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Oakland builders want more time

Approved projects face deadline, fees

San Francisco Business Times - by [Blanca Torres](#)

Oakland developers are counting on the city to give them a blanket one-year extension on the deadline to build approved projects.

The extension would give developers more time to round up financing or wait for the economy to improve enough to build dozens of projects that are sitting in the city's pipeline.

"We have spent a lot of time attracting developers and institutional investors," said Ignacio De La Fuente, president of the Oakland City Council and a proponent of the extension. "It will be absolutely important for us that these projects stay in Oakland."

The City Council will vote on Nov. 4 on the extension. The Planning Commission gave its approval on Oct. 1.

The extension applies to any project with an entitlement that expires before Jan. 1, 2010. Normally entitlements expire after two years, and then applicants can apply for a one-year extension that comes with a fee. De La Fuente's proposal would automatically give entitled projects an extra year without any fees.

But, like putting a small patch on a tire with huge holes, the move does not combat developers' biggest challenges: plummeting home prices and a fractured credit system.

"A year is not enough time, but it's nice," said Kathy Kuhner, who serves on the board of the Oakland Builders Alliance and runs [Dogtown Development](#) in West Oakland. "The city can't really help the development community, the economy can. But, extending the entitlements will keep the door open."

The builder's group had lobbied the City Council to grant a three-year extension, but one year seemed more palatable when the plan came before the Oakland Planning Commission and the Community and Economic Development Agency.

One of Kuhner's projects, Hollis 34, a 124-unit live/work development, is one of dozens of condominium, mixed-use and commercial developments approved before the economy took a steep downturn.

Many developers flocked to entitle projects during a building boom spurred on by former Mayor Jerry Brown and his goal of bringing 10,000 new residents to downtown Oakland.

At the time, housing prices rocketed skyward and Oakland seemed like a safe bet. That proved untrue. Median home prices in Alameda County fell 30 percent to \$389,500 in September compared with the same month in 2007, according to research from San Diego-based MDA DataQuick, a real estate information service.

"All these builders saw the home prices going up, and everybody wanted a piece of it," said Jon Haveman, a principal with

Beacon Economics, a research and consulting firm, who estimates that home prices will continue to fall another 40 percent in Alameda County in the next three years.

“Oakland is overbuilt with condos,” he said. “The market will be able to absorb the condos, but it will take time.”

Many developers nonetheless want to hold onto their entitlements, which can take a few years and cost millions of dollars to secure.

“I hope (the Oakland City Council) continues to do this year by year until we see a recovery in the housing market,” said Bill Lightner, owner and principal of San Francisco-based [Lightner Property Group](#). “This is an important thing that Oakland is doing. If they don’t do it, I will never do business in Oakland again.”

Many developers like Lightner were lured by Brown’s promise that doing business in Oakland would be easier and faster than in San Francisco.

“We were drawn across the Bay by a progressive government that wanted to see an improvement in its community by offering an olive branch,” he said. “This is a way for them to say, ‘We meant it.’”

Lightner has two residential developments in Oakland that were approved in 2006. He originally expected to put the units on the market last summer, but decided to hold off on building in early 2007, before the real estate market officially tanked.

“When we looked at the tea leaves, we thought it too risky,” Lightner said. “We saw it coming.”

Lightner spent \$1 million cleaning up the land at one of his projects, a 100-unit residential complex at 2847 Peralta St., and another \$1 million on the entitlements plus the cost of the land.

“We’re not considering giving it up,” Lightner said. “We believe the fundamentals that make West Oakland a great place to live are still there. Moreover, we’re going to be able to build at starter-home prices.”

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