STRATEGICECONOMICS

MEMORANDUM

Date: June 13, 2018

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From: Nadine Fogarty, Principal
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Project: Downtown Oakland Specific Plan

Subject: Draft Affordable Housing and Anti-Displacement Background and Strategies

INTRODUCTION

Purpose and Background

This memo provides draft content for informing the affordable housing and anti-displacement strategy that will be included as part of the Downtown Oakland Specific Plan (DOSP). The strategy is intended to ensure that Downtown Oakland provides housing options that are affordable to current and future households at all income levels, as well as to mitigate the risk of displacement for existing residents.[1]

The memo is designed to 1) illustrate existing conditions and trends related to housing, affordability, and other factors impacting the ability of Downtown to house residents of all incomes, 2) describe existing and planned efforts by the City and other agencies to enhance housing affordability, and 3) suggest preliminary policy options for inclusion in the DOSP. The DOSP's affordable housing and anti-displacement policies will be refined over the next several months; therefore, this memo primarily focuses on providing insights and information to support development of the plan's policies, and presenting potential strategy options.

Housing affordability has emerged as a critical issue to be addressed in Downtown, especially given the City's goal of integrating equity considerations throughout the DOSP. Participants in the DOSP's community input and engagement processes have consistently raised housing affordability as a top concern. Policies and efforts focused on housing affordability and retention of existing residents are fundamental determinants of whether the DOSP can achieve its equity outcomes, given that residents of

[1] The affordable housing and anti-displacement strategy is a required element under the Metropolitan Transportation Commission's Priority Development Area (PDA) Planning Program, which provided grant funding for the Downtown Oakland Specific Plan.

Downtown Oakland benefit from the area's unique combination of access to amenities, jobs, and regional transportation options.

Relationship to Other Policies, Plans, and Programs

The affordable housing and anti-displacement policies in the DOSP will function within the framework of citywide policies and programs; therefore, this memo documents current citywide efforts to address housing affordability and displacement in order to recommend strategies that leverage those efforts. This approach recognizes that Downtown is impacted by the same market forces and policy environment as the rest of Oakland, although the relatively strong housing market in Downtown also creates unique opportunities and challenges. In order to frame Downtown's role within these citywide efforts, this memo frequently refers to the City's Housing Element and efforts of the Oakland Housing Cabinet, described below.

The Oakland General Plan's Housing Element – mandated by the State of California – is the primary housing policy document of the City. As with all specific plans, the DOSP serves as a legal tool for implementing the General Plan's policies. Adopted in 2014 and covering the period from 2015 to 2023, the current Housing Element assesses citywide housing needs, identifies sites with capacity to accommodate housing development, identifies constraints and opportunities to grow housing and prevent resident displacement, and sets forth policies and actions to achieve the Housing Element's goals.

While the Housing Element provides longer-term guidance, the City of Oakland has also undertaken a major initiative to identify short-term housing affordability and anti-displacement goals, and to implement new tools to achieve these goals. Current goals and efforts are documented in the report "Oakland at Home: Recommendations for Implementing *A Roadmap Toward Equity*," released in 2016 and developed by the Oakland Housing Cabinet. The City is currently implementing the report's recommendations and regularly tracking progress toward achieving identified goals. A comprehensive progress report was released in July 2017, titled "Oakland at Home Update: A Progress Report on Implementing *A Roadmap Toward Equity*."

Defining Affordability and "Affordable Housing" Terminology

Housing is generally considered "affordable" if the monthly expenses (rent or mortgage payments, plus utilities) account for 30 percent or less of a household's gross (pre-tax) income. Households that cannot afford market-rate housing and meet specific maximum income requirements may qualify for federal, state, and local government assistance provided in one of two ways:

- **Government Subsidies:** Several federal and state funding sources provide funding to cover the gap between what extremely low-, very low-, and low-income households can pay, and the cost of providing affordable housing. Depending on the program, subsidies may be provided to assist with an individual household's housing costs (as in the Housing Choice Vouchers program, also known as Section 8 vouchers) or to assist developers in building new affordable housing (either by subsidizing upfront construction costs or ongoing operations). In general, new affordable housing development requires a contribution from a local government source in addition to state and/or federal funding. Federal and state subsidies are only available for certain income categories (typically, for extremely low-, very low-, and low-income households – i.e., households earning no more than 80 percent of area median income, or AMI – but not for moderate-income households).

- **Requirements or incentives for private sector contributions:** Local governments can create requirements or provide incentives for private development to contribute towards affordable housing. For example, local governments may require private development to pay a fee towards the provision of affordable housing (an impact fee), require a set percentage of new units to remain affordable to low- or moderate-income households (an inclusionary zoning requirement), or allow development at an increased height or density in exchange for the provision of affordable units (incentive zoning). Although these incentives and requirements are subject to legal and financial constraints, local governments can often structure these types of policies to achieve local goals, such as building more moderate-income housing not otherwise subsidized by other programs.

Housing units that are produced through either of these two methods are typically subject to a deed restriction or covenant requiring the property owner to restrict the units to households in certain income categories for a given amount of time, and to limit monthly rents or purchase prices. This memo refers to housing units with such income restrictions as "*income-restricted affordable housing.*" This contrasts with "*naturally occurring*" affordable housing, in which rents or sales prices are not legally restricted, yet are low enough for lower income households to afford them without additional assistance.

Geographic Areas Discussed in this Memo

This memo refers to several geographic areas, determined both by needs of the study and availability of data:

- **"City of Oakland" and "Oakland":** The area within the City of Oakland's boundaries.
- **"Plan Area":** The area within the DOSP boundary. Some data sources describe an approximation of this area, since many of the data sources are not available for specific custom geographies. These differences are noted where applicable. The Plan Area is shown in Figure 1, labeled "Downtown Oakland Specific Plan Area."
- **"Downtown Oakland" or "Downtown":** When used in a general sense, these terms refer to the DOSP area plus Chinatown, as shown in the map in Figure 1. When this memo refers to U.S. Census data, these terms instead refer to the comparable area shown in Figure 2, since this data is only available for specific geographies. Chinatown was included in the Downtown study area at the request of the City, in recognition that the neighborhood is functionally a part of Downtown Oakland despite being located within the area of the previously-adopted "Lake Merritt Station Area Plan."
- **ZIP Codes**: Selected housing market data is shown at the ZIP Code level; these ZIP Codes are illustrated in Figure 3.

Contents of this Memo

The remainder of this memo consists of the following sections:

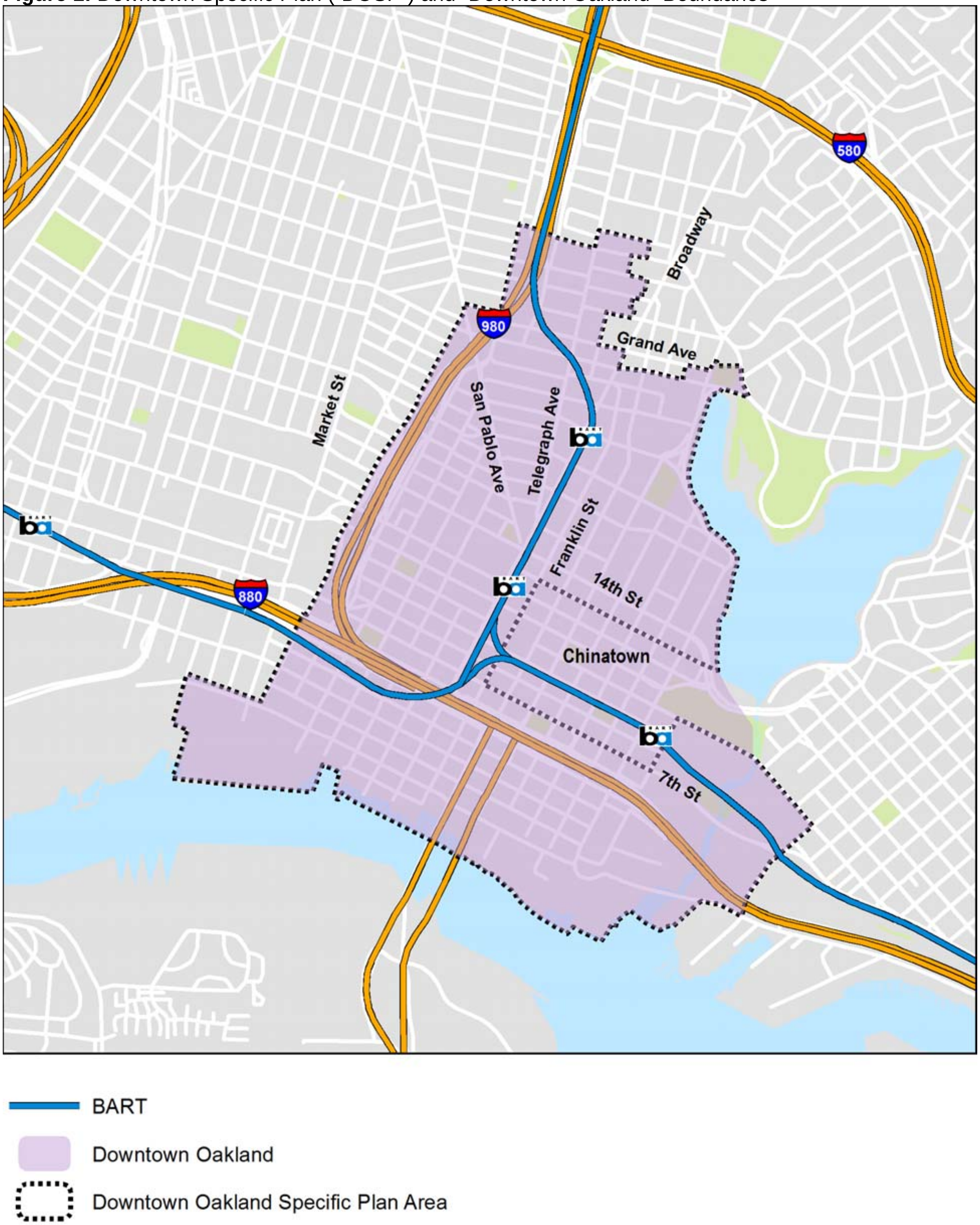
- **Existing Conditions, Trends, and Affordable Housing Need (page 8):** This section examines population, household, and housing characteristics and trends in order to illustrate how changing conditions are impacting the need for affordable housing in Downtown. Based on this data and previous studies, this section concludes with an assessment of the need for housing by income level in Downtown.

- **Major Policies, Programs, and Resources (page 30):** In order to determine the DOSP's potential role within broader efforts to provide affordable housing and prevent displacement, this section catalogs Oakland's existing policies, programs, and resources. This information clarifies current City efforts and responsible departments/entities.

- **Potential DOSP Affordable Housing and Anti-Displacement Strategies (page 40):** Based on the data, trends, and findings in the prior sections – as well as input received from the community – this final section suggests preliminary affordable housing and anti-displacement strategies for potential inclusion in the DOSP.

- **Appendix (page 45):** The appendix provides additional notes on the data and methodology used to develop the range of affordable housing need estimates shown in this memo.

Figure 1: Downtown Specific Plan ("DOSP") and "Downtown Oakland" Boundaries



Sources: City of Oakland, 2017; Strategic Economics, 2017.

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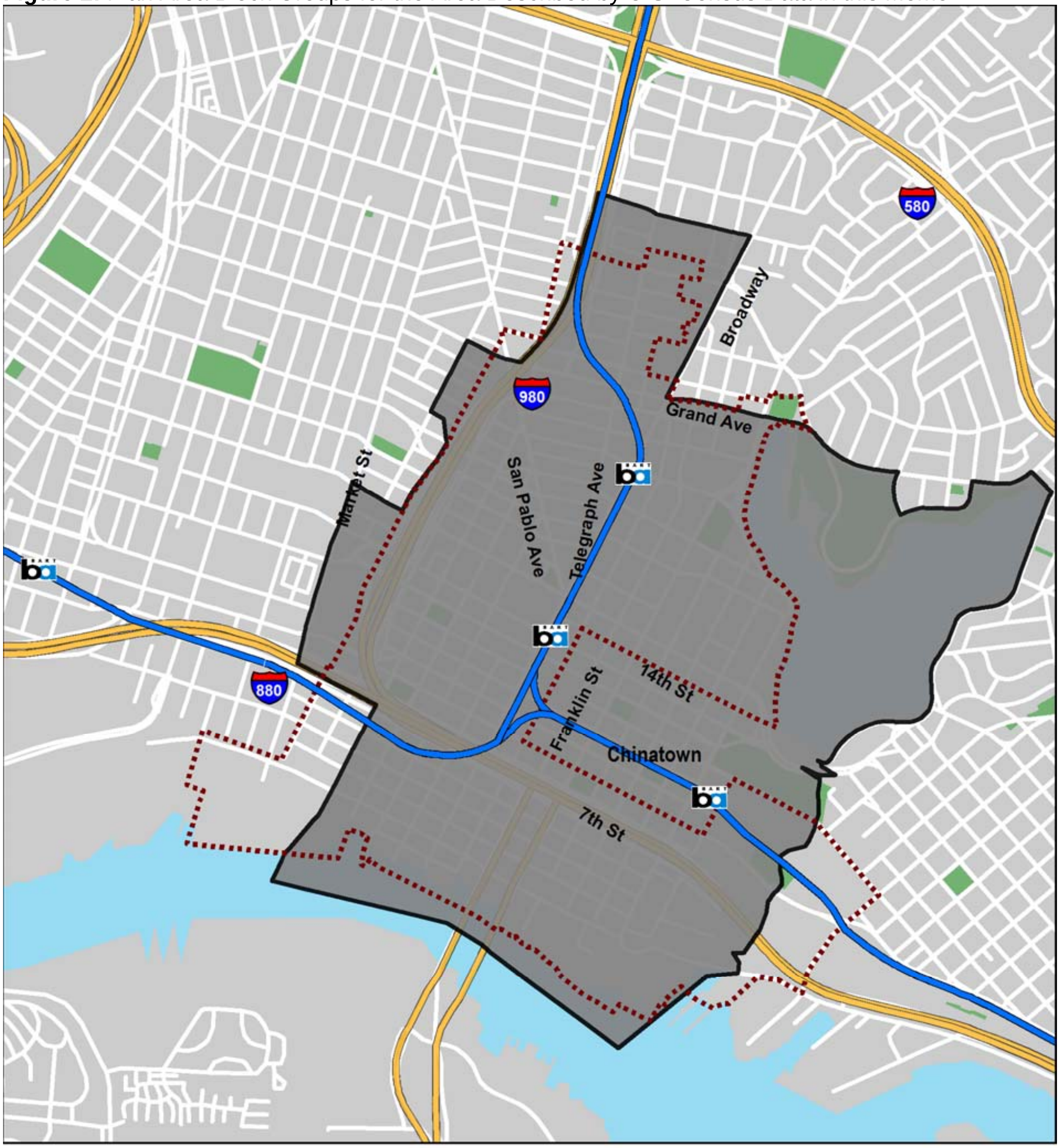
Figure 2: Plan Area Block Groups for the Area Described by U.S. Census Data in this Memo



Downtown Plan Area

Plan Area Block Groups

Sources: City of Oakland, 2017;
American Community Survey, 5-Year Estimates
2011-2015; Strategic Economics, 2017.

