CITY OF OAKLAND

Attachment B: Moderate-Income Rent Analysis

SUMMARY

In an effort to answer questions raised by members of the Planning Commission at the June 18, 2025 meeting about how the affordability of units without deed restrictions is accounted for in the Housing Element Annual Progress Reports (APRs), the City of Oakland Planning Bureau analyzed rent prices in Oakland to understand how deed-restricted Moderate-Income (Moderate-Income) rents compare to Market-Rate rents in new buildings across the City. The analysis also reviewed vacancy rates to understand recent rental trends in Oakland. This analysis is not required by State HCD.

The Housing Element Annual Progress Reports (APRs) the City submitted to the State on March 30th this year, pursuant to California Government Code Sections 65400 and 65700, cover calendar year 2025, which is the third year of reporting on the 2023-2031 Housing Element (adopted by the City Council via Resolution No. 89565 C.M.S. on January 31, 2023). The Oakland Housing Element was found by the California Department of Housing and Community Development (State HCD) to be in full compliance with the State Housing Element Law (Article 10.6 of the Gov. Code) on February 17, 2023.

City staff's analysis of how deed-restricted Moderate-Income rents compare to Market-Rate rents in new buildings across the City revealed that while Moderate-Income deed restricted rents have generally been higher than the citywide median rents charged for similarly sized apartments, this trend is more nuanced for units that were completed in the last 10 years. Rents at twelve Market-Rate developments completed within the last 10 years were reviewed. Almost every unit that was included in this analysis had a price that was above the rent limit for Moderate-Income units at the time the building came on the market. While pricing trends vary by unit size, the Market-Rate rents charged at these buildings remained above the Moderate-Income rent limit until the onset of the pandemic in 2020.

The high rents commanded by recently built Market-Rate units suggest that Moderate-Income units can play an important role providing stable affordable housing in new developments, especially over the long-term. The housing market may go through multiple cycles over the next 55 years; without Moderate-Income units, residents who earn too much to be eligible for low-income housing but not enough to afford Market-Rates may not be able to afford the housing units at new developments.

BACKGROUND

The affordability levels used in the Housing Element APR are defined by State HCD based on Area Median Income (AMI).[1] The AMI is the midpoint of an area's income distribution. This means half the households in an area earn more than the median and half earn less than the median. Each income level is defined below:

- An Acutely Low-Income (ALI) household earns up to 15 percent of AMI
- An Extremely Low-Income (ELI) household earns between 15 percent and 30 percent of AMI.
- A Very Low-Income (VLI) household earns between zero and 50 percent of AMI.
- A Low-Income (LI) household earns between 51 and 80 percent of AMI.
- A Moderate-Income (MI) household earns between 81 and 120 percent of AMI.
- An Above-Moderate household earns more than 120 percent of AMI.

Oakland City Council adopted Ordinance No. 13763 C.M.S. on October 3, 2023, creating the S-13 Affordable Housing Combining Zone, among other actions. The Affordable Housing Combining (S-13) Zone is intended to create and preserve affordable housing restricted for extremely low-, very low-, low-, and/or moderate- income households. The S-13 Zone allows for bonus height for eligible affordable housing projects and allows for by-right approvals of 100% affordable housing projects. The S-13 zone was developed due to concerns identified in the 6th Cycle Housing Element development process about the low number of Moderate- and Lower Income units permitted during the 5th Housing Element Cycle, as well as the increasing affordability gap for Moderate- and Lower-income households.[2] To address these concerns, Action 3.3.5 of the 6th Cycle Housing Element commits the City to creating an affordable housing overlay zone, the S-13, to streamline the approval of eligible affordable housing projects. An overview of the intent and purpose of the S-13 affordable housing overlay zone is detailed in Appendix J of Oakland's 6th Cycle Housing Element. While the S-13 Zone provides regulatory incentives for Moderate-Income housing, the City's Department of Housing and Community Development remains focused on funding units that serve Extremely Low-, Very Low- and Low-Income (collectively, Lower Income) households.

The Housing Element APR tracks the City's progress implementing the Housing Element and meeting the housing production requirements established by the Regional Housing Needs Assessment (RHNA). Oakland's RHNA requirement for the 2023-2031 Housing Element Cycle is: **6,511** VLI units, **3,750** LI units, **4,457** MI units, and **11,533** Market-Rate units. All ALI and ELI units reported on Oakland's 2025 APR will be counted as progress towards achieving the VLI RHNA requirement. Only Permitted (issued a building permit) units are counted as progress towards the RHNA requirement.

[1] For more information about Area Median Income: https://www.oaklandca.gov/resources/rent-and-income-limits-for-affordable-housing.

[2] City of Oakland, "Appendix A: Evaluation of the 2015-2023 Oakland Housing Element." Oakland 2023-2031 Housing Element, 2023. https://www.oaklandca.gov/files/assets/city/v/1/planning-amp-building/documents/sp/gp/housing-element/appendix-a-evaluation-of-the-2015-2023-oakland-housing-element_11.28.22-clean.pdf.

