



June 6, 2006

Oakland City Council  
Oakland City Hall  
1 Frank Ogawa Plaza  
Oakland, CA 94612

RE: Industrial Land Use Policy

Dear City Councilmember:

The health of Oakland's economy and the role played by Oakland's industrial lands in that economy are topics of vital importance to all of us. As such, the Chamber of Commerce would like you to take into consideration our position on these issues. We look forward to working constructively with you as you consider this position, its recommended actions, and industrial land use policy generally.

## **ISSUE**

Due to the recent boom in the local residential real estate market, there is tremendous pressure to convert Oakland's industrial land to residential uses. In addition, the city's outdated Planning Code and the lack of consistency between that Code and the city's General Plan create speculation in the Oakland real estate market. This speculation inhibits appropriate capital investment, limits the ability of firms to operate effectively, and exacerbates the problem of the close proximity of heavy industrial and residential uses.

## **CHAMBER POSITION**

To remedy this situation, the City Council must develop a clear and consistent land use policy that will allow for the long-term health of Oakland's economy. In particular, the Council must reconcile the differences between the Planning Code and the Land Use and Transportation Element (LUTE) of the General Plan and clarify which industrial areas will be reserved for industrial uses as soon as possible. To do this, the City Council should:

- Ensure that adequate Planning Department staff and resources are available for overseeing and implementing the Planning Code update. Since 1998, the Council has repeatedly extended the Interim Controls for implementing the General Plan, which it initially adopted as a *temporary* measure for dealing with inconsistencies between the City's Planning Code and its newly adopted General

Plan. In recent years, Planning Department staff has not been available to work on updating the Zoning Code due to a lack of personnel resources, despite more than \$2 million made available from a General Plan Surcharge on all building, demolition, and construction permits collected since 1993. City Council must ensure that staff and resources are available to complete this important task.

- Develop a clear understanding of the economic trends impacting Oakland-based businesses and the implications of those trends on the need for industrial land. In considering which of Oakland's industrial areas should remain industrial and which may be converted to other uses, the City Council must understand the dynamics of key industries such as transportation and logistics – particularly the ancillary services required by the Port of Oakland – construction, manufacturing, food processing, and others. The ability of the City to maintain a healthy, well-diversified economy with thriving industries that are well integrated to the regional and global economies must drive the Council's land use decisions in the industrial and commercial areas. *The Chamber of Commerce is working on a comprehensive economic analysis of Oakland's economy and expects to complete it by the end of 2006.*
- Make land use decisions based on the strategic needs of the City as a whole, not piecemeal or on the basis of the needs or views of individual Council Districts. For example, certain districts, such as West Oakland, bear the brunt of the impact of Port operations. As such, the City's ability to mitigate this impact and relocate trucking and other heavy industrial uses from that area to the Army Base or other parts of Oakland must not be hampered by the conversion of land at the Army Base or other industrial parts of the City to retail or residential uses. Land use priorities must be determined citywide.
- Include the Army Base in the consideration of industrial land use in Oakland. As currently framed, the City Council's discussion of industrial land use conversion considers 17 sub-areas of the city but not the Oakland Army Base. Given the Base's proximity to Port operations and that industrial uses related to the Port may represent the most significant demand for industrial land in the city; the City Council must consider allowing a good portion of the Base to be reserved for industrial uses. Allowing a number of Port related uses to re-locate to the Base from other parts of the city also may resolve land use conflicts in East and West Oakland and, consequently, allow for higher and better uses of those areas.
- Understand Port-related land uses and involve the Port of Oakland in land use decisions. The Transportation and Logistics industry accounts for more than one of every ten jobs in Oakland. The Port's contribution to the regional Bay Area economy as well as the national economy is well known. The City of Oakland must work with the Port particularly on the issue of industrial land use in order to maximize the Port's benefits to the city and minimize its negative impacts such as emissions and truck traffic. Recent studies on Port real estate needs estimate a gap of nearly 109 acres by the year 2010 between the land

available at the Port and the land required by the Port for its “core services.” Adding the “ancillary services” (uses such as refrigerated storage and trucking) required by companies working with the Port, a considerable amount of additional industrial land will be required for Port-related activities on land under the City’s jurisdiction. The need for these uses must be assessed, understood, and incorporated into any industrial land use policy shaped by the Oakland City Council.

## **BACKGROUND**

In 1998, the Oakland City Council adopted a new General Plan with the understanding that an update to the City’s Zoning Code would immediately follow in order to bring the two documents into alignment. The latter has never happened.