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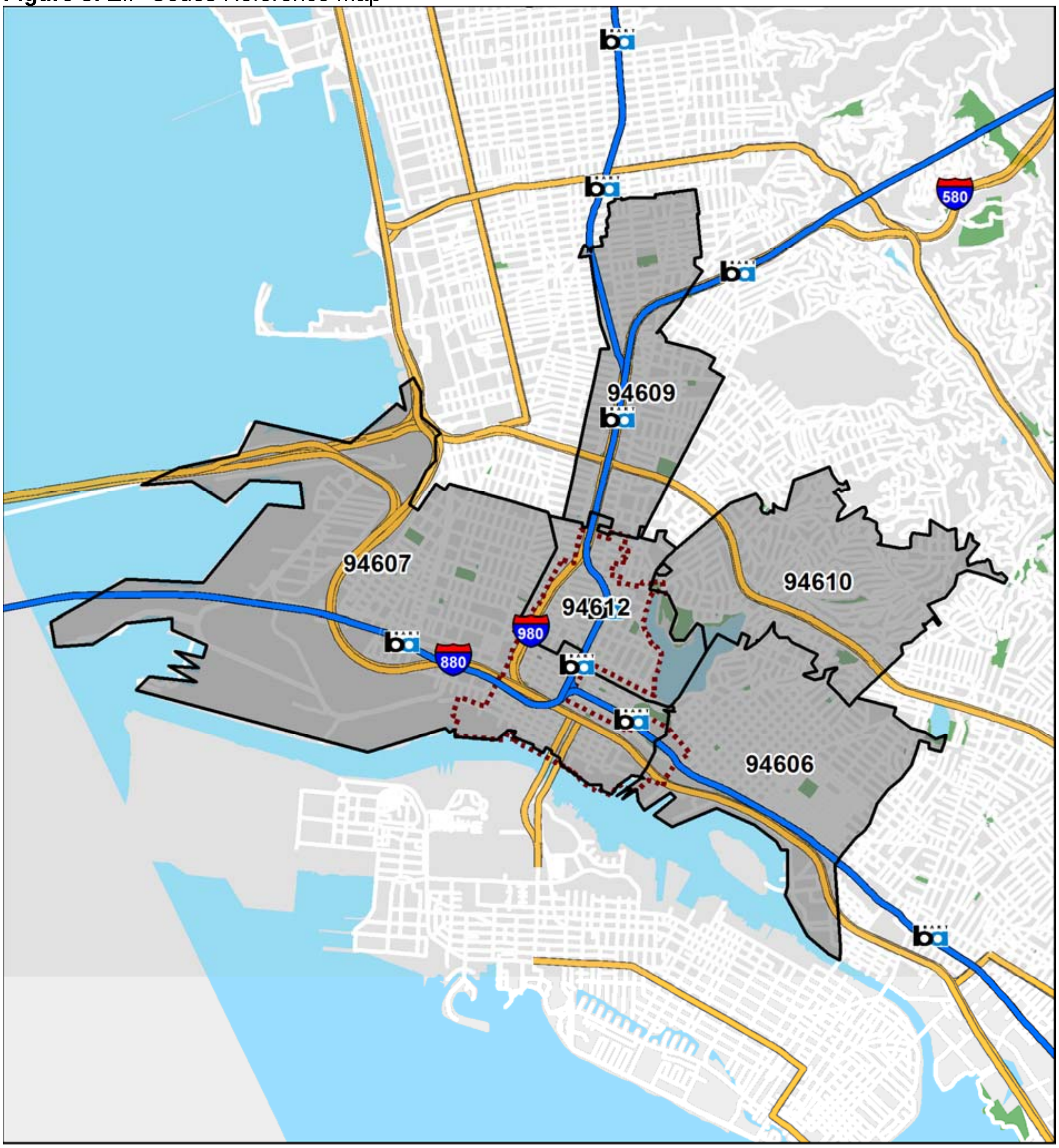
Figure 3: ZIP Codes Reference Map



Downtown Plan Area

Plan Area Zipcodes

Sources: City of Oakland, 2017;
American Community Survey, 5-Year Estimates
2011-2015; Strategic Economics, 2017.

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EXISTING CONDITIONS, TRENDS, AND AFFORDABLE HOUSING NEED

This section describes conditions and trends that impact the need for affordable housing and anti-displacement strategies in Downtown Oakland, concluding with an estimate of affordable housing need. The findings describe 1) characteristics of and changes in Downtown's population, households, and housing stock, 2) indicators of displacement activity in Downtown, 3) trends in homelessness, and, 4) estimated need for housing affordable to households at a range of income levels.

As described in the following sections, market and development conditions have changed dramatically in Downtown Oakland since the "Great Recession" of the late-2000s through early-2010s. Downtown Oakland historically struggled to consistently attract housing development, resulting in a public policy focus on encouraging growth and reinvestment by lowering cost and permitting barriers, and even assisting development projects. For example, former Oakland mayor Jerry Brown's "10k" initiative of 1999 to 2007 targeted goals of building new housing and attracting 10,000 additional residents to the Downtown area. The former Oakland Redevelopment Agency also played an active role in the development of both market-rate and income-restricted affordable housing in Downtown.

Housing prices increased throughout the region in recent years as the booming economy attracted new residents to the Bay Area and drove rapid population growth. This demand and price pressure has exerted an especially significant impact on Downtown Oakland. A variety of City-championed and/or assisted efforts – including past housing development and emergence of additional entertainment and dining options – have led to a critical mass of activity in Downtown. This activity, coupled with the area's longstanding assets as a transportation and employment hub, has positioned Downtown Oakland as a highly-desirable location for residential growth.

Given these rapid changes and the onset of a severe regional and local housing affordability crisis, Oakland is now pursuing policy and regulatory changes that balance the need for housing growth with ensuring that this growth contributes to preserving and expanding housing affordable to households of all incomes. These efforts are described in the "Policies, Programs, and Resources" portion of this memo.

POPULATION AND HOUSEHOLD CHARACTERISTICS

The following findings summarize demographic and household trends and conditions in Downtown Oakland that impact the need for housing affordable at a range of income levels.

Downtown Oakland is a rapidly-growing area, as residents seek out its mix of amenities, job access, and excellent regional transportation access. Although Downtown Oakland composes a relatively small share of Oakland's overall population, the area is growing much faster than the City as a whole (Figure 4). With a population of 23,113, Downtown Oakland represents just over five percent of the citywide population. However, Downtown accounts for over two thirds of Oakland's overall population growth since 2000. Between 2000 and 2011-2015, Downtown Oakland's population grew by over one third, while growth in the City overall was relatively flat. This growth – and the growth in rents and sales prices described in the following section – demonstrates Downtown's strong appeal, including excellent regional transportation access via transit, access to local jobs, and Downtown's vibrant mix of restaurants, arts and culture, and entertainment options.

The racial and ethnic composition of Downtown Oakland is very diverse, but reflects a citywide decline in African American residents. The U.S. Census estimates that, as of the 2011 to 2015 period, Downtown Oakland's residential population was classified as 39 percent Asian American and Pacific Islander, 26 percent White, 20 percent African American, nine percent Hispanic or Latino, four percent "Other," and less than one percent "American Indian or Native Alaskan" (Figure 5). Since 2000, the African American population has declined by seven percent in the Downtown Census Area, and 26 percent in the City overall, with the difference made up by increases in all other racial and ethnic groups (Figure 6). As a result, the share of African American residents in Downtown declined from 29 percent of the population to 20 percent over this period, with the actual population declining over this period. The share of Asian Americans and Pacific Islanders declined from 42 percent of Downtown's population to 39 percent of the population over the same period, as this group's numerical growth did not keep pace with overall population growth.

Downtown Oakland has a much larger share of single person households and a lower share of families with children compared to Oakland as a whole; Downtown Oakland has historically struggled to attract large numbers of families with children. Approximately 56 percent of households in Downtown Oakland are single-person households, while only nine percent are families with children. In Oakland as a whole, 34 percent of households are single person households, and nearly 30 percent are families with children. (Figure 13 and Figure 14) Community feedback throughout the DOSP development process indicates that Downtown Oakland generally does not serve families with children well, due to limited availability of larger housing units and child-friendly amenities like playgrounds and parks.

Downtown Oakland's residents are typically younger adults or seniors age 65 or older. The "Downtown Oakland Disparity Analysis" report prepared for the DOSP found that 39 percent of Downtown residents are age 25 to 44 years old, compared to 33 percent citywide.[2] Nearly 20 percent of Downtown residents are 65 or older, compared to less than 12 percent citywide.

Median household incomes in Downtown Oakland are rising rapidly, yet remain relatively low throughout much of Downtown due to a high share of households with incomes of less than $25,000 annually – related to the area's high share of small households, older residents, and concentration of income-restricted affordable housing. As shown in the map in Figure 18**,** large portions of Downtown Oakland have a median income of less than $25,000. An exception to this rule is the census tract that includes Jack London Square, with an annual median income of over $100,000. 41 percent of Downtown's households earn less than $25,000 annually, compared to 26 percent citywide; this high concentration of relatively low-income households is related to the presence of income-restricted affordable housing and residents over age 65. However, earlier analysis for the DOSP found that incomes per person in Downtown are similar to the City as a whole, suggesting that Downtown's small household sizes also influence the low median household incomes.[3] Rapid household income growth in Downtown is closing the household income gap relative to the rest of the City; the U.S. Census estimates that inflation-adjusted household incomes in Downtown grew 33 percent from 2000 to the 2011-2015 period, even as citywide incomes fell slightly over the same period (Figure 16).

Significant racial disparities exist in wage and income levels, creating differences in residents' abilities to afford housing costs. The Downtown Oakland Disparity Analysis reported the median income of Oakland's Black households was 43 percent of White households ($85,489), and Asian and Latino households earned just over half the median income of White households, as of 2010-20014 US

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[2] Downtown Oakland Disparity Analysis, prepared for the City of Oakland, January 26, 2018.
[3] Strategic Economics, "Demographic and Market Data and Findings for the PDA Profile," memorandum, September 21, 2015.

Census estimates.[4] Analysis of census data by the PolicyLink/PERE National Equity Atlas also found a racial disparity in hourly wages earned by Oakland's resident workers, with Asian, Black, and Latino residents earning 66 percent, 63 percent, and 45 percent, respectively, of White resident workers (Figure 17).

Figure 4: Population and Households, Downtown and Oakland, 2000 to 2011-2015 Period

	2000	2010	2011-2015	Change 2000 to 2011/15 #	Change 2000 to 2011/15 %
Population					
Downtown Oakland	17,192	22,728	23,113	5,921	34%
City of Oakland	399,484	390,724	408,073	8,589	2%
Households					
Downtown Oakland	9,029	12,236	12,522	3,493	39%
City of Oakland	150,790	153,791	158,424	7,634	5%
Average Household Size					
Downtown Oakland	1.8	1.69	1.7	-0.10	-6%
City of Oakland	2.6	2.49	2.5	-0.10	-4%

Sources: US Decennial Census, 2000, 2010; American Community Survey, 2011-2015 5-Year Estimates; Strategic Economics, 2017.

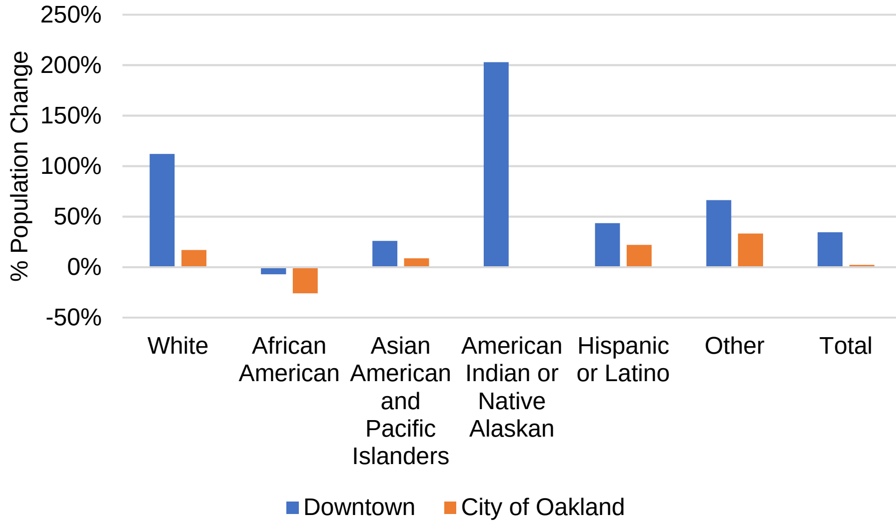
Figure 5: Race and Ethnicity, Downtown and Oakland, 2000 and 2011-2015 Period

	2000		2011-2015		Change	
	Population	**Share**	**Population**	**Share**	**Population**	**%**
Downtown Oakland						
White	2,849	17%	6,041	26%	3,192	112%
African American	4,910	29%	4,554	20%	-356	-7%
Asian American and Pacific Islanders	7,223	42%	9,095	39%	1,872	26%
American Indian or Native Alaskan	70	0%	212	1%	142	203%
Hispanic or Latino	1,522	9%	2,183	9%	661	43%
Other	618	4%	1,028	4%	410	66%
Total	17,192	100%	23,113	100%	5,921	34%
City of Oakland						
White	93,953	24%	109,805	27%	15,852	17%
African American	140,139	35%	103,580	25%	-36,559	-26%
Asian American and Pacific Islanders	62,259	16%	67,663	17%	5,404	9%
American Indian or Native Alaskan	1,471	0%	1,478	0%	7	0%
Hispanic or Latino	87,467	22%	106,643	26%	19,176	22%
Other	14,195	4%	18,904	5%	4,709	33%
Total	399,484	100%	408,073	100%	8,589	2%

Sources: US Decennial Census 2000 and American Community Survey 5-Year Estimates 2011-2015; Strategic Economics, 2015.