The City's approach to reporting the affordability of units other than ADUs has been to only count units with deed restrictions or other financing controls that legally constrain the rent that a qualified tenant can be charged. Maximum rent prices for units with these restrictions are set by the state each year pursuant to the definition of "affordable" from California Health and Safety Code Sections 50052.5 and 50053 and described above. The affordability of ADUs is assigned based on an analysis of ADU rents completed by the Association of Bay Area governments and endorsed by the California Department of Housing and Community Development. The most recent analysis was published in January 2026.[3] The California Department of Housing and Community Development (State HCD) also allows jurisdictions to report affordable non-ADU units towards their RHNA requirements provided documentation, such as a local market study or actual rents, is provided to support this determination at the time of APR submittal.[4] To date, Oakland has not pursued this option.

Based on this process, **385** Moderate-Income units have been Permitted in Oakland so far in the 6th Cycle Housing Element, of which **206** are deed-restricted units in multifamily buildings and **179** are ADUs. Notably, no deed-restricted Moderate-Income units were Permitted in 2025. In comparison, Oakland has Permitted 1,953 units affordable to Lower Income households so far in the 6th Housing Element Cycle. This is more than the number of Moderate- and Above Moderate-Income units Permitted during this period combined. In the previous Housing Element eight-year cycle from 2015-2022, Oakland permitted 142 deed restricted Moderate-Income units and 14 non-deed restricted Moderate-Income units, achieving only about 6% of the City's Moderate-Income RHNA target for the 5th Housing Element cycle. During the same period, 2,304 Lower Income units were permitted, achieving 55% of the Lower Income RHNA target. In meetings with the State HCD, they pointed out a need to incentivize Moderate-Income units because so few were produced in the 5th Housing Element cycle. Even with an increase so far in the 6th Housing Element cycle, the small number of Moderate-Income units produced in the last 10 years means that there are fewer deed-restricted housing options available to Moderate-Income households in Oakland.

At the June 18, 2025 meeting of the Planning Commission, staff were asked to provide: (1) an analysis of how Market-Rate rents compare to Moderate-Income rents in Oakland, (2) a review of vacancy rates in Oakland, and (3) information on strategies for reporting non-deed restricted Moderate-Income units.

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[3] Association of Bay Area Governments, "ADU Affordability Survey Findings and Recommendations." *Technical Assistance for Local Planning*, 2026. https://abag.ca.gov/sites/default/files/documents/2026-02/APR-and-ADU-affordability-update-for-jurisdictions-2026.pdf?cb=20d85c66

[4] California Department of Housing and Community Development. "Housing Element Annual Progress Report (APR) Instructions," 2026. https://www.hcd.ca.gov/sites/default/files/docs/planning-and-community/housing-element-annual-progress-report-instructions.pdf

INFORMATION

The analysis in this report first reviews Market-Rate and Moderate-Income rents in Oakland, then vacancy rates in Oakland, and finally options for reporting non-deed restricted units on future Housing Element APR submissions.

I. Comparison of Market-Rate and Deed-Restricted Moderate-Income Rents

The practice of providing units restricted to Extremely Low-, Very Low-, Low-, and Moderate-Income households ensures that affordable rental prices are insulated from housing market fluctuations and protects lower income tenants from the pressures of a competitive housing market. Deed-restricted units also require that tenants meet income limit requirements, thereby ensuring that affordable apartments go to tenants most in need.

The rent limit for Moderate-Income units is calculated pursuant to the process outlined in California Health and Safety Code Sections 50052.5 and 50053. For this analysis, the Moderate-Income rent limit is calculated as 30 percent of 110 percent of the income limit for Moderate-Income area median income adjusted for household size (including a reasonable utility allowance). Area median income for a family of four and Moderate-Income rent limits for Alameda County from 2016 to 2025 are included below in **Table 1**. It is important to note that the Moderate-Income rent limits in Table 1 do not represent the full rent that must be charged at deed-restricted units, rather it is the maximum a tenant may pay, inclusive of utility costs. Utilities are not included in the rents at the buildings reviewed for this analysis. A reasonable utility cost was therefore added to the rental prices to facilitate a one-to-one comparison.[5] Average utility costs are included in **Table 2**.

Table 1*: Alameda County Area Median Income and Moderate-Income Rent Limits, 2016-2025*

Year	Area Median Income, Family of Four	Moderate-Income Rent Limit*			
		Studio	1-Bed	2-Bed	3-Bed
2016	$97,500	$1,877	$2,145	$2,413	$2,681
2017	$104,300	$2,008	$2,295	$2,581	$2,868
2018	$116,200	$2,237	$2,556	$2,876	$3,196
2019	$123,900	$2,385	$2,726	$3,067	$3,407
2020	$130,500	$2,512	$2,871	$3,230	$3,589
2021	$137,000	$2,637	$3,014	$3,391	$3,768
2022	$142,800	$2,749	$3,142	$3,534	$3,927
2023	$147,900	$2,847	$3,254	$3,661	$4,067
2024	$155,700	$2,997	$3,425	$3,854	$4,282
2025	$159,800	$3,076	$3,516	$3,955	$4,395

[5] The California Department of Housing and Community Development estimates utility costs in their "Housing Affordability Calculator" tool based on the Average Monthly Electricity costs published by the U.S. Energy Administration. Average monthly utility costs from 2016 to 2025 were calculated from the "Electricity Sales to Customers" data on the U.S. Energy Administration's Open Data Portal, https://www.eia.gov/opendata/.