For nearly eight years, the City of Oakland has been operating on the basis of zoning laws that date back to the 1960s and a set of “interim controls” bridging those laws and the City’s General Plan. To make matters worse, the City Council has increasingly made “spot zoning” changes: re-zoning certain opportunity sites to accommodate one particular development or other via a General Plan Amendment. In particular, the city has allowed certain industrially zoned parcels, some of which abut other industrial uses, to convert to residential uses. This creates conflicts between neighboring uses and, more significantly, creates tremendous uncertainty in Oakland’s real estate market.

The result of this uncertainty is that land owners are speculating on the value of their land. Unsure of the ultimate allowable use of their land, some owners of industrial land are not investing in or upgrading their property for industrial uses in the expectation that they may be able to convert their land to a use with a higher rate of return. Local real estate experts estimate that the value of industrial land which could be converted to residential uses is more than double that of industrial land which will remain industrial or productive.

## **THE CURRENT SITUATION**

Recently, the City lost the opportunity to attract Peet’s Coffee’s roasting facility, and may lose the chance to host Semifreddi’s Bakery. However, speculation that industrially zoned land could be used for residential conversions resulted in investors buying industrial property but not using it for industrial uses. Both Peet’s and Semifreddi’s found industrial sites that could have worked for them, but also found unresponsive property owners unwilling to lease or invest in their properties due to their expectation that they will be able to develop the land for residential use which yields a higher rate of return. Due to this speculative trend, many acres of industrial land in Oakland have remained without improvements for more than five years.

Should Oakland seek to attract companies like Peet’s and Semifreddi’s or should it convert industrial properties suitable for their uses to residential use? The role of

Oakland's industrially zoned real estate is in question. How much industrial or "productive" capacity is needed to keep Oakland's economy thriving and globally competitive? What balance does the city need between lands dedicated to housing versus commercial or industrial uses?

Over the past 50 years, Oakland's role as a center for food processing, metal manufacturing, automobiles, and shipbuilding has steadily declined. Today, manufacturing comprises less than 5% of the city's employment base. Oakland's largest employers are in health care, transportation, public administration, and professional services. How much industrial land does the city need now and how important are today's industrial users in terms of job creation or contribution to the competitiveness of Oakland's key job and wealth generating industries?

Oakland is not the first major metropolitan area to confront these questions. San Francisco has experienced a similar debate as the value of real estate in the Bay Area continues to climb. In San Francisco, analysis demonstrated that while the city's production, distribution, and repair businesses were no longer "drivers" of the city's economy, they do play an important function in supporting driving industries like finance and information technology. The proximity of activities like wholesale trade, food production, transportation, printing, and repair provide essential services to key industries and allow the city's economy to adjust to economic changes such as the dot com boom and bust more effectively. They also provide higher paying job opportunities for workers with the lowest levels of skill and education (San Francisco Planning Department, 2002).

## **RECOMMENDED ACTIONS**

While Oakland's economic challenges differ considerably from those of San Francisco, the city has not taken the time to analyze these phenomena in Oakland. On June 14, 2005, CEDA staff recommended hiring a consultant to study the existing and projected industrial land use activities within the City. This has not been done. As a result, there is no nuanced understanding of what the land use requirements of Oakland's key driving or local serving production industries may be.

One year has passed since that staff request and the City Council's Community Economic Development Committee will again consider the City's industrial land use policies this June without any better understanding of the city's economy or the extent of land required for its key industries. While the City's 2005-07 Fiscal Budget calls for adding staff for the Zoning Update, this staff is not in place to do the work or implement the recommendations coming out of the Community and Economic Development Committee.

The City of Oakland needs clarity in its land use policies. To articulate this clarity, the City Council should: ensure staff and resources are in place to update the Planning Code, gain a strategic understanding of the City's economy, consider the strategic needs

of the city as a whole, include the Army Base in any citywide land use planning effort, and involve the Port of Oakland in any decision-making process that directly affects the impact of their operations and their impact on the city itself.

Thank you for your consideration.

Sincerely,

Joseph Haraburda  
President & CEO  
The Oakland Metropolitan Chamber of Commerce

Copies to:

Port Commissioners, Port of Oakland  
Oakland Planning Commission  
City of Oakland Community & Economic Development Agency  
West Oakland Commerce Association (WOCA)  
West Oakland Economic Development Working Group  
Alliance for West Oakland Development  
West Oakland Community Advisory Group  
Oakland Commerce Corporation  
Coliseum Commerce Center Advisory Committee  
Industry Labor Alliance of Oakland  
Coliseum Construction Corridor