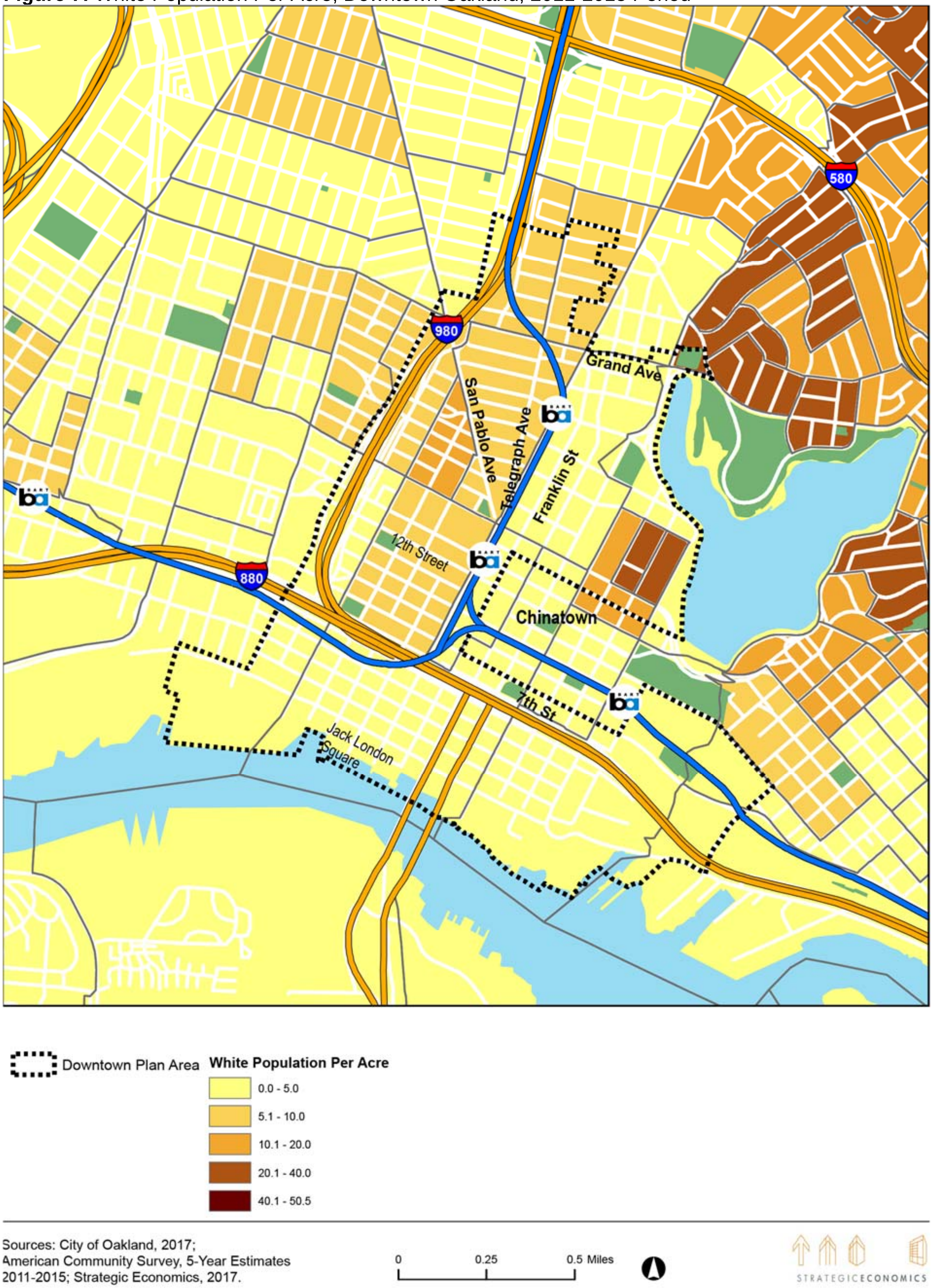
[4] Ibid.

Figure 6: Percent Population Change, Downtown and Oakland, by Race and Ethnicity, 2000 to 2011-2015



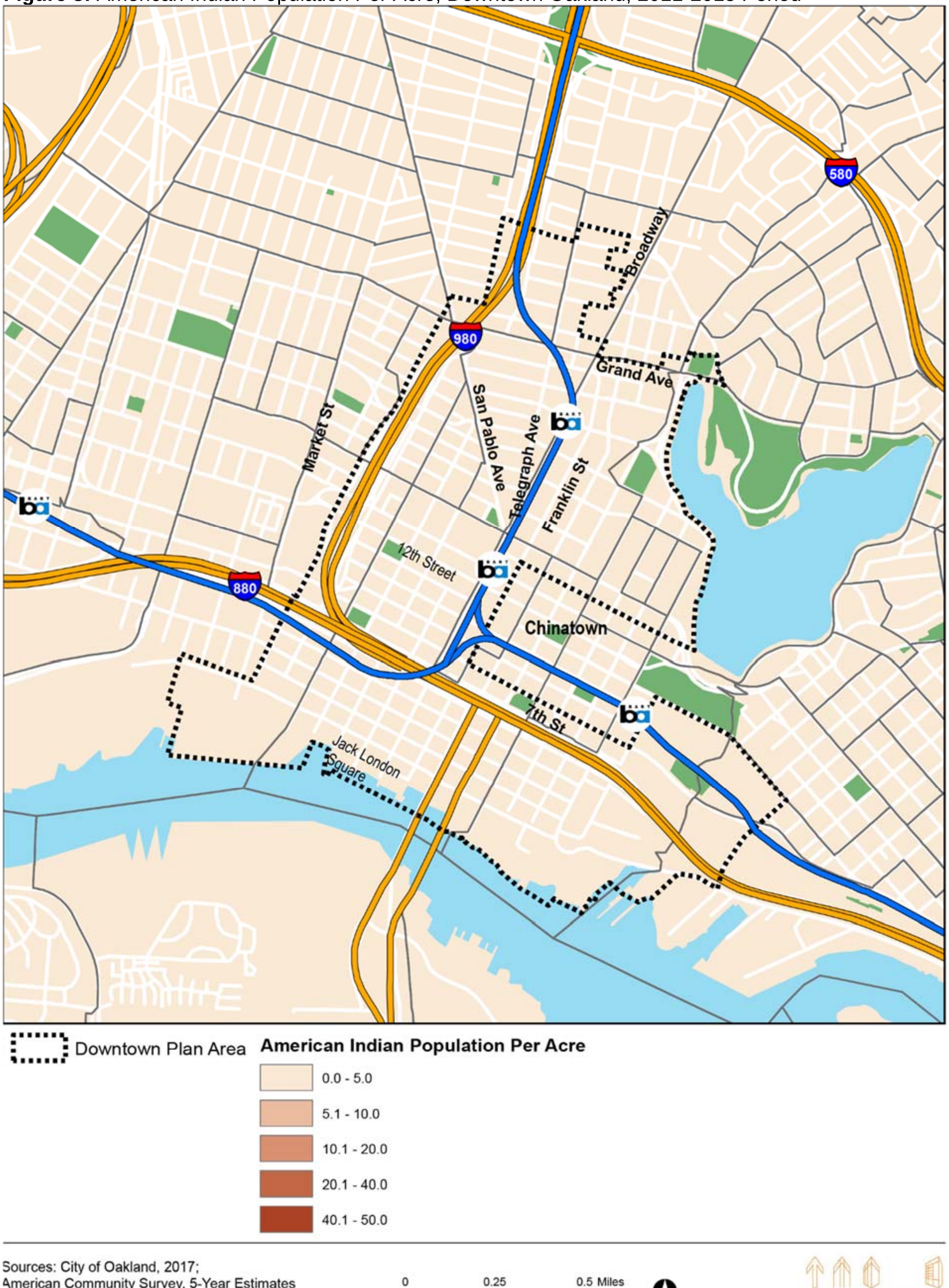
Sources: US Decennial Census, 2000, 2010; American Community Survey, 2011-2015 5-Year Estimates; Strategic Economics, 2017.

Figure 7: White Population Per Acre, Downtown Oakland, 2011-2015 Period



Sources: City of Oakland, 2017;
American Community Survey, 5-Year Estimates
2011-2015; Strategic Economics, 2017.

Figure 8: American Indian Population Per Acre, Downtown Oakland, 2011-2015 Period



Sources: City of Oakland, 2017;
American Community Survey, 5-Year Estimates
2011-2015; Strategic Economics, 2017.

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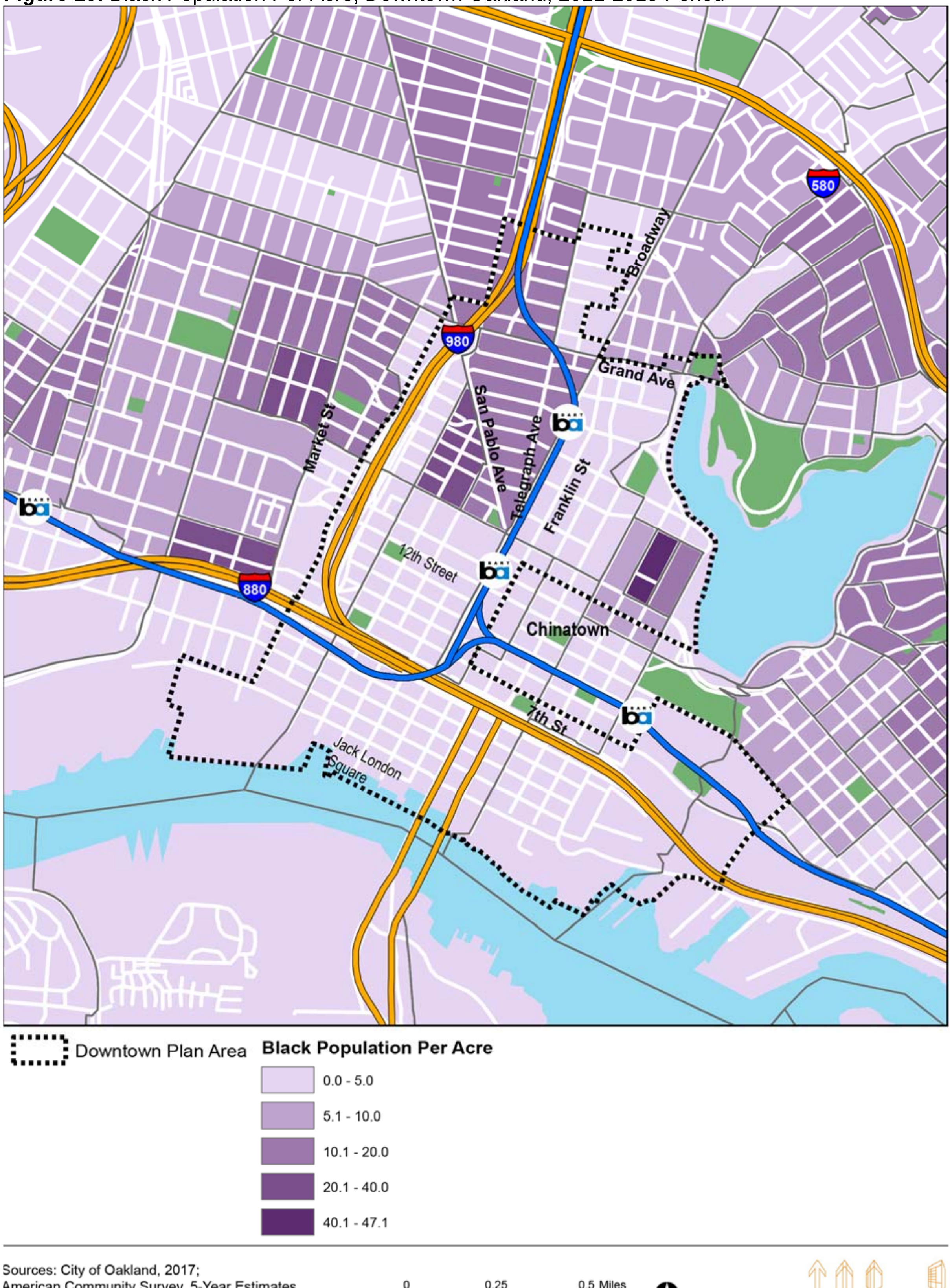
Figure 9: Asian and Pacific Islander Population Per Acre, Downtown Oakland, 2011-2015 Period

Sources: City of Oakland, 2017;
American Community Survey, 5-Year Estimates
2011-2015; Strategic Economics, 2017.

Figure 10: Black Population Per Acre, Downtown Oakland, 2011-2015 Period



Sources: City of Oakland, 2017; American Community Survey, 5-Year Estimates 2011-2015; Strategic Economics, 2017.

Figure 11: Hispanic and Latino Population Per Acre, Downtown Oakland, 2011-2015 Period

Sources: City of Oakland, 2017; American Community Survey, 5-Year Estimates 2011-2015; Strategic Economics, 2017.

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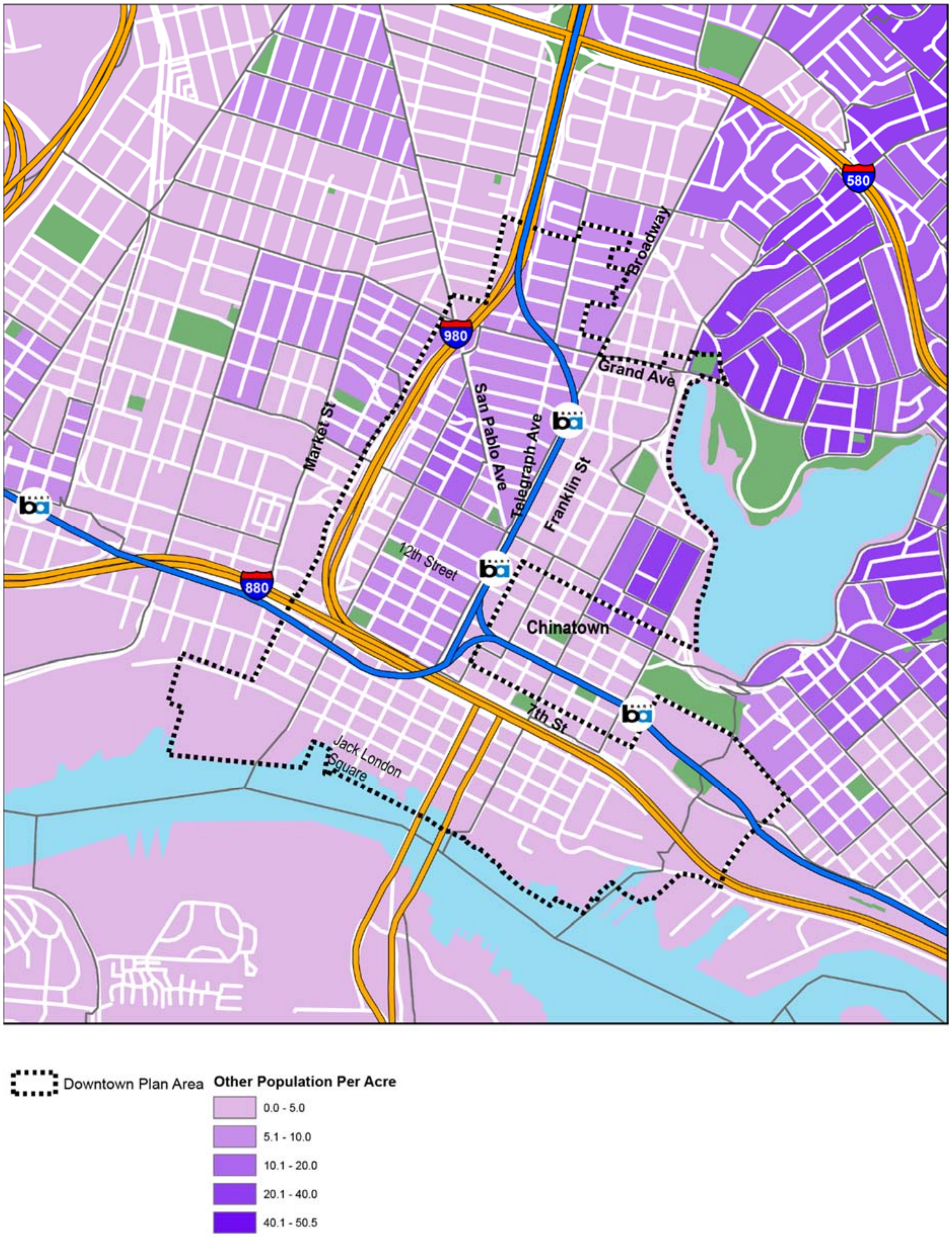
Figure 12: Some Other Race Alone and Two or More Races Population Per Acre, Downtown Oakland, 2011-2015 Period



Sources: City of Oakland, 2017; American Community Survey, 5-Year Estimates 2011-2015; Strategic Economics, 2017.