**The Moderate-Income rent limit reflects the maximum amount that can be charged for a deed-restricted unit, inclusive of utility costs.*

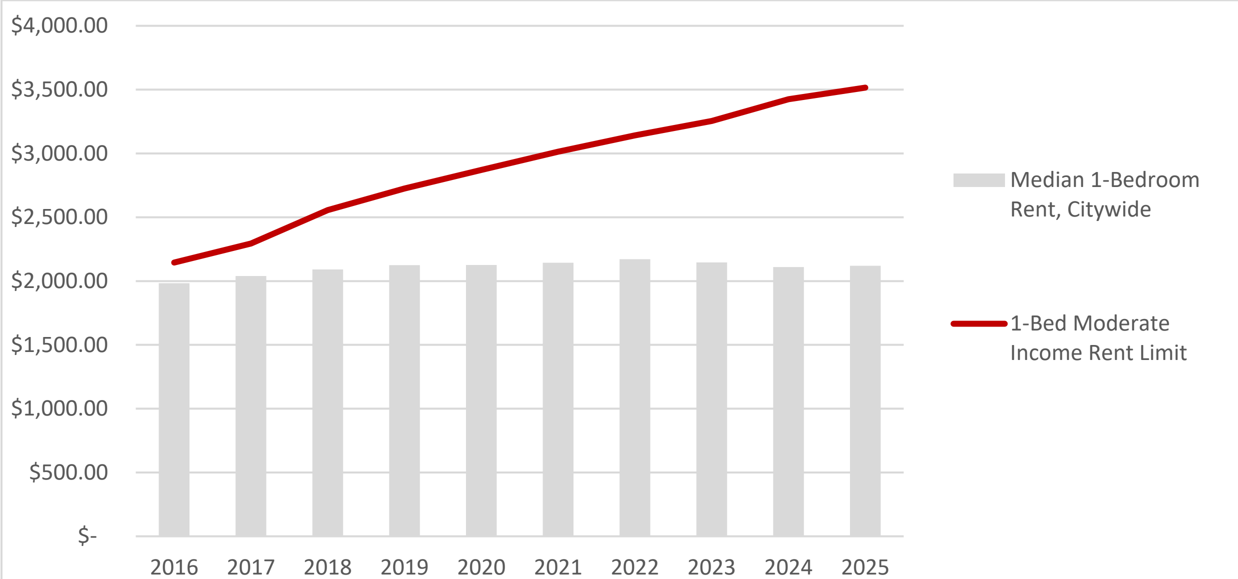
***Table 2**: Average Utility Costs Per Household**

Year	Average Annual Costs	Average Monthly Costs
2016	$ 1,810.05	$ 150.84
2017	$ 1,930.32	$ 160.86
2018	$ 1,737.76	$ 144.81
2019	$ 1,659.48	$ 138.29
2020	$ 1,484.04	$ 123.67
2021	$ 1,403.23	$ 116.94
2022	$ 1,223.00	$ 101.92
2023	$ 1,234.79	$ 102.90
2024	$ 1,217.93	$ 101.49
2025	$ 1,142.41	$ 95.20

**Average utility costs are based on the average electricity costs published by the U.S. Department of Energy. Average electricity costs are used in alignment with the methodology used by California Department of Housing and Community Development for their "Housing Affordability Calculator," which is published as a tool for jurisdictions to assess the affordability of their non-deed-restricted housing.*

Given market fluctuations, it is not uncommon for the rent limit for Moderate-Income units to exceed the rents of Market-Rate units. In Oakland, the current housing market supports average Market-Rate rents that are below the Moderate-Income rent limit. Average annual rents were derived by finding the average of quarterly median rents based on rent data from real estate data provider Costar. As shown in **Figure 1**, the Moderate-Income rent limit has diverged from average annual Market-Rate rents for 1-bedroom units in multifamily buildings since 2016.

