



URBAN **DISPLACEMENT** Project

San Mateo County's East Palo Alto

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Cover Photograph Source: <http://www.couperus.org/Albums/Eureka/index1.htm>

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Anti-Displacement Policy Case Study: San Mateo County's East Palo Alto

East Palo Alto is located on the San Francisco Peninsula in the heart of Silicon Valley. It is a small city with a population of about 29,000, bordered by the affluent cities of Palo Alto and Menlo Park. A young city, it was incorporated in 1983 in the face of claims from critics that the city could not generate enough revenue to sustain itself. Peninsula Interfaith Action, an advocacy group, notes that incorporation was intended to ensure that as a community of color, the city would be led by people of color (SFO/PIA 2014). Incorporation prevailed despite numerous lawsuits from special interest groups seeking to frustrate the process, and East Palo Altans have great pride in their rich history of community activism and their struggle to achieve self-determination. Strong protections for renters and support for affordable housing are crucial aspects of the city's identity. As one interviewee active in the incorporation movement put it, "part of our political history is that we became a city and the first ordinance was to freeze the rents, [because] in the county there was nothing in place [to protect renters]" (interview with authors).

The city has long served as a pocket of affordability for low-income households who might otherwise be excluded from the affluent region. In recent years, two census tracts that comprise the bulk of the city (6119 and 6120³) have experienced less gentrification than would be expected.

With a focus on these two tracts, this case study outlines the anti-displacement policies in East Palo Alto that have helped limit gentrification there. The city has consistently enacted policies in favor of affordable housing. Tenant protections, inclusionary zoning and housing subsidies help explain the lack of displacement in East Palo Alto. However, other factors, like a lack of good schools and access to amenities, a lingering perception of the city as unsafe, and overcrowding have also probably played a significant role in limiting gentrification.

Before discussing these policies and other factors in more detail, we outline the demographic and housing characteristics of East Palo Alto, which show how little gentrification has occurred.

Methodology

This case study considers a place that was vulnerable to but did not experience the gentrification or displacement we would have expected there. The neighborhood (occupying two Census tracts) was chosen from among all the Bay Area tracts that were low-income places at risk of gentrification and/or displacement⁴ in

³ In this case study, we refer to these tracts as "the case study area."

⁴ "At risk of gentrification" defined as: Population in 2013 over 500; Percent low income (80% or less than surrounding county's median income) greater than regional median (39%); Signs of vulnerability to gentrification/loss of low income household (at least 4 out of 7): 1. Has rail station in tract 2. Percent of units in prewar buildings greater than regional median, 3. Loss of market rate units affordable to low income households greater than regional median (1990-2000), 4. Employment density greater than regional median (2000), 5. Rent increase greater than regional median (1990-2000), 6. Real estate sales value increase more than regional median (1990-2000), 7. Development of market rate units greater than regional median (1990-2000).



Figure 1: Census Tracts At Risk for Gentrification/Displacement in 1990 and 2000, but did not experience gentrification between 2000 and 2013