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Figure 13: Household Size, Downtown and Oakland, 2000 to 2011-2015 Period

	2000		2010		2011-2015		Change	
	#	**Share**	#	**Share**	#	**Share**	#	%
Downtown Oakland								
Householders Living Alone	5,306	59%	6,939	57%	7,057	56%	1,751	33%
2 persons per household	2,180	24%	3,570	29%	3,943	31%	1,763	81%
3 persons per household	727	8%	942	8%	887	7%	160	22%
4 persons per household	425	5%	446	4%	409	3%	-16	-4%
5 persons per household	219	2%	174	1%	110	1%	-109	-50%
6 or more persons per household	172	2%	165	1%	116	1%	-56	-33%
Total Households	**9,029**	**100%**	**12,236**	**100%**	**12,522**	**100%**	**3,493**	**39%**
City of Oakland								
Householders Living Alone	48,952	32%	52,103	34%	53,860	34%	4,908	10%
2 persons per household	42,872	28%	76,793	50%	48,297	30%	5,425	13%
3 persons per household	22,504	15%	42,606	28%	24,677	16%	2,173	10%
4 persons per household	16,571	11%	32,022	21%	16,558	10%	-13	0%
5 persons per household	9,300	6%	16,560	11%	7,652	5%	-1,648	-18%
6 or more persons per household	10,591	7%	8,864	6%	7,380	5%	-3,211	-30%
Total Households	**150,790**	**100%**	**153,791**	**100%**	**158,424**	**100%**	**7,634**	**5%**

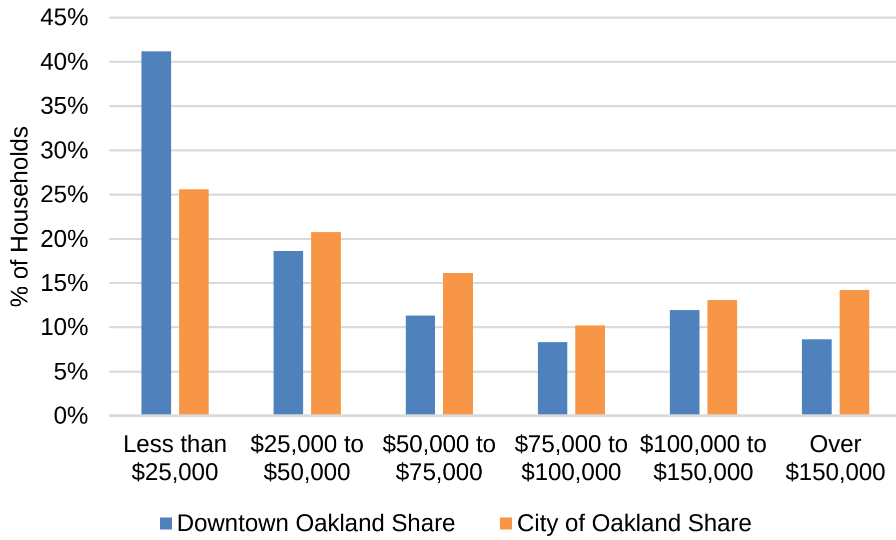
Sources: US Decennial Census, 2000, 2010; American Community Survey, 2011-2015 5-Year Estimates; Strategic Economics, 2017.

Figure 14: Household Type, Downtown and Oakland, 2000 to 2011-2015 Period

	2000		2010		2011-2015		Change	
	#	**Share**	#	**Share**	#	**Share**	#	%
Downtown Oakland								
Families with Children	1,192	13%	1,243	10%	1,118	9%	-74	-6%
Families without Children	1,818	20%	2,702	22%	2,879	23%	1,061	58%
Non-Family Households with Children	16	0%	5	0%	67	1%	51	319%
Non-Family Households without Children	6,003	66%	8,286	68%	8,458	68%	2,455	41%
Total Households	**9,029**	**100%**	**12,236**	**100%**	**12,522**	**100%**	**3,493**	**39%**
City of Oakland								
Families with Children	49,954	33%	44,315	29%	45,476	29%	-4,478	-9%
Families without Children	36,393	24%	39,403	26%	41,674	26%	5,281	15%
Non-Family Households with Children	557	0%	447	0%	467	0%	-90	-16%
Non-Family Households without Children	63,886	42%	69,626	45%	70,807	45%	6,921	11%
Total Households	**150,790**	**100%**	**153,791**	**100%**	**158,424**	**100%**	**7,634**	**5%**

Sources: US Decennial Census, 2000, 2010; American Community Survey, 2011-2015 5-Year Estimates; Strategic Economics, 2017.

Figure 15: Household Income Distribution, Downtown and Oakland, 2011-2015 Period (in 2015 dollars)



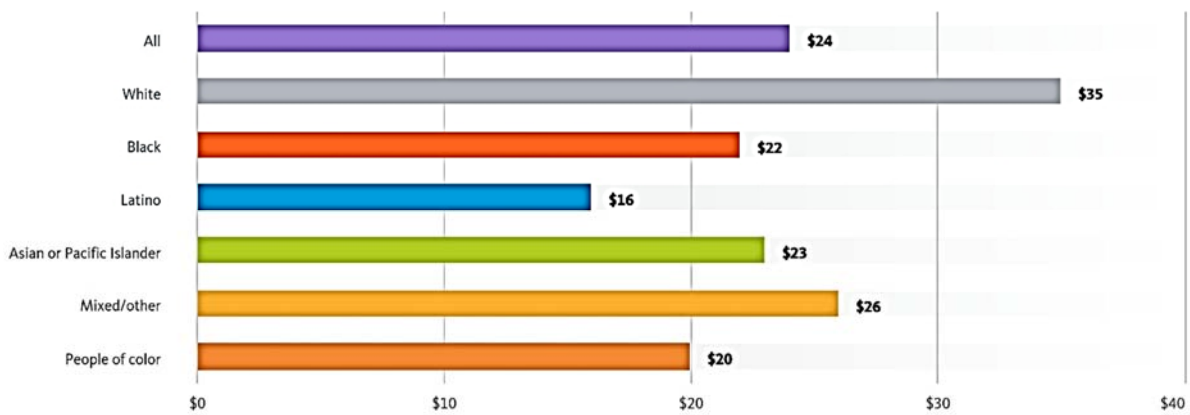
Sources: US Census American Community Survey, 2011-2015 5-Year Estimates; Strategic Economics, 2017.

Figure 16: Median Household Income, Downtown and Oakland, 2000 and 2011-2015 Period (In 2015 Dollars)

			Change	
	2000	**2011-2015**	#	%
Downtown Oakland	$26,849	$35,627	$8,778	33%
City of Oakland	$57,513	$54,618	-$2,895	-5%

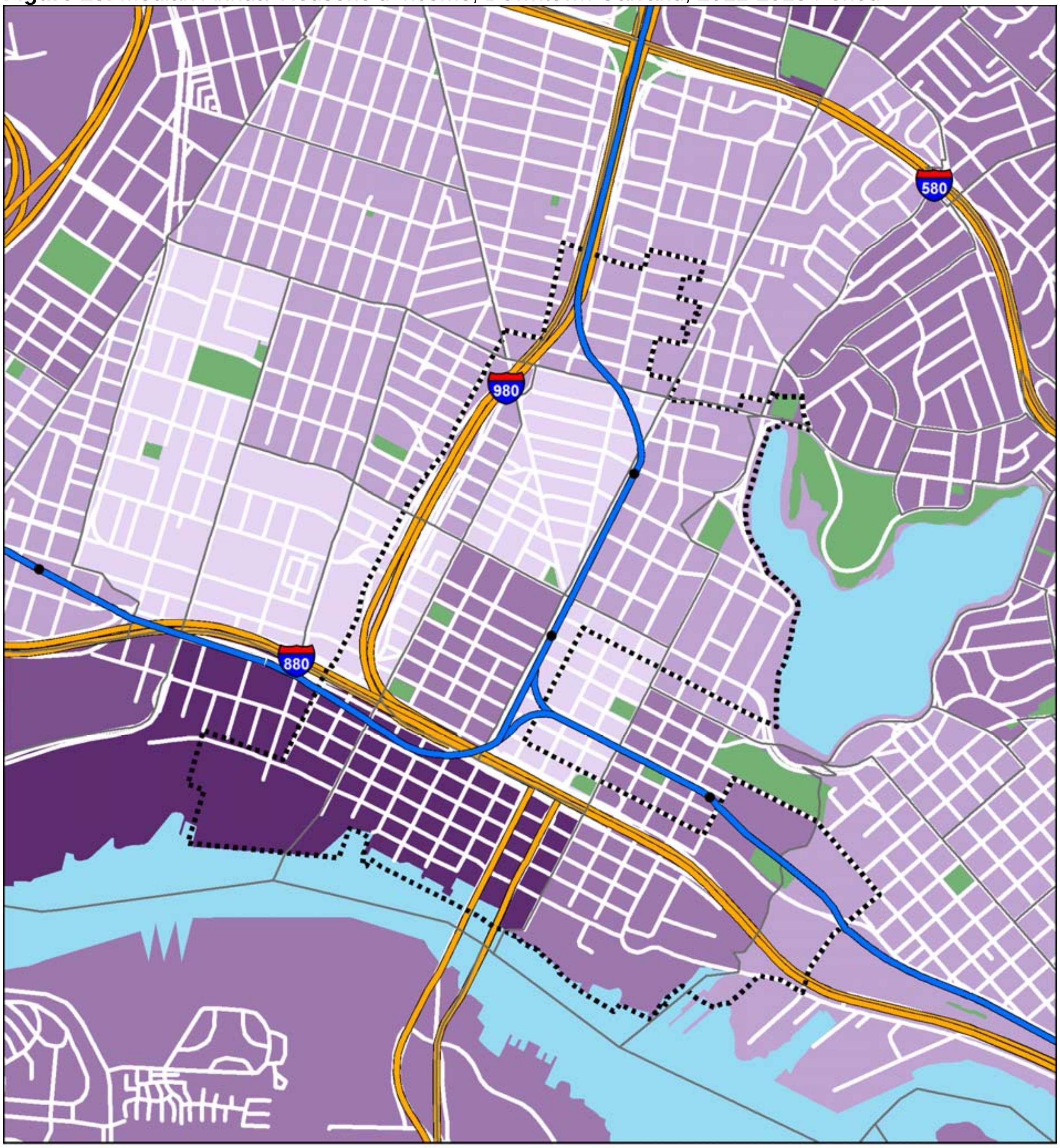
Sources: US Decennial Census 2000 and American Community Survey 5-Year Estimates,2006-2010 and 2011-2015; Strategic Economics, 2015.

Figure 17: Median Hourly Wage by Race/Ethnicity, City of Oakland, 2011-2015 Period



Sources: PolicyLink/PERE National Equity Atlas (www.nationalequityatlas.org), based on analysis of US Census American Community Survey 5-Year Estimates via IPUMS.

Figure 18: Median Annual Household Income, Downtown Oakland, 2011-2015 Period



Downtown Plan Area

Median Household Income

- $6,750 - $25,000
- $25,001 - $50,000
- $50,001 - $75,000
- $75,001 - $100,000
- $100,001 - $250,001

Sources: City of Oakland, 2017; American Community Survey, 5-Year Estimates 2011-2015; Strategic Economics, 2017.

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HOUSING CHARACTERISTICS AND COSTS

Rents and sales prices in both the City of Oakland and Downtown have increased dramatically since 2000. According to data from real estate data service CoStar, rents increased by approximately 50 percent in both the City and Downtown since 2000, to $3.18 per square foot in Downtown Oakland (Figure 19). Home values increased dramatically over the same period – particularly in Downtown Oakland – as demonstrated by estimated median home values per square foot shown in Figure 20.

As rents and prices have outpaced incomes, renters and homeowners in Downtown Oakland are increasingly "cost-burdened" by housing expenses – and therefore at greater danger of displacement. Government agencies and lenders typically consider a household to be "cost-burdened" if housing and related expenses exceed 30 percent of that household's income. Beyond this level, households struggle to pay for other needs and save for the future. The share of cost-burdened households is growing in Downtown Oakland; as of 2015 U.S. Census estimates, 54 percent of Downtown Oakland renters pay over 30 percent of their income on housing, and 25 percent of households spend more than half their income on housing (Figure 21). This compares to 45 percent and 23 percent, respectively, in 2000. Over a third of all homeowners in Downtown Oakland are also paying over 30 percent of their annual income on homeownership, similar to 37 percent of all homeowners in the City overall. These heightened housing cost burdens increase the risk of losing residents, as households consider whether to seek less expensive housing elsewhere in the City or region.

Oakland's households of color are more likely to experience housing cost burdens. In 2015, Oakland's White owner households had the lowest housing cost burden at 29 percent, and Black owner households had the highest housing burden at nearly 45 percent (Figure 22). A larger disparity exists between White and Black renter households, for whom the burden is 40 percent and 63 percent, respectively (Figure 23).

A high share of Downtown Oakland housing units are renter-occupied, with homeownership rates varying significantly by race. According to U.S. Census 2015 estimates, 84 percent of Downtown's occupied housing units are renter-occupied, compared to 60 percent in Oakland overall. As of the 2011-2015 U.S. Census estimate, only eight percent of Downtown's Black households owned their homes, compared to 12 percent of Hispanic households, 18 percent of Asian households, and 21 percent of White households.[5] The report "State of Gentrification: Home Lending to Communities of Color in California" included examination of the historical roots of this disparity, dating to the "redlining" discriminatory mortgage lending practices through 1968, and subsequent predatory and de facto discriminatory lending practices through the present day.[6]

Housing units in Downtown Oakland are predominantly located in larger multifamily buildings. The U.S. Census estimates that 57 percent of housing units in Downtown Oakland are located in buildings with 50 or more units as of 2011-2015, up from 50 percent in 2000, and compared with nine percent of units citywide. Only three percent of Downtown housing units are located in detached or attached single-family homes.