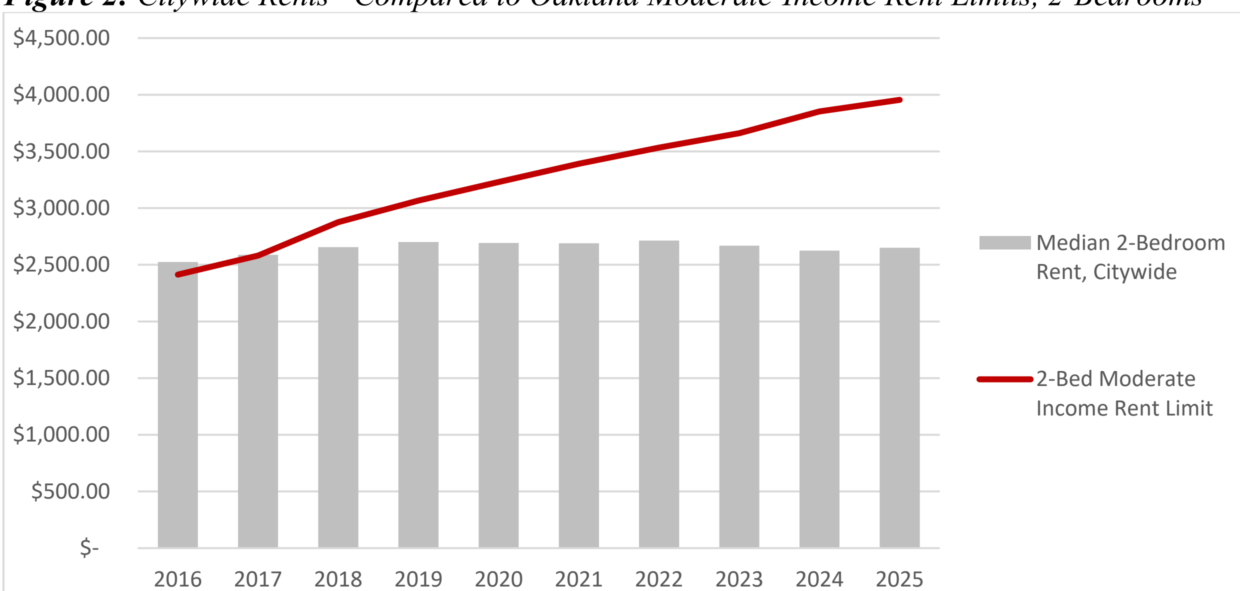
Figure 1: *Citywide Rents* Compared to Oakland Moderate-Income Rent Limits, 1-Bedroom*



**Average utility costs based on the average electricity costs published by the U.S. Department of Energy were added to the citywide rent.*

As shown in **Figure 2**, as recently as 2016-2017, average annual Market-Rate rent at 2-bedroom units in multifamily buildings exceeded the rent price for Moderate-Income units.

Figure 2: *Citywide Rents* Compared to Oakland Moderate-Income Rent Limits, 2-Bedrooms*



**Average utility costs based on the average electricity costs published by the U.S. Department of Energy were added to the citywide rent.*

The median citywide rent includes rents charged at all multifamily buildings that share data with Costar, including older buildings subject to Oakland's rent control laws. Given the focus on new housing production inherent in the Housing Element APR and Oakland's RHNA requirements, the rental prices of new Market-Rate units are a better point of reference for understanding the utility of Moderate-Income units.

Rents at twelve Market-Rate developments completed within the last 10 years were reviewed for this analysis. **Table 3** provides details on these twelve developments.

Table 3: *Market-Rate Development Information*

Name	Address	Year Completed	No. of Units	Unit Mix
Baxter on Broadway	4901 Broadway	2018	126	Studio, 1-Bed, 2-Bed
Bell Uptown Apartments	1801 Jefferson Street	2017	80	Studio, 1-Bed, 2-Bed
Hanover Broadway	325 27th Street	2018	255	Studio, 1-Bed, 2-Bed
Hanover Northgate	2450 Valdez Street	2019	225	Studio, 1-Bed, 2-Bed
Rasa Apartments	459 23rd Street	2019	65	1-Bed, 2-Bed
The Broadway Apartments	3093 Broadway	2018	423	Studio, 1-Bed, 2-Bed
The Alfred	447 17th Street	2019	254	1-Bed, 2-Bed
Hollis Oak Apartments	3250 Hollis Street	2018	82	Studio, 1-Bed, 2-Bed
Webster Eleven Apartments	1100 Webster	2021	333	Studio, 1-Bed, 2-Bed
Channel House	40 Harrison Street	2020	333	Studio, 1-Bed, 2-Bed
Eleven Fifty Clay	1150 Clay	2020	288	Studio, 1-Bed, 2-Bed
1717 Webster	1717 Webster	2021	250	Studio, 1-Bed, 2-Bed

In the 2 years preceding the pandemic (2018-2019), the median Market-Rate rents at the newly completed buildings included in this analysis exceeded the Moderate-Income rent limit by an average of 17 percent for studio units, 20 percent for one-bedroom units, 29 percent for two-bedroom units. Rents charged at the Market-Rate units during this period were higher than they are today. The Moderate-Income rent limit went higher than the median Market-Rate rent for the first time in 2020. Since early 2020, the Moderate-Income rents charged for studio apartments have diverged the most significantly from median Market-Rate rents, reaching rents that are **39 percent** higher than median Market-Rate rents in Q3 2025, as shown in **Figure 3**. Moderate-Income rents for 1-bedroom units have remained higher than median Market-Rate rents for 1-bedroom units since mid-2021, reaching prices that were **31 percent** higher than median Market-Rate rents in Q4 2025, as shown in **Figure 4**. Median Market-Rate rents for 2-bedroom units did not experience the same drop in price seen at studio and 1-bedroom units at the start of the pandemic. Instead, as shown in **Figure 5**, median Market-Rate rents at recently built Market-Rate units dipped below the Moderate-Income rent limit for the first time in early 2024, with deed-restricted rents exceeding median Market-Rate rents by a high of **14 percent** in Q4 2025.

