)	(\$14.40)	(\$17.56)	(\$13.80)	(\$15.33)	(\$14.40)	(\$15.16)
Parking Net Revenue	\$0.72	\$0.84	\$0.64	\$0.78	\$1.40	\$1.56	\$0.00	\$0.00
<b>Net Operating Income (NOI)</b>	<b>\$20.14</b>	<b>\$23.70</b>	<b>\$16.35</b>	<b>\$19.94</b>	<b>\$11.90</b>	<b>\$13.23</b>	<b>\$20.48</b>	<b>\$21.56</b>
<b>Measures of Return</b>								
Yield on Cost (NOI % of costs)	4.7%	4.7%	4.4%	4.4%	3.2%	3.2%	6.0%	6.0%
Target Yield	= 7.5%	= 7.5%	6.8 - 7 %	6.8 - 7 %	6.5 - 6.7 %	6.5 - 6.7 %	6.5 - 6.6 %	6.5 - 6.6 %
Capitalization Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Estimated Market Value	\$336	\$395	\$273	\$332	\$198	\$220	\$341	\$359
(Less) Dev. Costs & Sales Exp.	(\$443)	(\$521)	(\$385)	(\$470)	(\$376)	(\$418)	(\$356)	(\$375)
Net Value Over Costs	(\$108)	(\$127)	(\$112.86)	(\$138)	(\$178)	(\$198)	(\$15)	(\$16)
As % of Development Costs	-25%	-25%	-30%	-30%	-49%	-49%	-4%	-4%
Required % of Cost	18 - 25%	18 - 25%	14 - 18%	14 - 18%	12 - 16%	12 - 16%	7 - 11%	7 - 11%
Capitalization Rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Estimated Market Value	\$366	\$431	\$297	\$363	\$216	\$240	\$372	\$392
(Less) Dev. Costs & Sales Exp.	(\$445)	(\$523)	(\$387)	(\$471)	(\$377)	(\$419)	(\$358)	(\$377)
Net Value After Costs	(\$79)	(\$92)	(\$89)	(\$109)	(\$161)	(\$179)	\$15	\$16
As % of Development Costs	-18%	-18%	-24%	-24%	-44%	-44%	4%	4%
Required % of Cost	18 - 25%	18 - 25%	14 - 18%	14 - 18%	12 - 16%	12 - 16%	7 - 11%	7 - 11%

Source: Hausrath Economics Group

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TABLE 5B  
OFFICE PROTOTYPES - BASE CASE WITH RENTS FOR FEASIBLE PROJECTS (2015 \$)  
CITY OF OAKLAND IMPACT FEE STUDY