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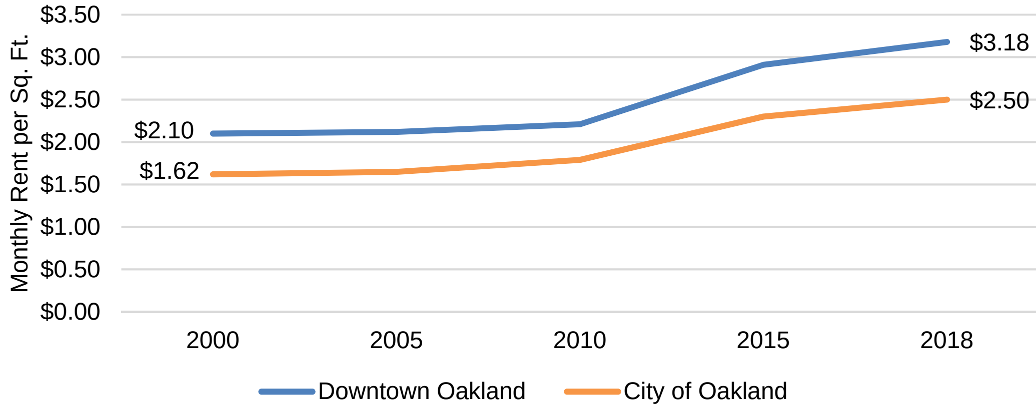
[5] Downtown Oakland Disparity Analysis, prepared for the City of Oakland, January 26, 2018, page 19.

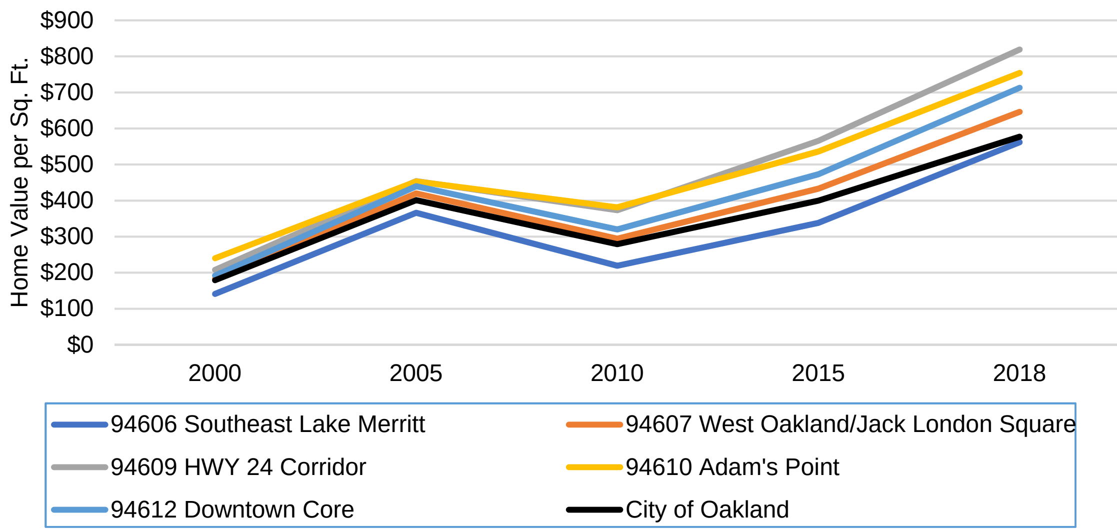
[6] Ahuja, Vedika and Jason Richardson, "State of Gentrification: Home Lending to Communities of Color in California," The Greenlining Institute, 2017.

Figure 19: Monthly Rent per Square Foot in Multifamily Buildings, Downtown and Oakland, 2000 to 2018 YTD (in nominal dollars)



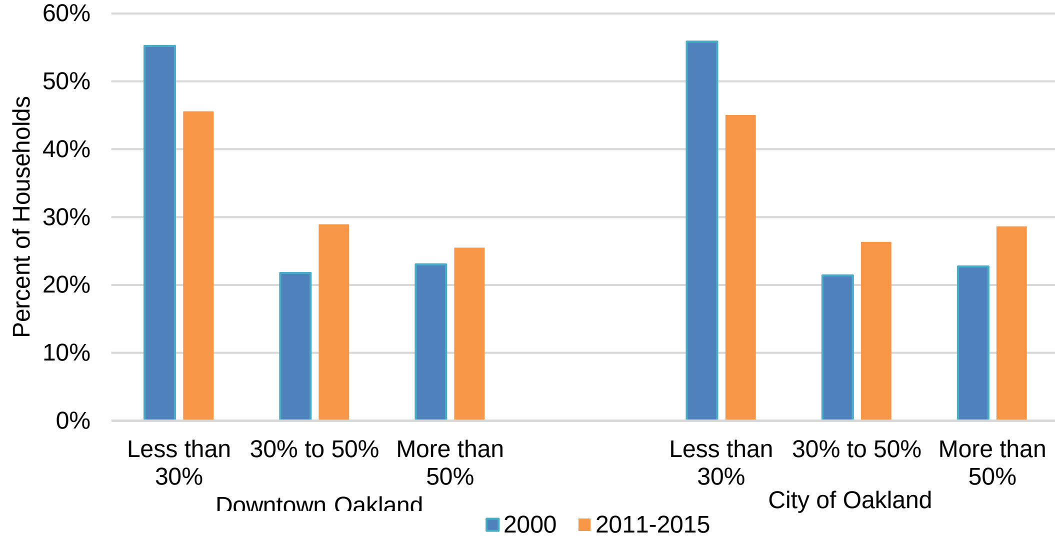
Source: CoStar, June 2018; Strategic Economics, 2018.

Figure 20: Estimated Median Home Value per Square Foot (All Home Types), Downtown ZIP Codes and City of Oakland, 2000 to 2018 (in nominal dollars)



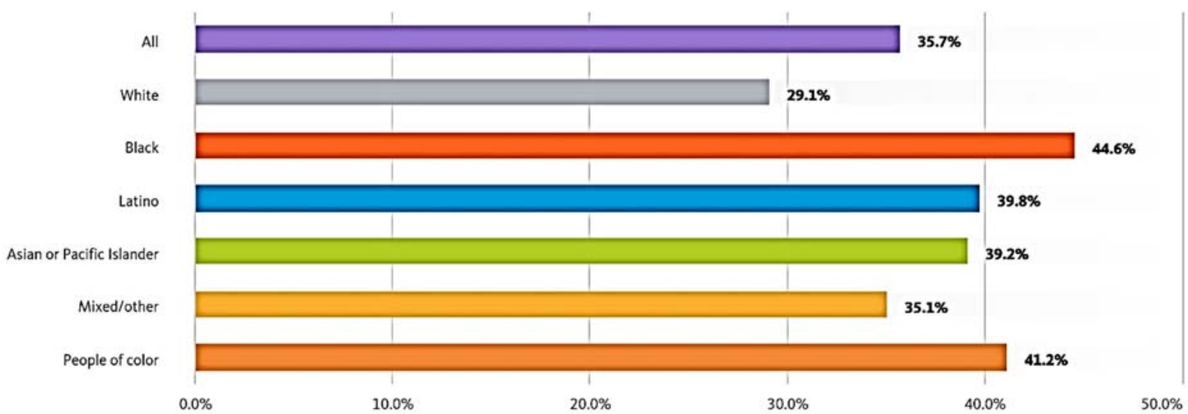
Note: Includes condominiums and single-family homes.
Source: Zillow Real Estate Research, June 2018; Strategic Economics, 2018.

Figure 21: Gross Rent Spending as a Percentage of Household Income, by Percent of Households, Downtown and Oakland, 2000 and 2011-2015 Period



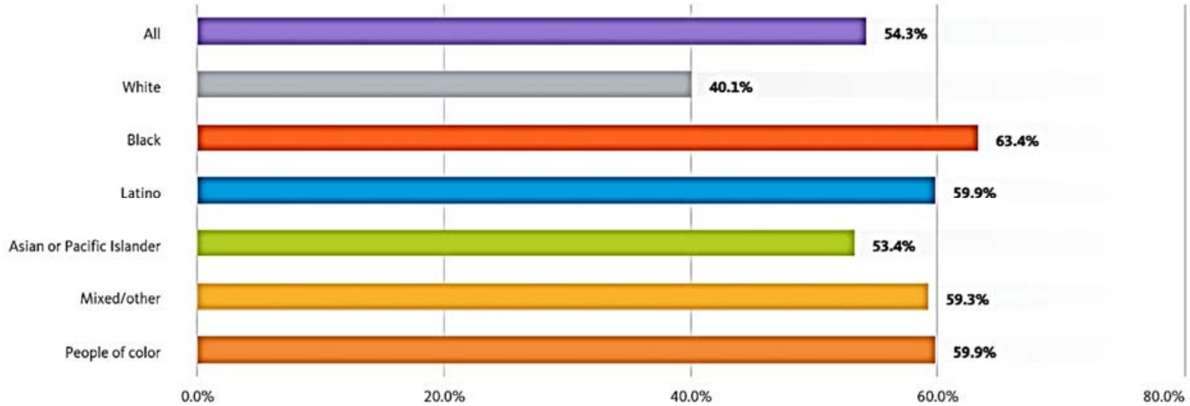
Sources: US Decennial Census 2000 and American Community Survey 5-Year Estimates 2011-2015; Strategic Economics, 2015.

Figure 22: Percent of Households Paying 30 Percent or More of Income for Housing Expenses, by Race, Owner Households, Oakland, 2015



Sources: PolicyLink/PERE National Equity Atlas (www.nationalequityatlas.org), based on analysis of US Census American Community Survey 5-Year Estimates via IPUMS.

Figure 23: Percent of Households Paying 30 Percent or More of Income for Housing Expenses, by Race, Renter Households, Oakland, 2015



Sources: PolicyLink/PERE National Equity Atlas (www.nationalequityatlas.org), based on analysis of US Census American Community Survey 5-Year Estimates via IPUMS.

Figure 24: Housing Type by Units in Structure, Downtown and Oakland

	# of Housing Units			% of Housing Units		
	2000	**2006-2010**	**2011-2015**	**2000**	**2006-2010**	**2011-2015**
Downtown Oakland						
Single Family Detached	406	452	307	4%	4%	2%
Single Family Attached	167	92	169	2%	1%	1%
2 to 4 Units	623	746	863	6%	6%	6%
5 to 19 Units	1,250	1,247	1,398	13%	10%	10%
20 to 49 Units	2,343	3,336	3,206	24%	27%	23%
50 or More Units	4,880	6,648	7,723	50%	53%	57%
Total	**9,669**	**12,521**	**13,666**	**100%**	**100%**	**100%**
Oakland						
Single Family Detached	71,424	75,707	73,901	45%	44%	43%
Single Family Attached	6,645	7,009	7,561	4%	4%	4%
2 to 4 Units	28,972	33,395	31,097	18%	19%	18%
5 to 19 Units	22,851	25,501	25,257	15%	15%	15%
20 to 49 Units	14,899	17,182	16,555	9%	10%	10%
50 or More Units	12,258	14,488	15,971	8%	8%	9%
Total	**157,049**	**173,282**	**170,342**	**100%**	**100%**	**100%**

Total does not include motor homes, boats, or other types of housing.
Sources: US Decennial Census 2000 and American Community Survey 5-Year Estimates, 2006-2010 and 2011-2015; Strategic Economics, 2018.

Affordable Housing Stock

Downtown Oakland includes a high share of the City's income-restricted affordable housing stock. As of 2015, approximately 24 percent of Oakland's subsidized income-restricted affordable housing units were located in the DOSP area, based on inventory data maintained by the City. Given that Downtown Oakland only accounts for eight percent of citywide housing units overall (per 2015 U.S. Census estimates), Downtown has long served as a concentrated center of income-restricted housing for Oakland's residents. Eight percent of the DOSP area's income-restricted affordable units are set aside for extremely low-income households, 75 percent for very low-income households, 14 percent for low-income households, and two percent for moderate-income households.

Downtown Oakland also features a high number of "single room occupancy hotels" ("SROs"), which provide a relatively accessible and sometimes lower-cost housing option. Also known as "residential hotels," the City of Oakland's Housing and Community Development Department defines SROs as buildings consisting of single rooms for residents, typically without a private bathroom or kitchen in the room. Market-rate SROs are often – but not always – a less expensive form of housing compared to renting apartments. However, the primary benefit of SROs is that they provide a flexible and more accessible option for renters, since they generally do not require a security deposit, references, proof of income, or a long-term lease. As of a 2015 City study, there were 1,311 total SRO housing units within the 18 SROs located in or near Downtown.[7] Five of the 18 SROs were income-restricted affordable housing, while the other 15 were not. City data as of 2015 shows that Downtown's SROs represent 85 percent of income-restricted SRO units citywide.[8]

Rent stabilization provides an additional means of lowering housing costs for longtime Downtown residents living in covered units. Housing units whose rents are restricted by Oakland's Rent Adjustment Ordinance provide an additional means of maintaining affordability for long-term residents. With some exceptions, the ordinance limits allowable annual rent increases for ongoing tenancies in rental housing units in multifamily apartment buildings constructed prior to 1983 (although a landlord may 'reset' the base rent by charging prevailing market-rate rents for a new tenancy). Market-rate rents generally rise more rapidly than these allowable increases; rent-stabilized units therefore provide greater stability and predictability for covered tenants, so long as the tenant remains in the unit. While the number of Downtown Oakland housing units covered by rent stabilization is unknown, the number is likely significant given that 84 percent of occupied units are rented, 95 percent are in multifamily buildings, and over 60 percent of housing units were built prior to 1980.

Several significant threats to Downtown Oakland's existing income-restricted and SRO housing stock exist:

- **Expiring affordability restrictions:** "Permanent" income-restricted affordable housing is not actually permanent; affordability restrictions expire, typically after a period of decades. Continual monitoring is necessary to anticipate expiring affordability restrictions, and to partner with property owners to renew affordability restrictions.

- **Loss of market-rate affordable housing units (including SROs):** "Naturally occurring" affordable housing units are those that, although they do not include any restrictions on prices or rents, are rented or sold below typical market rates due to inadequate appeal to higher-income residents, poor condition, or other unique factors. Naturally occurring affordable housing can be lost due to evictions, upgrades, and general rent or price increases over time. Typically these market-rate units need to be acquired and converted into income-restricted housing to maintain long-term affordability, requiring partnerships between tenants, public agencies, and affordable housing non-profit organizations.

- **Loss of rent stabilized housing units:** Housing units subject to rent stabilization can be lost over time due to conversion to ownership housing – such as condominiums or tenancy-in-common arrangements – or demolition. Unscrupulous landlords can also attempt to pressure longtime tenants into leaving so the next tenant will pay current prevailing market rents, although subsequent rent increases will be subject to limits.

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[7] Oakland Housing and Community Development Department, "Downtown Oakland's Residential Hotels: Cost, Characteristics, Challenges," September 2015.
[8] Data tracked by the Oakland Department of Housing and Community Development.

