

City of Oakland Programs, Policies and New Initiatives for Housing

Land Use Policies

General Plan Update

In the late 1990s, the City revised its general plan land use and transportation element. This included substantial community participation in the process. The new land use plan designates specific areas for higher density residential development: downtown, waterfront, commercial arteries, transit nodes and corridors.

Zoning Update

The next stage of the general plan update is to revise the zoning throughout the City. One suggestion that is under consideration is to require minimum densities in areas designated for multi-family housing development.

Mixed-Use and Transit-Oriented Development

The city actively encourages mixed use development to provide both commercial and housing uses to build vital neighborhoods. The City has worked in partnership with a large local nonprofit to develop a mixed-use transit village with housing, office, social service and retail uses next to the Fruitvale BART station, and has helped secure funding from a wide range of sources as well as providing local financing.

Other transit villages are under consideration at several other BART stations, including MacArthur and Coliseum.

Reduced Parking Requirements

Many cities require substantial amounts of off-street parking, adding to the cost of housing. The City requires 1 space per unit (although environmental review can result in a requirement to build additional parking).

Inclusionary Zoning

The Affordable Housing Task Force recommended that the City establish an inclusionary zoning ordinance.

Over 100 California cities already have some form of inclusionary housing requirement (this is in addition to the inclusionary requirements that are mandated in redevelopment areas).

Inclusionary zoning requires that a specified percentage of units in market rate housing developments be set aside as affordable rental or ownership for low and moderate income housing. (continued on next page)

The City has hired a consultant to do an economic impact analysis to determine the effect of such a requirement on the financial feasibility of inclusionary zoning at different levels, and to explore various incentives that can be used to offset the cost of including affordable units. Possible offsets include reduced parking requirements, density bonuses, modified development standards, etc.

Secondary Units

The City recently revised its zoning requirements to be more specific about standards for secondary (“in-law”) units. Minimum square footage and parking are often key issues. Standards that are too high will discourage second units, and could lead to development of illegal units.

Remove Governmental Constraints to Housing

Fast-track processing

The City gives priority to affordable housing projects for both planning and building permit reviews. The City also has identified staff assigned to work with major projects and assist them in getting through all the stages of planning and building permit reviews, so that a single staff person serves as a point of contact and liaison with the developer.

Streamline review procedures

The City continues to work on revising its review procedures to reduce the time required for approvals and make requirements easier to understand. Staff is preparing to upgrade the City's permit tracking software application.

Reduced lot sizes

In areas where much of the housing is older Victorian-style homes on narrow lots, the City has reduced minimum lot sizes to encourage compatible in-fill development.

Preservation of Existing Affordable Housing

Inventory of at-risk housing

In Spring 2002, the City completed a risk assessment of existing subsidized housing to identify which projects are at greatest risk of converting to market rate. The City also works closely with the California Housing Partnership Corporation, a nonprofit group established by the State to work with cities and nonprofits to preserve affordable housing.

Identify entities capable of preserving affordable housing

Several nonprofits have expressed interest in acquiring and preserving at-risk housing. The City has talked with major nonprofits and encouraged them to place their names on State-maintained lists of qualified entities for preservation. Projects that are intending to terminate their subsidy contracts must provide notice to these groups as well as to tenants, HUD and local government. The City's housing development unit is also on this list.

Identify financial resources

The risk assessment study also identified all available Federal, State and private resources that can be used for preservation projects. Preservation projects are a high priority for allocation of the City's own housing funds.

Provide financial assistance

The City has provided financing to assist in the preservation of two federally assisted projects at-risk of converting to market rates.

Increase Financial Resources for Housing

Pursue all available resources

City housing staff are familiar with a broad array of housing programs and assist developers in identifying and pursuing all funding programs for which they are eligible. The City also actively lobbies at the State and Federal level for increased funding for affordable housing.

Increase Redevelopment Agency Low/Mod Set-Aside

Beginning in Fiscal Year 2001-2002, the Redevelopment Agency voluntarily increases the percentage of tax increment funds set aside for low and moderate housing from 20 percent to 25 percent.

Beginning in 2002, State law requires that the set-aside be increased to 30% whenever a redevelopment agency receives an extension of time on its redevelopment plan. Staff is currently evaluating the feasibility of extending the City's Central District Redevelopment Plan. If the Plan is extended, there will be a significant increase in the amount of funds available for affordable housing.

State law also now requires that redevelopment agency housing funds be allocated for very low, low and moderate income housing in the same proportion as those needs are identified in the Regional Housing Needs Determination for the Housing Element. Similarly, the percentage of funds allocated for senior housing cannot exceed the percentage of the population that are seniors.

Partnerships with local lenders

The City helped form the Oakland Homeownership Assistance Alliance, which includes major lenders, secondary mortgage market organizations, and nonprofit providers of financing, technical assistance and housing counseling services. The Alliance's program includes new financing tools to reach low and moderate income homebuyers, a lease-purchase program, and one-stop neighborhood-based homebuyer assistance centers. The Alliance will provide \$1 billion in new mortgage capital over a five year period, and has a goal of increasing the City's ownership rate by five percentage points (from 42% to 47%).