Development Characteristics	Highrise Office Prototype O-1		Mid Rise Office Prototype O-2		Lower/Mid Rise Office Prototype O-3		Mid Rise Office/No Parking Prototype O-2 Option	
	Per GSF	Per LSF	Per GSF	Per LSF	Per GSF	Per LSF	Per GSF	Per LSF
<b>Construction Type</b>	Type I - steel/concrete		Type I - II		Type I or II		Type II	
Height	20+ floors		4 - 8 floors		3 - 5 floors		4-8 floors	
Description	Class A space		Flexible, larger floor plates		Flexible, larger floor plates		Flexible, larger floor plates	
Parking	2 levels below grade		1 level below grade		On-site in garage or podium		No on-site parking	
Project Size	300,000 - 600,000 sf		150,000 - 350,000 sf		80,000 - 200,000 sf		150,000 - 350,000 sf	
FAR	8.0 - 10.0+		3.5 - 7.0		1.0 - 2.0		3.5 - 7.0	
Location in City	Downtown		Downtown / Urban Model		Coliseum Area, West Oakland		Downtown / Urban Model	
Prototype	450,000 sf; 24 flrs; 10 FAR; +2 flrs pkg.		210,000 sf; 6 flrs; 5.25 FAR; +1 flr pkg		140,000 sf; 4 flrs; 1.8 FAR		210,000 sf; 6 flrs; 5.25 FAR	
<b>Development Costs</b>	Per GSF	Per LSF	Per GSF	Per LSF	Per GSF	Per LSF	Per GSF	Per LSF
Land	\$15	\$18	\$23	\$28	\$28	\$31	\$23	\$24
Hard Construction	\$220	\$259	\$190	\$232	\$170	\$189	\$190	\$200
Tenant Improvements	\$55	\$65	\$45	\$55	\$45	\$50	\$52	\$55
Parking	\$39	\$46	\$32	\$39	\$39	\$50	\$0	\$0
Government Permits and Fees	\$20	\$24	\$20	\$24	\$15	\$17	\$20	\$21
Other Soft Costs	\$54	\$64	\$47	\$57	\$45	\$50	\$42	\$44
Construction Financing	\$23	\$28	\$15	\$18	\$13	\$15	\$12	\$13
<b>Total Development Costs</b> (excl. devel. fee & return on capital)	\$426	\$502	\$372	\$453	\$366	\$407	\$339	\$357
<b>Revenue</b>								
<b>Office Monthly Rent</b>	\$4.25	\$5.00	\$3.65	\$4.45	\$3.42	\$3.80	\$3.42	\$3.60
Gross Potential Rev. (100% Occ.)	\$51.00	\$60.00	\$43.79	\$53.40	\$41.04	\$45.60	\$41.04	\$43.20
Annual Rental Revenue (10% Vac.)	\$45.90	\$54.00	\$39.41	\$48.06	\$36.94	\$41.04	\$36.94	\$38.88
(Less) Operating Expenses	(\$15.00)	(\$17.65)	(\$14.40)	(\$17.56)	(\$13.80)	(\$15.33)	(\$14.40)	(\$15.16)
Parking Net Revenue	\$0.72	\$0.84	\$0.64	\$0.78	\$1.40	\$1.56	\$0.00	\$0.00
<b>Net Operating Income (NOI)</b>	\$31.62	\$37.20	\$25.65	\$31.28	\$24.54	\$27.27	\$22.54	\$23.72
<b>Measures of Return</b>								
<b>Yield on Cost (NOI % of costs)</b>	7.4%	7.4%	6.9%	6.9%	6.7%	6.7%	6.6%	6.6%
Target Yield	= 7.5%	= 7.5%	6.8 - 7 %	6.8 - 7 %	6.5 - 6.7 %	6.5 - 6.7 %	6.5 - 6.6 %	6.5 - 6.6 %
<b>Capitalization Rate</b>	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Estimated Market Value	\$527	\$620	\$427	\$521	\$409	\$454	\$376	\$395
(Less) Dev. Costs & Sales Exp.	(\$453)	(\$533)	(\$393)	(\$479)	(\$387)	(\$430)	(\$358)	(\$377)
<b>Net Value Over Costs</b>	\$74	\$87	\$34.37	\$42	\$22	\$25	\$18	\$19
<b>As % of Development Costs</b>	17%	17%	9%	9%	6%	6%	5%	5%
Required % of Cost	18 - 25%	18 - 25%	14 - 18%	14 - 18%	12 - 16%	12 - 16%	7 - 11%	7 - 11%
<b>Capitalization Rate</b>	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Estimated Market Value	\$575	\$676	\$466	\$569	\$446	\$496	\$410	\$431
(Less) Dev. Costs & Sales Exp.	(\$455)	(\$536)	(\$395)	(\$482)	(\$389)	(\$432)	(\$360)	(\$378)
<b>Net Value After Costs</b>	\$120	\$141	\$71	\$87	\$58	\$64	\$50	\$53
<b>As % of Development Costs</b>	28%	28%	19%	19%	16%	16%	15%	15%
Required % of Cost	18 - 25%	18 - 25%	14 - 18%	14 - 18%	12 - 16%	12 - 16%	7 - 11%	7 - 11%

Source: Hausrauth Economics Group

# Figure 8 Retail Development

Prototypes	Feasibility	New Construction
<p><b>Ground floor Retail</b> in New Residential and Office Buildings</p>	<p>Typically supported by major use; at best will break even</p>	
<p><b>R-1 Freestanding Larger Store</b> Com'l Corridors / Districts</p>	<p>Feasible potentially</p>	<p>R-1: No recent construction</p>
<p><b>R-2/R-3 Grocery store, possibly with small shops</b></p>	<p>Feasible in many locations  Freestanding retail development is cost-sensitive</p>	<p>R-2/R-3: New Developments: Safeways, Sprouts, Whole Foods, Lucky on East 18<sup>th</sup>, FoodsCo at Foothill Square</p>