Recent Development Activity

Downtown Oakland accounts for a high share of the City's recent, planned, and proposed housing development activity. Based on City of Oakland permit data and major development project descriptions, approximately 3,000 housing units were either under construction or completed as of the 2016 to 2017 period. This accounts for over a third of citywide housing development activity in that period, yet Downtown overall only makes up 8 percent of total existing citywide housing units. Downtown is also estimated to have accounted for a third of Oakland's planned and approved (but not yet built) housing units as of late-2017.

Downtown housing development activity primarily consists of multistory multifamily rental and condominium buildings. Recently completed, approved, planned, and proposed housing development projects in the Downtown area do not include any single-family homes. Projects are typically either midrise projects between 6- and 8-stories, or residential towers above 25 stories in height.

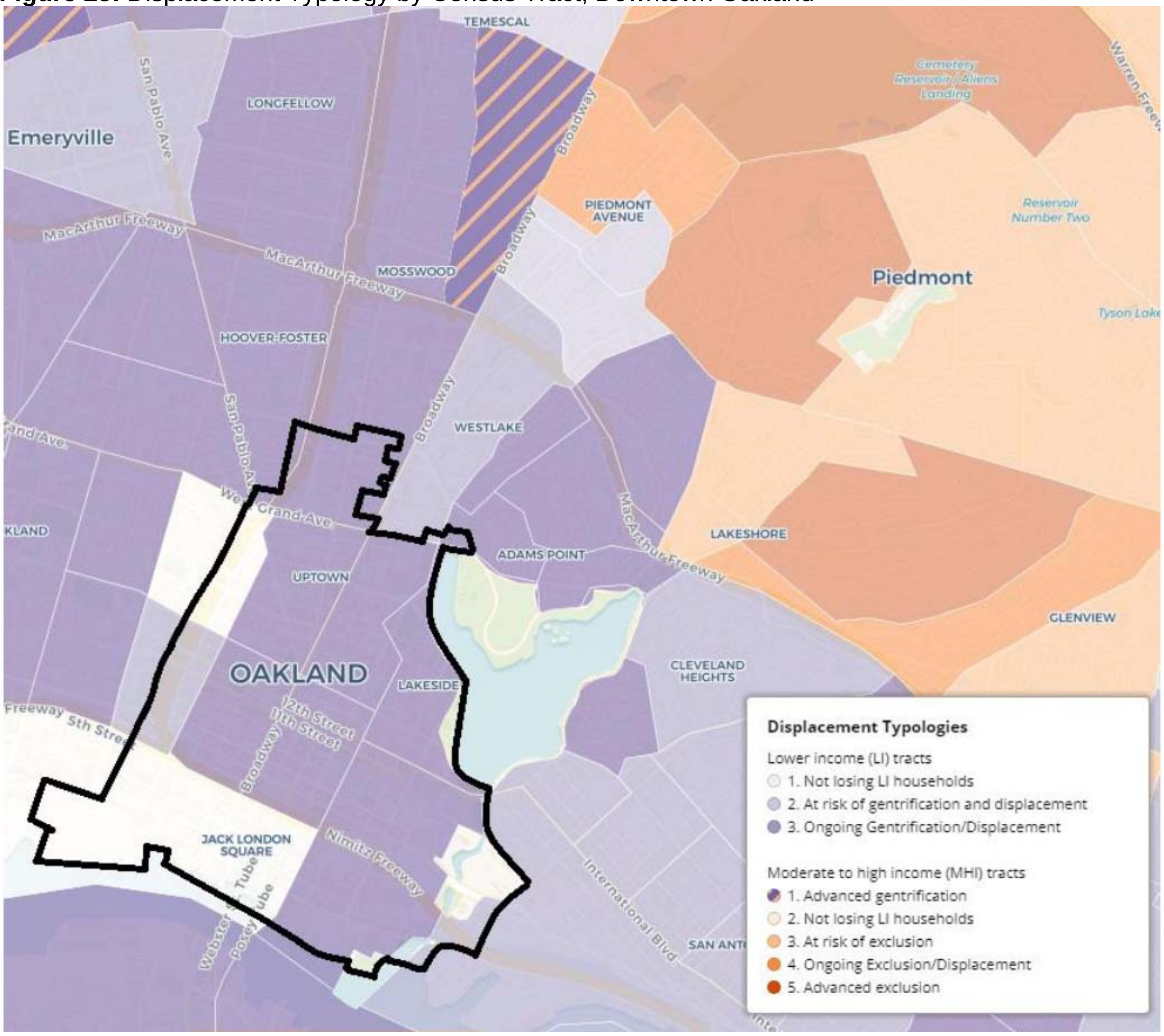
Recent Downtown development activity includes few income-restricted affordable housing units, although these projects do contribute affordable housing impacts fees. During the 2016 to 2017 period, completed and approved housing development projects in Downtown primarily consisted of market-rate units. Based on permit data and other sources, approximately 170 units were income-restricted affordable housing – less than six percent of total development activity. However, these units represented over 20 percent of citywide income-restricted affordable housing production during this period. Development data prepared by the City of Oakland in June of 2018 shows that this trend is continuing; less than three percent of the 7,900 housing units planned and proposed for construction in Downtown Oakland are known to include affordability restrictions (compared to 21 percent outside Downtown), although new projects are now required to contribute affordable housing impact fees to the City.

DISPLACEMENT INDICATORS

The rapid growth of housing prices and rents in Downtown Oakland – and elsewhere in the City – creates affordability challenges that are experienced most strongly by lower-income residents and people of color. The UC Berkeley Center for Community Innovation's Urban Displacement Project identified the majority of Downtown Oakland as an area consisting of lower income census tracts that are undergoing gentrification and displacement (Figure 25). Displacement pressures are more likely to affect people of color, and Black households in particular, due to these households' previously-described high housing cost burdens and low homeownership rates compared to White households. These results are partly driven by significant income disparities; the U.S. Census estimates that, as of the 2010-2014 period, the median income of Oakland's Black households was 43 percent of White households, and Asian and Latino households earned just over half the median income of White households. (See Figure 22, Figure 23, and Figure 17).

Rising housing prices and rents in Downtown Oakland have created new and powerful financial incentives for property owners to pursue removal of tenants in order to rent housing units at higher prices or sell their properties. The City's ability to regulate these actions is constrained by state laws such as the Ellis Act, which allows landlords to evict tenants in order to exit the rental business, and the Costa Hawkins Rental Housing Act, which disallows limits on rents for new tenancies and application of rent controls on units built after 1995 – although passage of a November state ballot measure would repeal Costa Hawkins.

Figure 25: Displacement Typology by Census Tract, Downtown Oakland



Note: Detailed description of the typology criteria are available at www.urbandisplacement.org.
Sources: Original analysis and mapping by Zuk, M., & Chapple, K., Urban Displacement Project, 2015; edited map reproduced from the Downtown Oakland Disparity Analysis, prepared for the City of Oakland, January 26, 2018.

HOMELESSNESS

Oakland's homeless population grew rapidly during the past two years, and composes nearly half of Alameda County's homeless population. As of the 2017 Alameda County Homeless Count, the homeless population in Oakland was estimated to have grown by over 25 percent in two years, to a total of 2,761 residents – 69 percent of whom lack shelter (i.e., are living "on the streets, in vehicles, in makeshift shelters, in encampments, and in other places not meant for human habitation").[9] Oakland's homeless residents make up 49 percent of Alameda County's total homeless population.

Homelessness disproportionately impacts Oakland's Black and African American residents. Among Oakland's homeless residents, an estimated 68 percent were Black or African American as of the 2017

[9] "Alameda County 2017 Homeless Census & Survey: Comprehensive Report."

Alameda County Homeless Count, despite Black residents only representing 26 percent of the overall City population.

A number of homeless encampments are within or near Downtown, with City efforts targeted in these areas. While an exact count of homeless encampments and residents in and near Downtown is not available, multiple encampments exist in the area – particularly under or near I-880 and I-980 overpasses. Several City efforts have targeted areas in or near Downtown, including the establishment of a "safe haven" sanctioned camp sites with services and sheds at 6th Street and Brush Street and at 27th Street and Northgate Street, providing temporary sanitation services at sites, and supporting shelters or transitional housing facilities such as the Henry Robinson Multi-Service Center.

ESTIMATE OF AFFORDABLE HOUSING NEED

Strategic Economics developed a range of estimates of housing need, by income level, for Downtown Oakland. The need estimates are helpful for examining Downtown's role within meeting citywide housing needs. The estimates are also required by the Metropolitan Transportation Commission's PDA Planning Program grant that contributed funding for the DOSP.

The 2023 housing need estimates are all based on various Downtown capture rates of the City of Oakland's "Regional Housing Need Allocation" (RHNA)[10] for the 2015 to 2023 period. This approach recognizes that Downtown Oakland is one of many subareas within the City that will help to fulfill previously-calculated and legally-established City housing needs. Strategic Economics also projected Downtown's housing need through 2040 based on growth projections developed by the Association of Bay Area Governments. Additional methodology notes are described in this memo's Appendix.

Approximately 2,600 housing units would need to be added to Downtown by 2023 for the area to meet its share of citywide housing need. Housing need scenario estimates through 2023 are shown in Figure 26, along with a projection of future need through 2040 in Figure 27. As shown, the scenarios result in dramatically different estimates of housing need. However, the more aggressive estimates in scenarios 2 and 3 are reasonable targets, given that those scenarios reflect Downtown's share of citywide development activity rather than Downtown's historic share of Oakland's housing stock.

The selected approach recognizes that Downtown is an increasingly important location for meeting citywide housing needs across income levels, given the amount of investment directed to the area. In contrast, if Downtown Oakland's capture of citywide need were based on its share of citywide *existing* housing – as shown in Scenario 1 – fewer than 700 additional housing units would be required in Downtown.

Housing growth in Downtown Oakland and the City as a whole is falling behind in meeting need for housing affordable at or below 120 percent of area median income. The City of Oakland's 2018 Housing Element Progress Report found that production of "above moderate income" housing units (those affordable to households earning 120 percent of more of area median income) met 85 percent of 2023 targets. However, production of more affordable housing units only met seven percent of targets. This situation is improving at the citywide level: development project data compiled by the City of Oakland in June of 2018 showed that over 15 percent of housing units in citywide planned and proposed projects will

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[10] As described by the Association of Bay Area Governments, "The Regional Housing Need Allocation (RHNA) is the state-mandated process to identify the total number of housing units (by affordability level) that each jurisdiction must accommodate in its Housing Element."

consist of income-restricted affordable housing. As noted earlier, however, less than three percent of Downtown’s planned and proposed housing units are anticipated to consist of income-restricted housing.

Figure 26: Housing Need Estimate Scenarios for Downtown Oakland, Through 2023 (Current RHNA Period)

		Downtown Housing Need Estimates, Through 2023			
	Remaining Citywide Need Through 2023 (a)	**Scenario 1: Matching the Existing Share of Housing Stock (b)**	**Scenario 2: Matching the Share of Recent Development (c)**	**Scenario 3: Matching the Share of Planned or Approved Development (d)**	**Scenario 4: Matching the Share of Existing Affordable Housing Stock (e)**
Capture Rate	#N/A	8%	34%	29%	21%
Income Level					
Extremely Low Income	917	74	314	264	196
Very Low Income	770	62	264	221	164
Low Income	1,966	158	674	565	420
Moderate Income	2,804	225	961	806	599
Above Moderate Income	1,132	91	388	325	242
Total Affordable	**6,457**	**518**	**2,213**	**1,856**	**1,379**
Total New Units	**7,589**	**609**	**2,601**	**2,181**	**1,621**

(a) This column shows Oakland's approximate remaining unmet housing need during the 2015 to 2023 RHNA period, as of 2018. These citywide need estimates are the base for the Downtown need estimates in the scenarios.

(b) The 8% capture rate reflects Downtown's current share of citywide housing units as of 2011-2015 U.S. Census estimates.

(c) The 34% capture rate reflects Downtown's overall share of citywide housing unit development activity in 2016-2017.

(d) The 29% capture rate reflects Downtown's overall share of citywide planned and proposed housing development projects, by unit, as of June 2018.

(e) The 21% capture rate reflects the DOSP area's share of citywide existing income-restricted affordable housing stock as of 2015 City data.

Sources: City of Oakland 2015-2023 Housing Element, 2018 Housing Element Progress Report, and permit data; American Community Survey, 2011-2015; Strategic Economics, 2018.

Figure 27: Housing Need Estimate Scenarios for Downtown Oakland, Through 2040 (Based on Plan Bay Area 2040 Citywide Household Growth Projections)

	Citywide	Downtown Housing Need Estimates, Through 2040			
	Estimated Citywide Need Through 2040 (f)	**Scenario 1: Matching the Existing Share of Housing Stock (g)**	**Scenario 2: Matching the Share of Recent Development (h)**	**Scenario 3: Matching the Share of Planned or Approved Development (i)**	**Scenario 4: Matching the Share of Existing Affordable Housing Stock (j)**
Capture Rate	#N/A	8%	34%	29%	21%
Income Level					
Extremely Low Income	5,678	456	1,946	1,647	1,213
Very Low Income	5,535	444	1,897	1,605	1,182
Low Income	11,566	928	3,965	3,354	2,470
Moderate Income	15,828	1,270	5,425	4,590	3,380
Above Moderate Income	37,293	2,992	12,783	10,815	7,964
Total Affordable	**38,607**	**3,097**	**13,233**	**11,196**	**8,245**
Total New Units	**75,900**	**6,089**	**26,017**	**22,011**	**16,209**

(f) This column shows an estimate of Oakland's housing need through 2040. These citywide need estimates are the base for the Downtown need estimates in the scenarios. See the Appendix for methodology notes.

(g) The 8% capture rate reflects Downtown's current share of citywide housing units as of 2011-2015 U.S. Census estimates.

(h) The 34% capture rate reflects Downtown's overall share of citywide housing unit development activity in 2016-2017.

(i) The 29% capture rate reflects Downtown's overall share of citywide planned and proposed housing development projects, by unit, as of June 2018.

(j) The 21% capture rate reflects the DOSP area's share of citywide existing income-restricted affordable housing stock as of 2015 City data.

Sources: ABAG Plan Bay Area 2040 Projections, 2018; City of Oakland 2015-2023 Housing Element, 2018 Housing Element Progress Report, and permit data; American Community Survey, 2011-2015; Strategic Economics, 2018.

MAJOR POLICIES, PROGRAMS, AND RESOURCES

The City of Oakland already deploys a wide variety of resources and programs toward growing affordable housing, retaining affordable housing, and reducing displacement. The following matrices describe major policies or programs for encouraging affordable housing production, reducing displacement, and assisting special needs populations. Each matrix describes the policy or program's administrator/partners, impacted populations, and applicability in Downtown. Programs that are suspended or whose future is uncertain – including several homeowner rehabilitation assistance programs – are not listed. Finally, the matrix in Figure 31 describes major funding sources for housing projects and programs.