Figure 3: *Median Market-Rate at Newly Completed Buildings and Deed-Restricted Moderate-Income Rents, Studio Apartments*

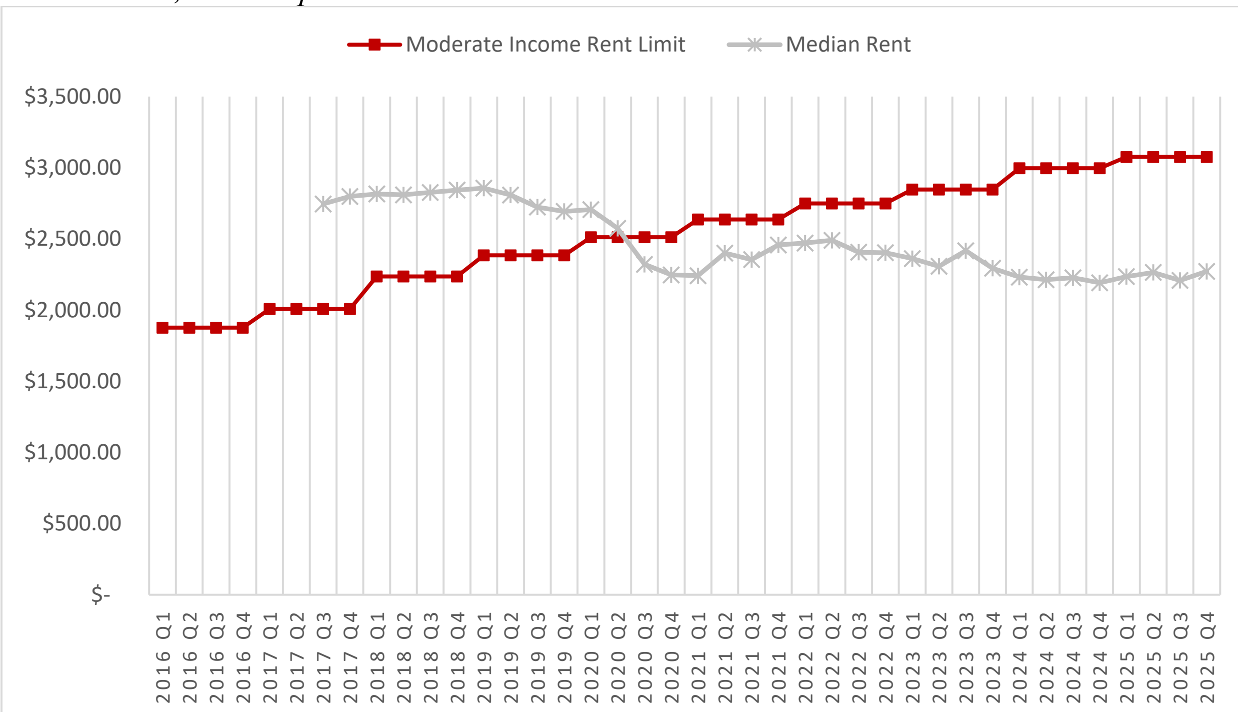


Figure 4: *Median Market-Rate at Newly Completed Buildings and Deed-Restricted Moderate-Income Rents, 1-Bed Apartments*