Local trust funds

The City is exploring the establishment of local housing trust funds. One such fund would be financed from a proposed jobs/housing impact fee. The City's Homeless Task Force has committed to a joint public-private effort to raise \$100 million from both public and private sources.

Trust funds have been established in other localities. In Silicon Valley, private and public funds have been combined into a substantial trust fund for affordable housing.

Jobs/Housing Impact Fee

In response to the recommendations of an Affordable Housing Task Force convened in 2000, the City is considering establishing a jobs/housing impact fee. Developers of new non-residential projects (office and other uses) would be assessed a fee to help pay for the cost of mitigating the impact of additional demand for affordable housing that results because the buildings will attract new workers to Oakland. Some of those workers will be low income, and some will relocate to Oakland from other areas.

Establishment of a linkage fee requires a "nexus study" to document the relationship between commercial development and affordable housing demand, and to set a reasonable fee. The redevelopment agency provided funding for this study.

Linkage fees have already been established in a number of California cities, including Sacramento, San Francisco, San Diego, Menlo Park, Sunnyvale and Palo Alto.

Issue Bonds

To secure a large pool of housing funds immediately, the Redevelopment Agency issued bonds backed by a portion of the Low/Mod housing set-aside. This is a particularly good strategy in periods where interest rates are low, since the cost of the bonds is lower. In early 2000, the Agency raised \$39.5 million dollars. Annual debt service costs are \$3.1 million. Since the tax increment is growing in our redevelopment areas, the lost revenue will be made up in future years.

The City is also working with other jurisdictions and housing groups to consider a county-wide general obligation bond measure for affordable housing.

Use of Land Sale Proceeds for Housing Programs

The Redevelopment Agency has plans to sell the Preservation Park project. The FY 2001-03 two-year budget allocates \$5 million in land sale proceeds for a new program for acquisition and rehabilitation of existing housing.

Housing Development Programs

Predevelopment Loan and Grant Program

Nonprofit developers often lack sufficient working capital to finance the early stages of a project, such as assessing site feasibility, securing purchase options on sites, and preparing financing applications. Since 1988, the City has provided loans of up to \$35,000 for this purpose. Borrowers must provide matching funds of 50% of the loan amount from a source other than the City. Loan approval is based primarily on the strength and experience of the nonprofit organization and a staff assessment of the likelihood that the project will go forward. Loans can be forgiven if the project does not go forward.

Housing Development Program

Funds for development of affordable housing (rental and ownership) are allocated in competitive funding rounds. The program uses both Redevelopment Agency Low/Mod Housing Funds and the Federally-funded HOME program.

Applications are ranked on the basis of both developer and project characteristics. A point system has been developed to encourage projects that meet priorities identified in the Consolidated Plan, the Housing Element and other City policy documents.

For example, the City and Redevelopment Agency require that 10% of the units in each project be affordable to households at 35% of median in order to meet the needs of extremely low income households, and award extra points for projects with larger units (3 or 4 bedrooms).

City/Agency funds are often the first funds awarded to a project. Our commitments are contingent on the project securing the balance of financing from other sources, but our early commitment of funds makes it easier to leverage outside sources.

Site Acquisition Program

Nonprofit developers were having a hard time securing sites for affordable housing, particularly because they needed to get City Council approval for acquisition financing, which made them less competitive than private developers. As the housing market heated up and more private developers became interested in Oakland, nonprofits were unable to secure sites.

Also, most projects need to leverage other funds (tax credits, Federal programs for seniors or persons with disabilities, etc.). These funds are limited, and only a few projects can be funded each year. However, in the face of private competition for developable site, there is a need to do some kind of land-banking.

To address both these issues, the Agency used \$10 million of the \$40 million bond issue to establish a site acquisition program. Loans can be approved within 30 days, and allow nonprofits to secure sites and hold them for up to three years while seeking other financing.

Community Land Trust Program

One of the City's primary goals for housing is to increase the homeownership rate, especially for low and moderate income households. The subsidies that are required to make homeownership affordable in our housing market are very high (\$100,000 or more). In the past, the City provided assistance through "silent second" mortgages that were repaid on sale. However, this generally meant that once the original owner sold the property, it was no longer affordable, which is a particular problem in neighborhoods experiencing gentrification.

Using a portion of the \$40 million bond proceeds, the Redevelopment Agency is now developing a Community Land Trust program. Land will be acquired and owned by a community-based nonprofit organization (the Community Land Trust). Homes will be constructed on those sites by private (for profit and nonprofit) developers, and sold at prices that are affordable to low income homebuyers. The land will remain under the ownership of the Community Land Trust, with long term controls on resale values. Affordability is achieved through the use of local subsidy funds, and preserved over the long term through the operation of the Land Trust. This ensures that the units remain as a permanently affordable housing resource in the community.