Programs, policies, and funding sources for affordable housing in Oakland are in a constant state of change. Updates on the current status of the City's major initiatives can be found in ongoing reporting by the Oakland Housing Cabinet, such as the July 2017 report, "Oakland at Home Update: A Progress Report on Implementing *A Roadmap Toward Equity.*"

Figure 28: Encouraging Affordable Housing Production: Existing Major Affordable Housing Tools, Programs, and Policies in Oakland

Tool/Program/Policy	Description	Impacted populations	Administrator & Partners	Application in Downtown
Density bonus program	A density bonus is a permitted increase in density over the maximum otherwise allowed by local zoning. Density bonuses are intended to provide developers with an incentive to construct affordable housing or provide other desired amenities. Oakland's density bonus program – recently amended to meet state requirements – applies to all proposals of five or more units and allows for a maximum of a thirty-five percent (35%) density increase over allowable residential density when a developer constructs ten percent of total dwelling units for low income households (50-80% AMI); five percent of total dwelling units for very low income households (<50% AMI); a senior citizen development, or; ten percent of the total units are developed in a common interest development are for those of moderate income (80-120% AMI).	Very low, low, and moderate income households; seniors and special needs populations.	City of Oakland; private developers	Will work best in locations with limited allowable density. Much of Downtown is zoned for very high density, but limits are lower in Jack London Square, KONO, and potentially other locations.
Affordable housing new construction loan program	An annual competitive loan program for new construction. This program is intended to provide gap financing for affordable rental and ownership housing. The loans cannot account for more than 40 percent of residential development costs for rental projects and 50 percent for ownership projects. 100 percent of all units funded with the loan must be affordable, with 15 percent of all affordable units reserved for households making no more than 50 percent of AMI. All other affordable units must be at least 10 percent below market rates. Ownership units must be priced at 100 percent of AMI.	Very low, low, and moderate income households.	City of Oakland; affordable housing developers	Applies equally in Downtown as elsewhere in the City.
Site acquisition Program	Beginning in 2017, short-term loans are available to purchase vacant land or existing restricted affordable housing units. Funds are reserved for developments serving populations earning less than 60 percent of area median income. Loans may not exceed $150,000 per unit or $5 million per project.	Very low and low income households	City of Oakland; affordable housing developers	Applies equally in Downtown as elsewhere in the City.

Tool/Program/Policy	Description	Impacted populations	Administrator & Partners	Application in Downtown
Predevelopment loan program	A loan program for non-profit developers to cover predevelopment costs, such as feasibility analysis and the preparation of loan applications. Loan amounts are restricted to $75,000 in the Central District and $35,000 in the rest of the city. Applicants must also secure funding from non-City sources for an amount equal to one-half of the requested amount.	Very low and low income households	City of Oakland; affordable housing developers	Applies equally in Downtown as elsewhere in the City.

Figure 29: Reducing Displacement: Existing Major Affordable Housing Tools, Programs, and Policies in Oakland

Tool/Program/Policy	Description	Impacted populations	Administrator & Partners	Application in Downtown
Just cause eviction ordinance	The just cause eviction ordinance seeks to protect tenants from undue eviction for economic gain of the landlord. The just cause eviction ordinance applies to all units except hotels, motels, and other transient occupancy residences; hospitals and health facilities; nonprofit facilities for temporary homeless housing; newly constructed units completed or first offered for rent after October 1980; parcels with 3 units or less if one unit is owner occupied; units in trust for the developmentally disables; or owner-occupied units that share a kitchen or bath with tenants. Evictions are allowed in cases where: tenants fail to pay rent; there is a material violation of the rental agreement; refusal to renew a lease with similar terms; there is substantial damage to the unit; disorderly conduct; illegal purpose; denying landlord access to the unit; landlord seeks the unit as a residence for the landlord, landlord's spouse, domestic partner, child, parent, or grandparent; landlord withdraws unit from the rental market under state law; landlord seeks to make code compliance and repairs that cannot be made while the unit is occupied. In 2016, residents voted to expand the just cause eviction ordinance to properties approved before December 31, 1995.	All	City of Oakland	Applies equally in Downtown as elsewhere in the City.

Tool/Program/Policy	Description	Impacted populations	Administrator & Partners	Application in Downtown
Rent adjustment program (rent stabilization)	The Rent Adjustment Ordinance regulates the frequency and amount of rent increases in the City of Oakland. The ordinance restricts rent increases over the Consumer Price Index, and generally restricts rent increases to once annually. The Rent Adjustment Program requires landlords to provide tenants with notice of the protocol for rent adjustment at the beginning of their tenancy, and notice of the Rent Adjustment Program at every rent increase or change in tenancy. In 2016, residents voted to expand the rent adjustment program to require landlords to petition for any rent increase not based on CPI increase or banking.	All	City of Oakland	Applies equally in Downtown as elsewhere in the City.
Housing services and counseling	The City of Oakland offers links to local services that help renters find affordable housing. The City of Oakland Housing Resource Center is a one-stop shop for housing services and referral for homeowners, renters, and landlords. The "Oakland at Home"[11] housing action plan calls for contracts with third party service providers to be expanded.	All	City of Oakland; local housing service providers	Applies equally in Downtown as elsewhere in the City.
Tenant Protection Ordinance	The Tenant Protection Ordinance provides tenants recourse if they are harassed by their property owner. The Tenant Protection Ordinance is intended to deter harassment or retaliation of tenants by landlords, or their representatives. The housing action plan calls for revisions to the Tenant Protection Ordinance.	All	City of Oakland	Applies equally in Downtown as elsewhere in the City.

[11] City of Oakland, "Oakland at Home: Recommendations for Implementing *A Roadmap Toward Equity*," from the Oakland Housing Cabinet, authored by the City of Oakland and Enterprise, 2016.

Tool/Program/Policy	Description	Impacted populations	Administrator & Partners	Application in Downtown
MTW Housing Choice Voucher Program (Section 8)	This program is administered by the Oakland Housing Authority. The Section 8 program subsidizes a portion of the rent a tenant pays to a private landlord and provides a utility allowance. These vouchers may move with a tenant and are not restricted to certain properties. Participants must earn 50 percent or less of area median income and pay between 30 and 40 percent of their monthly income for rent and utilities.	Extremely low and very low income households	Oakland Housing Authority; rental property owners	Applies equally in Downtown as elsewhere in the City.
MTW project-based voucher program	This program is administered by the Oakland Housing Authority. The Section 8 program subsidizes a portion of the rent a tenant pays to a private landlord and provides a utility allowance. Unlike the MTW housing choice vouchers, project-based vouchers remain with the unit, rather than the tenants. Participants must earn 50 percent or less of area median income and pay between 30 and 40 percent of their monthly income for rent and utilities.	Extremely low and very low income households	Oakland Housing Authority; rental property owners	Applies equally in Downtown as elsewhere in the City.
Public housing administration	Administered by the Oakland Housing Authority, public housing offers residents below market rate rent or subsidies based on their income level. To be eligible for a unit in a public housing development, tenants must earn 80 percent or less than the area median income.	Extremely low and very low income households	Oakland Housing Authority	Three public housing buildings are located in Downtown, but most are outside the area.
Health and safety rehabilitation loan program	A loan program that provides loans to owners of existing subsidized units to prevent or correct noncomplying health and safety conditions.	Very low, low, and moderate income populations.	City of Oakland; private owners of existing subsidized units	Applies equally in Downtown as elsewhere in the City.
Site Acquisition, Rehabilitation and Naturally Occurring Housing Preservation Program	The program provides loans to private non-profit or for-profit projects to acquire existing affordable units, existing naturally occurring affordable units, or acquiring vacant land or housing units and developing or preserving affordable units.	Very low, low, and moderate income households	City of Oakland; private affordable housing developers and managers	Applies equally in Downtown as elsewhere in the City.

Tool/Program/Policy	Description	Impacted populations	Administrator & Partners	Application in Downtown
Condominium Conversion Ordinance	The Condominium Conversion Ordinance provides a strict protocol of requirements that a landlord must undergo in order to convert an existing multi-family building of five or more units into condominiums. The ordinance requires notice be given to current tenants prior to any action taken towards conversion, and notice be given at each stage of approvals. Tenants within the existing building will be given rights to remain in the building up to 180 days after the final subdivision report or the beginning of sales. Tenants also have the right to purchase their unit on the same or better terms than the general public. The Housing Action Plan called for revisions to the condo conversion ordinance, but no changes have been made yet.	All	City of Oakland; private property owners of multifamily properties	Existing ordinance largely does not cover Downtown Oakland, except for portions of Lakeside.
Foreclosure assistance	The City of Oakland funds free third-party mortgage counseling for owners at risk of foreclosure.	All	Third-party mortgage counselors; private homeowners; City of Oakland	Applies in Downtown, but less effective overall since most Downtown households rent rather than own their homes.
Neighborhood housing revitalization program	The neighborhood housing revitalization program provides financial assistance to owners of small rental or single-family units to correct code violations and eliminate safety and health hazards. Maximum loan amount is $150,000 per property. Property must be within specific community development districts.	Beneficial terms for very low, low, and moderate income borrowers	City of Oakland; private property owners	Less applicable in Downtown, given the housing mix of the area.
Earthquake safe homes program-seismic retrofit grants for 1-4 unit properties	Provides grants to small property owners to finance seismic retrofits. Grant covers 75 percent of eligible costs, owners must match the remaining 25 percent. Properties must be owner-occupied.	Very low, and low income households	Private property owners	Less applicable in Downtown, given the housing mix of the area.
Safer housing for Oakland program-seismic retrofit grants for “soft story” rental properties with 5 or more units	Provides grants to property owners of “soft story” rental properties with five or more units that were constructed prior to 1991. Grant will pay for up to 75 percent of total allowable costs.	All	Private property owners	May impact Downtown (and nearby neighborhoods) more than other areas.
Moderate rehabilitation program	A unit-based subsidy program linking affordable housing funding to the rehabilitation of rental properties. The subsidies are tied to individual rental units and are not transferable.	Very low, low, and moderate income households; seniors; homeless; and disabled.	Oakland Housing Authority	May impact Downtown (and nearby neighborhoods) more than other areas.

Figure 30: Assisting Special Needs Populations: Existing Major Affordable Housing Tools, Programs, and Policies in Oakland

Tool/Program/Policy	Description	Impacted populations	Administrator & Partners	Application in Downtown
Homeless Program	The City of Oakland contracts with third party non-profit organizations to provide homeless prevention programs, emergency housing, transitional housing, housing for special needs populations, and a homeless mobile outreach program.	Homeless, residents at risk for homelessness, special need populations	City of Oakland; third-party service providers	May impact Downtown (and nearby neighborhoods) more than other areas due to concentration of unsheltered homeless residents.
Veterans Affairs Supportive Housing (VASH) Program	VASH provides subsidized rent and case management services for some veterans referred by the Alameda County VA Medical Center.	Veterans	Oakland Housing Authority	May impact Downtown (and nearby neighborhoods) more than other areas.
Non-Elderly Disabled (NED)	NED provides assistance to families whose head, spouse, or co-head is disabled and under 62 years old.	Disabled	Oakland Housing Authority	May impact Downtown (and nearby neighborhoods) more than other areas.
Shelter Plus Care	The Shelter Plus program offers affordable housing and support services to homeless people living on the street. Participants must be homeless and disabled by chronic alcohol and drug problems, serious mental illness, or AIDS and related disorders.	Special needs populations	Oakland Housing Authority and Alameda County Housing and Community Development	May impact Downtown (and nearby neighborhoods) more than other areas.

Figure 31: Major Affordable Housing Funding Sources in Oakland

Funding Source	Description	Administrator & Partners	Application in Downtown
Jobs-housing impact fee	Jobs-housing impact fees, sometimes called a commercial linkage fee, seek to ensure that commercial development projects compensate and mitigate the demand for affordable housing. This fee applies to any office development project and any warehouse/distribution development project greater than 25,000 square feet. Impact fee funds are paid into the Affordable Housing Trust Fund. The fee may be waived in the case of the developer also building affordable housing.	City of Oakland; commercial developers	Applies equally in Downtown as elsewhere in the City. Likely that Downtown will produce relatively high fee revenue given the high amount and high values of commercial development projects in the area.
Affordable housing impact fee	Adopted in May 2016, the new affordable housing impact fee applies to all new market rate housing units, including live/work and work/live units. Fees range from $0 per unit for all housing in Zone 3 to $6,500 per unit for townhomes in Zone 1 (which includes Downtown). Affordable housing impact fees will be paid into the Affordable Housing Trust Fund. Developers who choose to provide affordable housing units, either onsite or offsite, are not subject to this fee. Affordable units built are required stay affordable for 55 years or the life of the development project. Developers who choose to build affordable units onsite may also apply the units to a density bonus.	City of Oakland; residential developers	Downtown is within the zone charging highest fees. Likely that Downtown will produce high fee revenue given the high amount and high values of residential development projects in the area.
Redevelopment Agency “boomerang” funds	Following the dissolution of Redevelopment Agencies, a portion of former tax increment funds come back to local jurisdictions as both one-time payments the Low and Moderate-Income Housing Fund and ongoing property tax share increases. As of July 2015, Oakland targets 25 percent of its boomerang funds to the Affordable Housing Trust Fund.	City of Oakland, Oakland Redevelopment Successor Agency, non-profit developers	Applies equally in Downtown as elsewhere in the City, though Downtown is likely to generate high fee revenues given increasing property values and ongoing development activity in the area.

Funding Source	Description	Administrator & Partners	Application in Downtown
State and Federal funds	A variety of funding sources exist, including: Community Development Block Grants (CDBG) and HOME funds. AHSC funds. State cap and trade funds.	County, Regional, State, and Federal Partners	Applies equally in Downtown as elsewhere in the City.
City infrastructure bond with affordable housing measures	In November 2016, Oakland voters approved Measure KK, or the "infrastructure bond," via a ballot measure. This infrastructure bond includes $100 million for in proposals for affordable housing and anti-displacement actions, including funding to construct new affordable housing and acquire and rehabilitate housing for vulnerable communities, including seniors, people with disabilities and veterans.	City of Oakland	Applies equally in Downtown as elsewhere in the City.
County Affordable Housing Bond	In November 2016, Alameda County voters passed Measure A-1, a $580 million general obligation bond to fund homeowner programs (down payment assistance, homeowner housing development program, and housing preservation loan program), rental housing programs (rental housing development fund and innovation and opportunity fund), and funding allocations throughout Alameda County. Almost $54 million of the total bond is designated for Oakland specifically, with another $90 million designated for the North County regional pool. $155 million is to be allocated countywide.	Alameda County	Applies equally in Downtown as elsewhere in the City.

POTENTIAL DOSP AFFORDABLE HOUSING AND ANTI-DISPLACEMENT STRATEGIES

ROLE OF DOWNTOWN IN MEETING CITYWIDE AFFORDABLE HOUSING GOALS

Downtown Oakland features unique assets and opportunities that impact how the area can most effectively contribute toward meeting local and citywide affordable housing needs.