TABLE 6  
OAKLAND RETAIL DEVELOPMENT PROTOTYPES

	Prototype R-1 Freestanding larger store(s); surface parking	Prototype R-2 Grocery Store; some small shops possibly roof parking	Prototype R-3 Grocery Store; some small shops possibly surface parking
<b>Construction Type</b>	Type V or III	Type II or I	Type V or III
<b>Height</b>	1 level; 18 ft. height	1 level; 18 ft. height	1 level; 18 ft. height
<b>Description</b>	Freestanding larger store; some small shops possible in addition	Freestanding grocery store; some small shops possible in addition	Freestanding grocery store; some small shops possible in addition
<b>Parking</b>	surface/on-site parking; 3-4 per 1,000 sf	roof parking; 3-4 per 1,000 sf	surface/on-site parking; 3-4 per 1,000 sf
<b>FAR</b>	0.3 - 0.4	0.4 - 0.8	0.3 - 0.4
<b>Location in City</b>	Commercial Corridors / Districts	Commercial Corridors / Districts; Downtown; North Oak; Hills	Commercial Corridors / Districts
<b>Project Sizes</b>	30,000 - 60,000 sf	35,000 - 65,000 sf	35,000 - 65,000 sf
<b>Examples Built</b>	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 sm. shops)	
<b>Approved/Proposed/ Under Construction</b>		Shops at Broadway (Sprouts + smaller stores, 36,000 sf) Safeway - Redwood Road (48,874 sf new grocery)	

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

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

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

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

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TABLE 7  
RETAIL DEVELOPMENT PROTOTYPES - BASE CASE MID-2015  
CITY OF OAKLAND IMPACT FEE STUDY