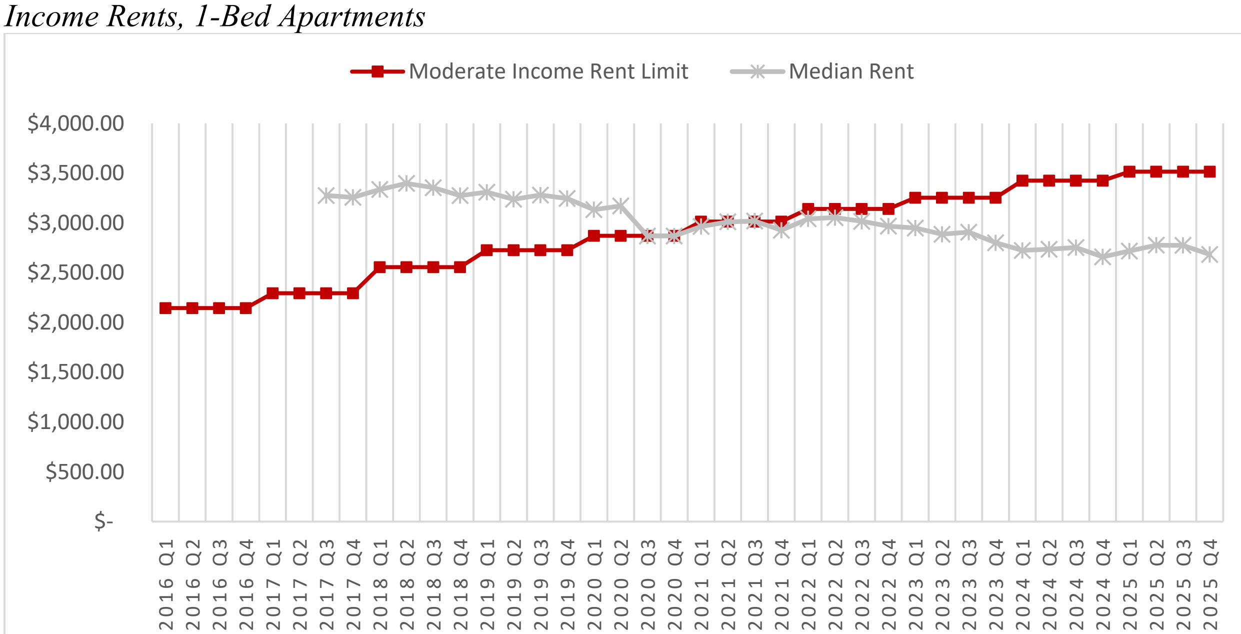
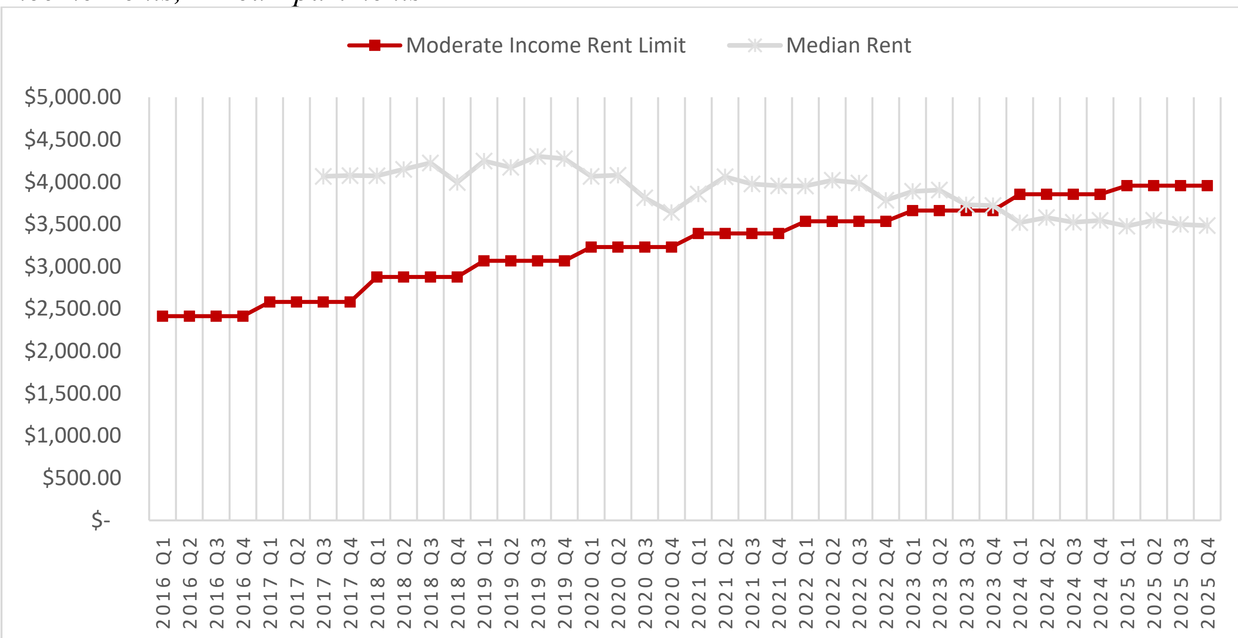


Figure 5: *Median Market-Rate at Newly Completed Buildings and Deed-Restricted Moderate-Income Rents, 2-Bed Apartments*



While Oakland's rental housing market is not as competitive as it was in 2016, it is likely that this will change as regional and national economies continue to shift. According to rental price data published by Zillow,[6] a real estate marketplace, average rents in Oakland were $75 higher in March 2026 than they were in March 2025. In San Francisco, which is often seen as a bellwether for real estate trends in Oakland given the proximity of the two cities and the higher cost of real estate in San Francisco, average rents were up $500 in March 2026 compared to March 2025. Overall, Oakland has lower average rental prices than those charged in peer cities, as shown in **Table 3**. This could portend a warming market and spillover increases in demand and prices in Oakland in the coming years. In this context, Moderate-Income housing is an important tool for ensuring long-term affordability and stability in Oakland's housing supply.