- **Central location, low-cost regional transportation options, and easy access to jobs, services, education amenities, health care amenities, and culture and arts organizations and amenities:** Affordable housing located in Downtown provides unique benefits beyond the housing itself. The location provides residents with excellent low-cost regional transportation options via AC Transit and BART, convenient access to a concentration of government and non-profit services, and proximity to the East Bay's largest concentration of jobs. Downtown also features a concentration of education, health care options, and arts and culture organizations and venues.

- **Ability to capture and leverage development activity and potential funding sources:** As one of Oakland's strongest market areas and an area undergoing significant residential and commercial development activity, Downtown Oakland will generate a high share of the City's commercial linkage and affordable housing impact fee revenues contributed to the City's Affordable Housing Trust Fund. Downtown's high development densities, high property values, and concentrated business activity also generate significant ongoing property, sales, and transient occupancy tax revenues for the City.

  These revenues create opportunities to reinvest in affordable housing development and retention, as well as anti-displacement programs. However, there are tradeoffs in spending these revenues in Downtown versus other areas of the City. Downtown's high property values mean that it may be more expensive to build or acquire affordable housing in the area compared to other parts of the City. On the other hand, failure to build or acquire affordable housing in Downtown will make it impossible for Oakland residents of a range of incomes and races to benefit from the area's amenities, jobs, and access.

- **Leverage City-owned sites to provide affordable housing:** Downtown Oakland includes multiple City-owned properties upon which the City could potentially pursue development of affordable housing. Given the high allowable densities in the area, these sites could accommodate a higher number of housing units compared to other parts other parts of the City with more restrictive zoning. There are tradeoffs to using such sites for affordable housing, however, including lost opportunities to generate one-time and ongoing revenue for City services from commercial development, and lost opportunities to achieve goals such as providing workforce development uses, affordable commercial space, etc. The City is currently studying revisions to its public lands policy, which will determine requirements for how publicly-owned sites are used.

- **Concentration of SROs:** Downtown Oakland's concentration of SROs provides an inventory of housing options that are relatively low-cost and have few financial barriers to entry. An opportunity exists to retain this housing, and to potentially partner with affordable housing and service providers to continue acquiring SROs to preserve affordability and provide on-site social services. Examples of this process include the existing Henry Robinson Multi-Service Center in

Downtown, and the City's assistance in acquiring and rehabilitating an SRO on West Grand Avenue in Downtown to transform the building into a similar residential service center.

- **Maintain existing income-restricted housing:** As Oakland's largest concentration of income-restricted affordable housing, Downtown Oakland presents an important need to retain the affordability of these units as their restrictions expire over time.

POTENTIAL STRATEGIES AND TOOLS

Strategic Economics recently described a series of recommended strategy and tool options as part of the "Draft Plan Options Memo" currently under review by the City of Oakland, based on the analysis presented in this memo and on ideas generated by the public at several "Creative Solutions Lab" and "Neighborhood Design" meetings conducted in recent months. These recommendations are summarized below, and are intended as a starting point for determining the appropriate strategies and tools for inclusion in the DOSP. The seven strategies and associated tools are designed to leverage Downtown Oakland's unique assets to meet its affordable housing needs.

1. **Leverage private development to address affordable housing needs through incentive programs.** Office and residential development activity in Downtown Oakland creates new opportunities to fund the creation of additional income-restricted affordable housing. Oakland's existing jobs-housing linkage fee and affordable housing impact fee ensure that commercial, industrial, and market-rate housing development projects contribute to the creation of affordable housing through contributions to the Affordable Housing Trust Fund or through waivers in exchange for building income-restricted housing units. This strategy seeks to study and pursue creation of additional incentives for providing affordable housing beyond mandated requirements and the existing density bonus program.

   Potential Tools:
   - Study and implement an expanded density bonus program, including the following potential steps and tools:
     i. Clarify locations within which expanded density bonus programs might be used (e.g., areas in which allowable density could be practically increased in exchange for benefits, such as Jack London Square or the Arts and Garage District), versus those in which allowable densities are already too high to incentivize use of the program
     ii. Provide a list of required community benefits required to obtain incentives such as fee waivers, parking reductions, density bonuses, expedited permitting, etc.
     iii. Create a tiered system of density bonuses and other incentives for meeting specific percentages of on-site affordable housing
   - As an alternative to the density bonus structure, simply increase incentives provided in exchange for providing additional on-site affordable housing or increased contributions to the Affordable Housing Trust Fund

2. **Direct Downtown-specific public funding sources and resources to assist in the creation of new affordable housing in Downtown.** A variety of public funding sources and resources exist that the City could potentially target specifically to the creation of income restricted affordable housing – and/or housing generally – in the Downtown area. Examples of existing resources include publicly owned land, impact fees, property transfer taxes, property taxes, and other revenues to the affordable housing trust fund. The City could also explore opportunities to create

additional Downtown-specific funding sources. As a highly-desirable and relatively high-density residential and business district, Downtown Oakland generates significant revenues that could be dedicated to resolving the housing challenges that come with the area's high housing costs.

Potential Tools:

- Set a policy goal that targeted percentages of all new housing units in Downtown are restricted to households qualifying as very low-income, low-income, and moderate income
- Continue and expand partnerships with affordable housing developers to purchase land for affordable housing development
- Set a policy to dedicate or prioritize use of existing funding sources for affordable housing production in Downtown; consider adding additional points to Oakland funding criteria (within "Notice of Funding Availability" scoring) for compliance with DOSP goals (similar to points awarded for projects pursued within the West Oakland Specific Plan Area)
- Set a policy to prioritize use of publicly-owned land for affordable housing production in Downtown
- Study the possibility of increasing impact fees for the Downtown area
- Study increases to the commercial linkage fee, and dedicate new revenues to affordable housing production in Downtown
- Dedicate property transfer tax revenues generated in Downtown to the creation of additional affordable housing in Downtown
- Provide funding, partnerships, and other City assistance for developers pursuing affordable housing projects in Downtown
- Dedicate a percentage of tax revenues generated in Downtown for affordable housing production in Downtown
- Study the possibility of a new revenue stream from a Downtown-specific value capture mechanism, with bulk of revenues dedicated to affordable housing retention and production; examples of mechanisms include an enhanced infrastructure financing district (EIFD) (which reinvests growth in property tax revenue above a baseline amount) or a property tax set-aside
- Right of first refusal for displaced residents to return to new affordable housing

3. **Expand the supply of housing overall and encourage the production of diverse housing unit types – including larger family-friendly units – by ensuring regulations and policies support financially feasible development opportunities.** This strategy seeks to provide incentives and policy changes that will enhance the financial feasibility of housing generally and encourage the production of larger, family-friendly housing units, as well as a wider range of housing types, from townhomes to high-rises.

Potential Tools:

- Pursue the creation of a vacant property tax to encourage development of underutilized sites
- Create zoning and land use policies that encourage adaptive reuse of Downtown buildings for housing
- Provide incentives for the creation of larger units and inclusion of amenities targeted to families
- Identify and target areas for complementary investments in family-friendly, child-friendly infrastructure, such as playgrounds and parks

4. **Facilitate retention of existing income-restricted and "naturally occurring" affordable housing.** Income-restricted affordable housing units are always at risk of eventually being lost from the inventory of affordable housing; affordability restrictions for many income-restricted housing projects eventually expire, after which the units can be rented or sold at market rates. Naturally occurring affordable housing can be lost due to tenancy turnover, evictions, upgrades, and general rent or price increases. Retention of existing affordable housing can help to ensure continued overall growth of the affordable housing stock in Downtown.

   Potential Tools:

   - Strengthen SRO preservation policies, and examine the potential for demolition/conversion bans and/or replacement requirements
   - Deploy and expand acquisition funds, including integration with regional funds such as the Bay Area Preservation Pilot
   - Continue to deploy Oakland Housing Authority resources to stabilize affordable units and SROs (with affordability restrictions)
   - Continue to partner with and fund nonprofit housing organizations to acquire and rehabilitate housing
   - Facilitate the preservation and renovation of older and historic housing in Downtown

5. **Increase protections and assistance for low-income renter households and other residents at risk of displacement.** This strategy deploys Oakland's expanding renter services, advocacy efforts, and home preservation and rehabilitation programs within Downtown. The City of Oakland is undertaking an ongoing process of enhancing citywide protections and assistance for low-income renter households and other residents at risk of displacement. Examples include 2016 voter approval of a ballot measure to expand just cause eviction protections to more properties, and recent amendments to the Tenant Protection Ordinance and increases to the Rental Assistance Program's annual landlord fees. The City's Housing Action Plan also calls for expanding housing services and counseling, changes to the code enforcement relocation ordinance, and numerous other adjustments to City policy. The City of Oakland has previously provided home preservation and rehabilitation loans which could assist property owners in maintaining their properties; however, funding for these programs has been very unstable.

   Potential Tools:

   - Support enhancement of renter services and counseling
   - Support City advocacy to amend the Costa Hawkins Rental Housing Act
   - Fund and deploy home preservation and rehabilitation loans in applicable areas of Downtown

6. **Provide additional shelters and services for homeless residents.** Given that multiple encampments and clusters of homeless residents are located within and immediately adjacent to

the Downtown area, the area is positioned to continue building on recent efforts by growing additional shelters and services for homeless residents.

Potential Tools:
- Target creation of supportive services in existing and new affordable housing and affordable SRO rehabilitations
- Continue implementation of services for encampment areas, provision of "safe haven" or "navigation center" facilities, and temporary shelters
- Allow the creation of homeless navigation centers in Downtown, potentially by-right

7. **Strengthen protections for retaining Downtown's rental housing stock.** Protections for preserving rental units could be enhanced through strengthening the Condominium Conversion Ordinance, applying it to Downtown, adjusting conditional use development permitting criteria to consider displacement impacts on existing residents, and supporting changes to the state Ellis Act, which allows landlords to evict tenants to exit the rental business.

Potential Tools:
- Amend and strengthen the Condominium Conversion Ordinance, and expand the Condominium Conversion Impact Area boundaries to include all of Downtown
- Amend the Condominium Conversion Ordinance to include an impact fee for conversions; consider dedicating revenues to provide financial assistance to low-income homebuyers
- Include displacement impacts in permitting criteria
- Support City advocacy to amend the Ellis Act

APPENDIX: AFFORDABLE HOUSING NEED METHODOLOGY NOTES

This appendix provides additional notes on the methodology used to develop the affordable housing need scenarios shown beginning on page 28 of this memo and in Figure 26 and Figure 27.

Calculation of "Remaining Citywide Need Through 2023"

In order to calculate housing need in Downtown based on varying capture rates of citywide need, Strategic Economics first calculated a citywide base of housing need. Citywide housing need by income was already established through the Regional Housing Need Allocation process by the Association of Bay Area Governments; this process identified the number of housing units that each jurisdiction in the Bay Area must accommodate in its Housing Element. Oakland's current General Plan Housing Element covers the period from 2015 through 2023, and includes housing unit needs shown in the second column of Figure 32 below. As shown in the subsequent columns of Figure 32, Strategic Economics subtracted housing units permitted in Oakland from 2015 through 2017 from the total housing unit need for the 2015 to 2023 period, providing the remaining unmet need during the 2015 to 2023 period. The 2015 through 2017 permit counts came from the "Annual Element Progress Report" authored by the City of Oakland.

Figure 32: Calculation of Approximate Remaining Citywide Housing Unit Need During 2015 to 2023 RHNA Cycle

	2015-2023 RHNA Citywide Need (# of Units)	Permitted Units, 2015	Permitted Units, 2016	Permitted Units, 2017	Remaining Unmet Need for 2015-2023 (# of Units)
Extremely Low Income	1,029	22	12	78	917
Very Low Income	1,030	77	14	169	770
Low Income	2,075	30	13	66	1,966
Moderate Income	2,815	0	0	11	2,804
Above Moderate Income	7,816	642	2,082	3,960	1,132
Total New Units	**14,765**	**771**	**2,121**	**4,284**	**7,589**

Source: 2015-2023 Housing Element of the City of Oakland General Plan; City of Oakland Housing Element Progress Report, 2018; Strategic Economics, 2018.

Calculation of Scenario Capture Rates

Each scenario applies a different capture rate to calculate the share of citywide housing need applicable to Downtown. The following items provide additional detail on the data used to calculate the capture rates:

- Scenario 1: The eight percent capture rate reflects Downtown's current share of citywide housing units as of 2011-2015 U.S. Census estimates. As shown in Figure 4, Downtown Oakland was estimated to encompass 12,522 households, versus 158,424 households citywide (including Downtown).

- Scenario 2: The 34 percent capture rate reflects Downtown's approximate overall share of citywide housing units that were under construction or completed from 2016 through the third quarter of 2017. The 34 percent rate is based on 2,977 units in Downtown versus 8,685 units citywide (including Downtown). The unit counts were based on building permit data and a list of major projects maintained by the City. Although the data were refined and processed to remove duplicates, the unit counts should be viewed as approximate figures since they may not reflect the exact number of housing units actually completed or initiated.

- Scenario 3: The 29 percent capture rate reflects Downtown's overall share of citywide planned and proposed housing development projects, by unit, based on City data updated in June of 2018. That data showed 7,903 housing units planned and proposed in Downtown Oakland, versus 27,501 citywide (including Downtown).

- Scenario 4: The 21 percent capture rate reflects the DOSP area's share of citywide existing income-restricted affordable housing stock as of 2015 City affordable housing inventory data. That data showed 2,227 such housing units in the DOSP, versus 10,761 units citywide (including Downtown).

Calculation of "Estimated Citywide Need Through 2040"
The housing need scenarios that run through 2040 applied the same capture rates described above. However, the applied distribution of need by income level differs from the 2023 estimate. The projected distribution of need by income level was based on the total Oakland citywide RHNA amount for the 2015 to 2023 period; that distribution is shown in the second column of the table below. In order to calculate citywide housing need by income level through 2040, Strategic Economics multiplied this RHNA distribution by projected citywide growth of 83,076 households from the 2015 to 2040 period; this projection was provided by "Plan Bay Area 2040" forecasts recently released by the Association of Bay Area Governments. Housing permits issued from 2015 to 2017 were then subtracted in order to produce estimated remaining citywide housing unit need, by income level, for the 2018 to 2040 period.

Figure 33: Calculation of 2040 Oakland Citywide Housing Need by Income Level

Income Level	2015-2023 Citywide RHNA Distribution by Income Level	Distribution of 2015 to 2040 Citywide Household Total Growth Projection	Less: Units Permitted from 2015-2017	Remaining Citywide Housing Need by Income Level, 2018-2040
Extremely Low Income	7%	5,790	112	5,678
Very Low Income	7%	5,795	260	5,535
Low Income	14%	11,675	109	11,566
Moderate Income	19%	15,839	11	15,828
Above Moderate Income	53%	43,977	6,684	37,293
Total New Units		**83,076**	**7,176**	**75,900**

Sources: City of Oakland 2015-2023 Housing Element; ABAG Plan Bay Area 2040 Projections, 2018; City of Oakland Housing Element Progress Report, 2018; Strategic Economics, 2018.