Development Characteristics	Prototype R-1 Freestanding Larger Store/Surface Pkg		Prototype R-2 Grocery Store, Sm. Shops / Roof Parking		Prototype R-3 Grocery Store, Sm. Shops / Surface Pkg	
	Per GSF	Per LSF	Per GSF	Per LSF	Per GSF	Per LSF
Construction Type Height	Type V or III 1 level; 18 ft. height	Type V or III 1 level; 18 ft. height	Type II or I 1 level; 18 ft. height	Type V or III 1 level; 18 ft. height	Type V or III 1 level; 18 ft. height	Type V or III 1 level; 18 ft. height
Description	Freestanding larger store; some small shops possible in addition	Freestanding larger store; some small shops possible in addition	Freestanding grocery store; some small shops possible in addition	Freestanding grocery store; some small shops possible in addition	Freestanding grocery store; some small shops possible in addition	Freestanding grocery store; some small shops possible in addition
Parking Project Sizes	Surface/on-site; 3-4 sp per 1k sf 30,000 - 60,000 sf	Surface/on-site; 3-4 sp per 1k sf 30,000 - 60,000 sf	Roof Parking; 3-4 sp per 1k sf 35,000 - 65,000 sf	Surface/on-site; 3-4 sp per 1k sf 35,000 - 65,000 sf	Surface/on-site; 3-4 sp per 1k sf 35,000 - 65,000 sf	Surface/on-site; 3-4 sp per 1k sf 35,000 - 65,000 sf
FAR	0.3 - 0.4	0.3 - 0.4	0.4 - 0.8	0.3 - 0.4	0.3 - 0.4	0.3 - 0.4
Location in City	Commercial Corridors/Districts	Commercial Corridors/Districts	Commercial Corridors/Districts; Downtown, North Oakland, Hills	Commercial Corridors/Districts	Commercial Corridors/Districts	Commercial Corridors/Districts
Prototype	45,000 sf; pkg 4 sp/1k sf; 0.35 FAR	45,000 sf; pkg 4 sp/1k sf; 0.35 FAR	55,000 sf; pkg 3.3 sp/1k sf; 0.60 FAR	55,000 sf; pkg 3.3 sp/1k sf; 0.60 FAR	45,000 sf; pkg 4 sp/1k sf; 0.32 FAR	45,000 sf; pkg 4 sp/1k sf; 0.32 FAR
<b>Development Costs</b>						
Land	\$100.00	\$100.00	\$133.00	\$138.54	\$139.00	\$144.79
Hard Construction (shell)	\$100.00	\$100.00	\$160.00	\$166.67	\$100.00	\$104.17
Tenant Improvements	\$40.00	\$40.00	\$65.00	\$67.71	\$59.00	\$61.46
Parking /loading /paving/on-sites/off-sites	\$85.00	\$85.00	\$110.00	\$114.58	\$90.00	\$93.75
Government Permits and Fees	\$12.00	\$12.00	\$16.50	\$17.19	\$13.00	\$13.54
Other Soft Costs	\$43.00	\$43.00	\$60.00	\$62.50	\$47.00	\$48.96
Construction Financing	\$8.60	\$8.60	\$14.61	\$15.22	\$12.00	\$12.52
<b>Total Development Costs</b> (excl. devel. fee & return on capital)	<b>\$388.60</b>	<b>\$388.60</b>	<b>\$559.11</b>	<b>\$582.40</b>	<b>\$460.02</b>	<b>\$479.19</b>
<b>Revenue</b>						
Monthly Rent (NNN)	\$2.25	\$2.25	\$3.60	\$3.75	\$2.78	\$2.90
Gross Potential Rev. (100% Occ.)	\$27.00	\$27.00	\$43.20	\$45.00	\$33.41	\$34.80
Annual Rental Revenue (0% Vac.)	\$27.00	\$27.00	\$43.20	\$45.00	\$33.41	\$34.80
(Less) Replacement Reserve/Exp. (5%)	(\$1.35)	(\$1.35)	(\$2.16)	(\$2.25)	(\$1.67)	(\$1.74)
<b>Net Operating Income (NOI)</b>	<b>\$25.65</b>	<b>\$25.65</b>	<b>\$41.04</b>	<b>\$42.75</b>	<b>\$31.74</b>	<b>\$33.06</b>
<b>Measures of Return</b>						
Yield on Cost (NOI % of costs)	6.6%	6.6%	7.3%	7.3%	6.9%	6.9%
Target Yield	= 6.5%	= 6.5%	= 6.5%	= 6.5%	= 6.5%	= 6.5%
Capitalization Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Estimated Market Value	\$513	\$513	\$821	\$855	\$635	\$661
(Less) Dev. Costs & Sales Exp.	(\$414)	(\$414)	(\$600)	(\$625)	(\$492)	(\$512)
<b>Net Value Over Costs</b>	<b>\$99</b>	<b>\$99</b>	<b>\$220.65</b>	<b>\$230</b>	<b>\$143</b>	<b>\$149</b>
As % of Development Costs	25%	25%	39%	39%	31%	31%
Required % of Cost	8 - 10%	8 - 10%	8 - 10%	8 - 10%	8 - 10%	8 - 10%
Capitalization Rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Estimated Market Value	\$466	\$466	\$746	\$777	\$577	\$601
(Less) Dev. Costs & Sales Exp.	(\$412)	(\$412)	(\$596)	(\$621)	(\$489)	(\$509)
<b>Net Value After Costs</b>	<b>\$54</b>	<b>\$54</b>	<b>\$150</b>	<b>\$156</b>	<b>\$88</b>	<b>\$92</b>
As % of Development Costs	14%	14%	27%	27%	19%	19%
Required % of Cost	8 - 10%	8 - 10%	8 - 10%	8 - 10%	8 - 10%	8 - 10%

Source: Hausrath Economics Group



**Figure 9  
Industrial Development**

Prototypes	Feasibility 2015	New Construction
<p>I-1 Warehouse East Oak Industrial/ Coliseum Plan Area</p>	<p>Feasible</p>	<p>I-1: Recent development: Airport/Hegenberger Area, Army Base; some on infill sites</p>
<p>I-2 Custom Mfg./ Light Industrial</p>	<p>Feasible; could be build- to-suit</p>	<p>I-2 and I-3: desired in Specific Plan areas: West Oakland, Central Estuary, Coliseum Areas; not built recently</p>
<p>I-3 Low-rise Light Ind'l/R&amp;D/ Office Flex</p>	<p>Probably feasible</p>	