Table 3: *Average Rent at Apartments and Condos in Major Bay Area Cities, 2026*[7]

Peer City	Average Rent, Apartments and Condos	% Difference from Oakland
Oakland	**$2,257**	-
San Francisco	$3,059	26%
Sunnyvale	$2,880	22%

[6] San Francisco, CA Rental Market, https://www.zillow.com/rental-manager/market-trends/san-francisco-ca/; Oakland, CA Rental Market, https://www.zillow.com/rental-manager/market-trends/oakland-ca/
[7] Zillow Rentals. "Oakland, CA Rental Market: What is the Average Rent in Oakland, CA?" *Zillow Market Trends; All beds, Apartments and Condos.* https://www.zillow.com/rental-manager/market-trends/oakland-ca/?propertyTypes=apartment-condo

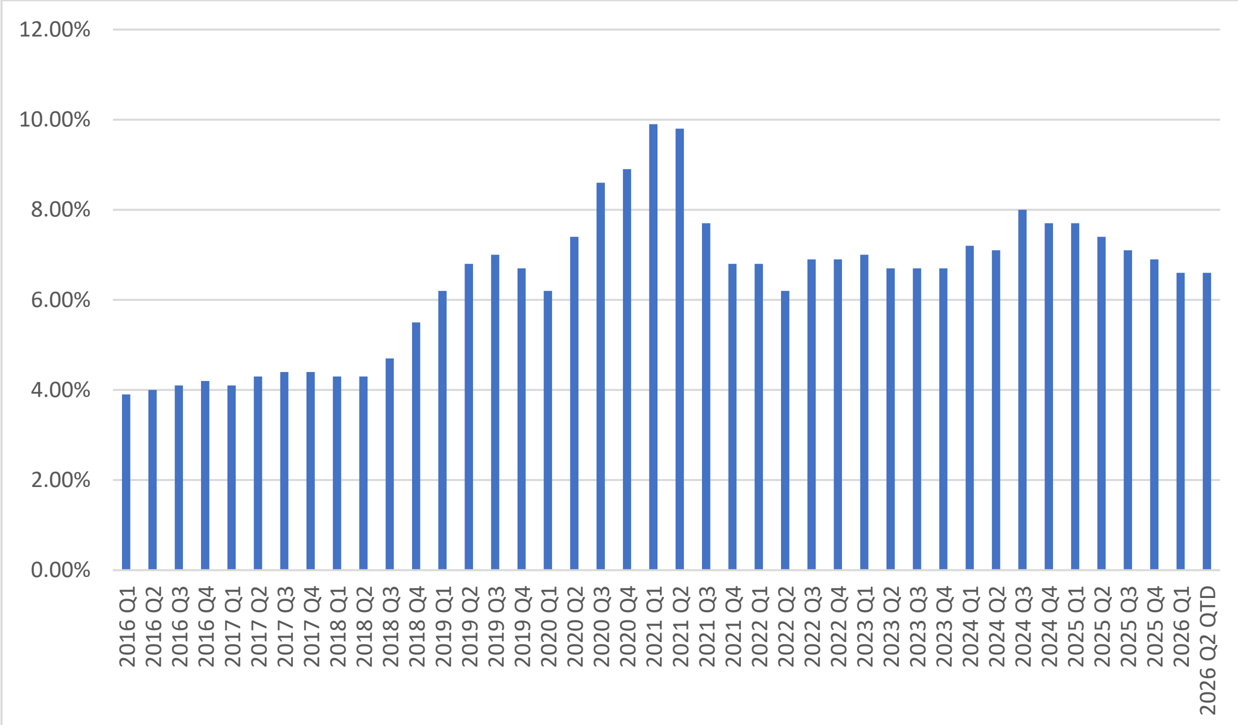
Fremont	$2,667	15%
San Jose	$2,594	13%

II. Vacancy Rate in Oakland

The vacancy rate is a useful way to understand housing demand. A high vacancy rate indicates an oversupply of housing, signaling a mismatch between housing supply and the rental market. A high vacancy rate can support lower rental prices and more housing choice for renters as there are more available units to choose from. However, high vacancies can also indicate to developers that there is no market for new development, leading to less new housing production. Conversely, a low vacancy rate can contribute to a tighter housing market where renters have fewer choices and rents are higher due to there being too little supply to meet demand. This environment supports new development but can also increase the cost burden on renters as supply catches up to demand.

Vacancy rates at Moderate-Income units in Oakland are not readily available. Citywide, the multifamily vacancy rate was **6.6 percent** in Q1 2026 based on data from Costar. As shown in **Figure 6**, while vacancies at multifamily buildings citywide are **33 percent** lower than at the recent peak in Q1 2021, the current vacancy rate remains above the pre-pandemic average of **5 percent** (from Q1 2016-Q1 2020). The average vacancy rate at the recently completed buildings reviewed for this analysis was **7.8 percent** in Q1 2026.

