

OPINION

Oakland's promise as solution to Bay Area's housing crunch

City may be solution to Bay Area's housing crunch

By Robert Selna

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Telegraph Avenue at 16th Street in Oakland, Calif., on Wednesday Feb. 28, 2013. Oakland officials prepare to handle the popular First Friday-Art Murmur event for the first time since last month's event erupted in violence. They plan to discuss the event, set back the hours and make plans for public safety.
Michael Macor/The Chronicle

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Standing on the roof of a new apartment complex in San Francisco's SoMa neighborhood last week as the fog rolled in and a cold wind kicked up, I counted 12 housing construction cranes within a half-mile radius. My BART trip home to Oakland took me to an elevated train platform bathed in warm afternoon sunlight and a soft breeze. There, I witnessed one crane operating on a transit village housing project. The crane stood alone - as far as the eye could see.

I point to this contrast not to perpetuate the tiresome "Oakland, the ugly stepchild" refrain. Rather, I note it because Oakland offers the best opportunity in the Bay Area for building much needed housing and for building it right - so that it is affordable to middle- and low-income residents.

A period of sustained residential construction in Oakland would not only help address the region's desperate need for housing, it would create construction jobs, improve the city's tax base, and build on its burgeoning commercial and creative vitality. Meanwhile, the failure to generate new housing in the relative short run creates a real risk that many of Oakland's neighborhoods will become unaffordable to lower- and middle-income residents and families.

The good news is that the City of Oakland is starting to implement smart-housing policies as development economics are reaching a point where it makes sense for investors, lenders and developers to choose Oakland over other options. Meanwhile,

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several affordable housing projects developed by nonprofits are under way.

I believe, and recent housing reports suggest, that a few adjustments to the city's zoning code and a relative handful of administrative changes could help lower development costs and increase builder confidence just enough to pave the way for thousands of new Oakland housing units over the next decade.

Building that confidence could be expedited with political leadership, including help from the city's Planning Department. But so far, only one candidate for mayor in the coming November election – Mayor [Jean Quan](#) – has listed housing construction as a top priority. Even so, her plan is so vague as to be meaningless. As housing demand soars and concerns about gentrification fill the pages of this newspaper, it's time that Oakland's leaders, or those who hope to lead, take seriously the opportunity that Oakland represents for its residents and the region and craft a clear plan to move forward.

San Francisco's political and business leaders are scrambling to protect tenants and encourage smart housing development in order to try to catch up with demand and stem the outflow of families and the middle class, but they are fighting an uphill battle. Development fundamentals in San Francisco – high land, labor and construction costs, perpetual demand from wealthy young professionals, and a state law that prohibits local government from imposing affordable housing requirements on private rental housing projects – make the challenge daunting. Just as an example, that Folsom Street apartment roof I mentioned sits on top of 181 units of different sizes. The building's 450-square-foot studios are priced at \$2,800 per month. The most spacious and desirable units will rent for \$6,000 per month.

The [Oakland City Council](#) recently approved needed tenant protections in response to concerns about renters being displaced and gentrification. But with roughly four months until the November general election, no candidate has offered a coherent blueprint for kick-starting residential construction. Mayor Quan announced a "10K Two" program in the past few months (referencing former Mayor [Jerry Brown's](#) 10K residential construction program), and claimed that 25 percent of the housing would be affordable. Quan mentioned that housing should be built on transportation corridors, but hasn't offered any details about how her enormous feat would be accomplished. Other mayoral candidates say they support affordable housing. Who doesn't? Platitudes do not get housing built.

As Oakland's political leaders largely have ignored the pressing issue of housing construction, affordable housing advocates – understandably wary of down-to-earth Oakland becoming the next San Francisco – have started to pressure the city to demand a percentage of affordable housing from market-rate developments. The problem with that concept is that it has not generated a meaningful amount of affordable housing in other cities (see San Francisco and Los Angeles). It also would add another cost to the Oakland development equation that is just now starting to "pencil" so that developers find building in the city attractive – meaning sales or rental yields make residential projects viable after factoring in the cost of land, labor, materials, borrowing and permitting.

The bottom line is that Oakland is just now at the point where it makes financial sense to build housing. Another important reality is that development financing (from investors and banks) relies heavily on precedent as a guide, meaning that it takes several successes for confidence to set in among lenders. This is where solid city leadership could help Oakland's nascent housing construction movement gain momentum.

The city's newly created area-specific plans (see box) are a great start. They give developers details: where and how high they can build housing, the allowed commercial uses, and architectural design guidelines. But the city should pursue other modifications

to the planning code and permitting process that could further encourage development, including:

- Develop a comprehensive and easily accessible permitting fee schedule.
- Reduce residential parking requirements citywide from one space per housing unit to one-half space, thereby cutting a major development cost (\$25,000 or more per unit).
- Change the way transportation impact fees that accompany individual development projects are calculated, currently a complicated and expensive vehicle-delay analysis. Instead, charge a standard fee tied to projected citywide development and its cumulative impact on the entire transportation system.

There are also steps that Oakland should take toward specifically building lower- and middle-income housing. That is:

- Set a threshold and trigger for when an Oakland affordable housing development fee would kick in (e.g., once a certain number of units have been built).
- Allow market-rate residential projects that agree to provide affordable housing to leapfrog to the front of the permitting line (as San Francisco has recently done).
- Encourage state government to allocate revenue from the cap-and-trade fund (projected at \$5 billion annually by 2020) for affordable housing near transit hubs, as state Senate President Pro Tem Darrell Steinberg recently urged.
- Help create a regional affordable housing fund with other local governments. Let developers in the region's cities compete for funds based on a set criteria.

Oakland's comparatively low housing prices, good transportation, parks, arts, culture and restaurants – and Mediterranean climate – make it a desirable place to live and work. All that's needed now is a few cranes.

Oakland: primed for development

Land is cheaper compared with many Bay Area cities.

Neighborhoods are served by BART and bus lines, an antidote to mounting regional traffic.

Commercial corridors offer abundant opportunities to develop walkable and bike-able neighborhoods, which are increasingly popular.

Certainty about zoning and possible exemptions from costly environmental reviews are offered in three area-specific plans, all close to approval.

"In-fill" housing development is welcomed in Oakland and may be permitted more easily.

Not all development-related permits are discretionary, meaning that they are not subject to appeal as they are in San Francisco

Rents are escalating

Without new construction, rents are likely to continue to rise.

Rents rose 29 percent during the past two years to an average of \$2,187 per month during the first quarter of 2014, one recent study indicated.

Rents at premium locations had risen 8 percent since October 2013 to \$3.13 per square foot, according to a second report focused on downtown Oakland housing development viability. At that rent, an 800-square-foot apartment would cost \$2,500 per month (at less coveted locations, rents were lower). However, the report cautioned that imposing an affordable housing fee (or other public benefit fee) on high-rise projects – as proposed by some advocates – would make building infeasible, under most scenarios.

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