TABLE 8  
OAKLAND INDUSTRIAL DEVELOPMENT PROTOTYPES

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

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

DRAFT FOR DISCUSSION PURPOSES ONLY - SUBJECT TO CHANGE

TABLE 9  
INDUSTRIAL DEVELOPMENT PROTOTYPES - BASE CASE MID-2015  
CITY OF OAKLAND IMPACT FEE STUDY

Development Characteristics	Prototype I-1 Warehouse		Prototype I-2 Custom Light Industrial/Mfg.		Prototype I-3 Low-rise Light Ind/IR&D/Office flex	
	Per GSF	Per LSF	Per GSF	Per LSF	Per GSF	Per LSF
<b>Construction Type</b>						
Height	Tilt-up 1 level		Tilt-up 1 level + mezzanine		Tilt-up or Pre-fab 1 - 2 levels	
Description	30' clear hts.; on-site loading; large floor plate		Possible clear hts. and on-site loading; some internal office space; likely bid-to-suit		Flexible for production, studios, office, &/or R&D; possible on-site loading	
Parking	Surface: on-site parking		Surface; on-site parking		Surface; on-site parking	
Project Sizes	150,000 - 375,000 sf		20,000 - 200,000 sf		10,000 - 125,000 sf	
FAR	0.4 - 0.5		0.45 - 0.6		0.4 - 0.8	
Location in City	East Oak Industrial / Coliseum Plan Area		Parts of Coliseum/West Oak/Central Estuary Plan areas; East Oak Industrial		Parts of Coliseum / West Oak/ Central Estuary Plan areas	
Prototype	375,000 sf; 0.46 FAR		200,000 sf; 0.57 FAR		65,000 sf; 2 levels; 0.74 FAR	
<b>Development Costs</b>						
Land	\$41.00	\$41.00	\$43.56	\$43.56	\$47.38	\$49.35
Hard Construction	\$40.00	\$40.00	\$60.00	\$60.00	\$80.00	\$83.33
Tenant Improvements	\$5.00	\$5.00	\$12.00	\$12.00	\$20.00	\$20.83
Parking / loading area /paving (incl. above)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Government Permits and Fees	\$14.00	\$14.00	\$7.00	\$7.00	\$7.25	\$7.55
Other Soft Costs	\$11.00	\$11.00	\$15.30	\$15.30	\$17.37	\$18.09
Construction Financing	\$2.98	\$2.98	\$3.70	\$3.70	\$4.16	\$4.34
<b>Total Development Costs</b> (excl. devel. fee & return on capital)	<b>\$113.98</b>	<b>\$113.98</b>	<b>\$141.56</b>	<b>\$141.56</b>	<b>\$176.16</b>	<b>\$183.50</b>
<b>Revenue</b>						
Monthly Rent (NNN)	\$0.60	\$0.60	\$0.85	\$0.85	\$1.15	\$1.20
Gross Potential Rev. (100% Occ.)	\$7.20	\$7.20	\$10.20	\$10.20	\$13.82	\$14.40
Annual Rental Revenue (0/0/5% Vac.)	\$7.20	\$7.20	\$10.20	\$10.20	\$13.13	\$13.68
(Less) Replacement Reserve/Exp. (5/5/10%)	(\$0.36)	(\$0.36)	(\$0.51)	(\$0.51)	(\$1.31)	(\$1.37)
<b>Net Operating Income (NOI)</b>	<b>\$6.84</b>	<b>\$6.84</b>	<b>\$9.69</b>	<b>\$9.69</b>	<b>\$11.82</b>	<b>\$12.31</b>
<b>Measures of Return</b>						
Yield on Cost (NOI % of costs)	6.0%		6.8%		6.7%	
Target Yield	5.5%		6%		6.5%	
Capitalization Rate	4.0%		4.5%		5.0%	
Estimated Market Value	\$171	\$171	\$215	\$215	\$236	\$246
(Less) Dev. Costs & Sales Exp.	(\$123)	(\$123)	(\$152)	(\$152)	(\$188)	(\$196)
<b>Net Value Over Costs</b>	<b>\$48</b>	<b>\$48</b>	<b>\$63.01</b>	<b>\$63</b>	<b>\$48</b>	<b>\$50</b>
As % of Development Costs	43%		45%		27%	
Required % of Cost	9 - 11%		9 - 11%		10 - 12%	
Capitalization Rate	4.5%		5.0%		5.5%	
Estimated Market Value	\$152	\$152	\$194	\$194	\$215	\$224
(Less) Dev. Costs & Sales Exp.	(\$122)	(\$122)	(\$151)	(\$151)	(\$187)	(\$195)
<b>Net Value After Costs</b>	<b>\$30</b>	<b>\$30</b>	<b>\$43</b>	<b>\$43</b>	<b>\$28</b>	<b>\$29</b>
As % of Development Costs	27%		30%		16%	
Required % of Cost	9 - 11%		9 - 11%		10 - 12%	

Source: Hausraath Economics Group