Figure 6*: Average Vacancy Rate at Multifamily Units, 2016-2026*



Nationally, multifamily housing starts are expected to decline in 2026 through 2027 due to more competitive financing options and higher construction costs.[8] If Oakland does continue to see fewer housing starts in the coming years, this could lead to a more constrained housing market, with lower vacancy rates and higher housing costs.[9] This environment could be exacerbated by rising prices in other Bay Area cities, which already have higher rental costs than Oakland, as shown in **Table 3**. If higher-income households move to Oakland after being priced out of other Bay Area cities, this influx could put upward pressure on housing prices. Ultimately, these trends could lead to an environment where Moderate-Income units again serve to close a gap created by the market, providing stability for Moderate-Income families.

III. Reporting Non-Deed-Restricted Moderate-Income Units on the APR

As stated previously, the California Department of Housing and Community Development (State HCD) allows jurisdictions to count housing units without financing or deed restrictions towards their affordable RHNA requirements provided the determination of the affordability level is justified through a survey or other acceptable methodology. It is up to each jurisdiction to decide whether to count non-deed-restricted units towards their RHNA requirements.

[8] National Association of Home Builders. "2026 Housing Outlook: Ongoing Challenges, Cautious Optimism and Incremental Gains," *Economics*, 2026. https://www.nahb.org/news-and-economics/press-releases/2026/02/2026-housing-outlook-ongoing-challenges-cautious-optimism-and-incremental-gains
[9] Wessel, David. "Where do the estimates of a "housing shortage" come from?" *Brookings*, 2024. https://www.brookings.edu/articles/where-do-the-estimates-of-a-housing-shortage-come-from/

Based on a review of APRs submitted by Oakland's peer cities for the 2025 reporting year, only San José counts non-deed-restricted units meeting affordability thresholds towards their RHNA requirements. The cities of Alameda, Berkeley, Fremont, Pleasanton, and Sunnyvale appear to follow the same procedure as Oakland, only counting ADUs as non-deed restricted affordable units.

San José's approach to understanding the non-deed restricted affordability levels of new projects relies on two methodologies, taking the lower resulting number of affordable units for inclusion in the APR.[10] The first methodology relies on projected Moderate-Income limits and utility costs by zip code for the time when projects are expected to be completed. The second methodology is based on current Moderate-Income limits and utility costs by zip code. Both methods rely on a review of rents charged at Class A multifamily units, as defined by Costar. These are units in a building that "is an extremely desirable investment-grade property with the highest quality construction and workmanship, materials and systems, significant architectural features, the highest quality/expensive finish and trim, abundant amenities, first rate maintenance and management; usually occupied by prestigious tenants with above average rental rates and in an excellent location with exceptional accessibility. It may have been built within the last 5-10 years, but if it is older, it has been renovated to maintain its status and provide it many amenities."[11] Additionally, only projects with 10 or more units are considered in the analysis.

Multiple considerations regarding data availability, housing market dynamics, and location of proposed projects are solved for in San José's approach. The inclusion of only projects with 10 or more permitted units precludes gaps in Costar data, which typically does not include information on smaller buildings. San José's approach also acknowledges that newer buildings typically command higher rental prices by only including rents charged at Class A buildings. Finally, analyzing rent history at the zip code level rather than city wide provides a more accurate understanding of rents based on neighborhood amenities and trends.

While San José's approach does address some of the concerns staff have about the accuracy of such an analysis, it does not resolve the underlying conflict of reporting housing units as affordable when no protections exist to preserve that housing at the reported affordability level. Further internal discussion between the Department of Planning and Building, Oakland Housing and Community Development, and the City Administrator's Office would be needed to understand the practicality, benefits, and risks of Oakland adopting a reporting strategy similar to that used by San José.

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[10] City of San José. "Annual Progress Report on the Implementation of the San José General Plan Housing Element and the Housing Successor to the Redevelopment Agency Annual Report," *Attachment C,* 2026. https://sanjose.legistar.com/View.ashx?M=F&ID=15313176&GUID=C0341C0D-8024-42A7-BEE2-52A8C66D33E8&G=920296E4-80BE-4CA2-A78F-32C5EFCF78AF

[11] Ibid

Conclusion

Deed-restricted Moderate-Income units have played an important role in providing housing that is more affordable than similarly sized Market-Rate options as recently as 2017. While Oakland's current housing market is characterized by a high vacancy rate and lower rents, , Oakland is likely to experience a more competitive housing market in the future given recent market trends, due in part to a recent downward trend in multifamily housing production, vacancy rates approaching the pre-pandemic citywide average, and high rents in neighboring cities. Should Market-Rate rents increase due to these dynamics, Moderate-Income households currently living in a unit without deed restrictions may no longer be able to afford their housing. Deed-restricted units are insulated from the cycles of the housing market for 55 years or the life cycle of the project, whichever is greater. In this way, deed-restricted units provide important stability for qualifying households that are not provided for by Market-Rate units. At such time as Oakland's housing market enters a new phase of expansion, an ample supply of deed-restricted housing will be critical to keep Oaklanders housed.

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