Source: UC-Berkeley Analysis

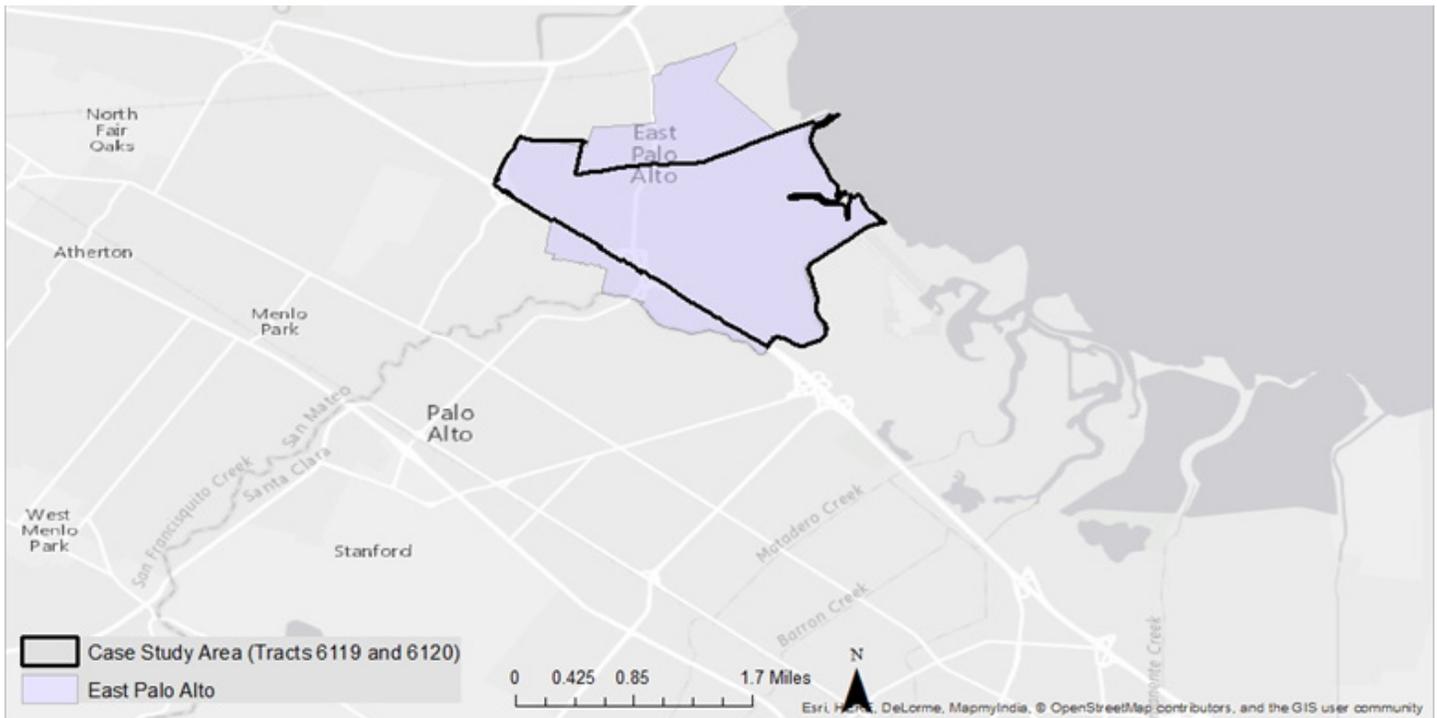


Figure 2: East Palo Alto and Case Study Area

1990-2000, but did not experience gentrification⁵ between 2000 and 2013, shown in Figure 1.

In terms of methods, this report relied on literature review and secondary data analysis, as well as primary data from surveys and stakeholder interviews. We reviewed both academic and practitioner literature on anti-displacement strategies. In terms of secondary data, we used Census and American Community Survey data as well as various other data sets from the state of California, Bay Area and Los Angeles counties, and cities. A survey on the effectiveness of anti-displacement strategies was sent to staff at all of the planning departments in the Bay Area as well as housing-related community based organizations; we refer to responses from this survey as “stakeholder” comments. Finally, we conducted interviews with many stakeholders, including community advocates, staff of community organizations, and individuals involved with local, regional, and state policy.

⁵ Gentrification defined as: Growth in percent college educated greater than region; Growth in median household income greater than region; Percent market rate units built between 2000-2013 greater than regional median; At least one of the following: Single family sales price per square foot greater than regional median, Multi-family sales price per square foot greater than regional median, Home values greater than regional median.

Demographic and Housing Characteristics

The case study area’s population grew by 22% (from 14,379 residents to 17,492 residents) between 1990 and 2013⁶. The area’s population growth may be attributed to its access to job opportunities as well as the limited affordable housing opportunities in San Mateo County. Many residents who have moved to East Palo Alto within the past 5 to 15 years have done so because they get a job nearby, often with Stanford University in neighboring Palo Alto, which employs a large number of janitors and food service workers (SFO/PIA 2014). Residents have also arrived in the city after being displaced from neighboring jurisdictions, or because the relatively low cost of homes provided a home purchase opportunity for families (SFO/PIA 2014).

In this way, East Palo Alto has not only avoided the displacement of its existing residents, but has welcomed additional low-income households⁷: their number increased from 2,102 to 2,298 from 1990 to 2013, when

⁶ Unless otherwise noted, data in this case study comes from the 1980, 1990, 2000, and 2010 Census, accessed via the Geolytics Database, and from the 2009-2013 American Community Survey.

⁷ Low income defined as 80% or lower than the surrounding county’s median income.

58% of households were low-income. The vast majority of households in the case study area are families: 79% in 2013.

The population growth is largely due to an influx of 5,000 Latino residents between 1990 and 2013, who ultimately made up 61% of the population. Concurrently, the city lost much of its historic African-American community; their population decreased by 3,773 people—from 43% of the population to 14%—between 1990 and 2013. The racial demographics of the case study area are notably different from San Mateo County, which has a majority White and Asian/Pacific Islander population. 40% of residents were foreign-born as of 2013.

According to the California Employment Development Department, the annual income needed in San Mateo County to rent a two-bedroom fair market apartment is \$71,800, a significantly higher figure than the case study area's estimated \$59,341 median income in 2013⁸ (Hepler 2014a). One stakeholder believed that there may be some under-reporting of income in this community given how many people work in the cash economy in fields such as construction (interview with authors).

The total number of housing units in the case study area has grown between 1990 and 2013: from 3,819 to 4,247; the vacancy rate (vacant units divided by total units) also increased from 4% to 7%. The case study area is primarily single-family detached homes; these make up 74% of housing units. 51% of occupied housing units are rented. The housing stock is in fair condition: a stakeholder described the community as having about 40% of homes well-maintained by homeowners, another 40% experiencing neither deferred maintenance nor much "sprucing up," and the rest in poor shape (interview with authors).

Median rent has doubled from 1990 to 2013: from \$882 to \$1,654 (in 2013 dollars.) These rents are still lower than in San Mateo County – East Palo Alto in fact offers some of the most affordable rents anywhere in the county.

⁸ \$59,341 is the average of each tract's median incomes, which were \$63,105 in Tract 119 and \$55,577 in Tract 120. All figures in this sentence in 2013 dollars. Note that the median income has stayed about the same since 1990, when it was \$54,586 (in 2013 dollars).

While housing costs are lower than in San Mateo County and nearby cities, households face significant housing cost burdens: 73% of renter households pay more than 30% of their income towards rent.

One method East Palo Alto residents use to cope with high housing costs burdens is by living with family members or renting out rooms in their homes, as indicated by the high percentage of overcrowded units: 34% of rented units were overcrowded in 2013.⁹

While presenting a risk for gentrification in the future, the city has remarkably held on to its low-income population. How did this happen? We turn to this question in the next sections.

Anti-Displacement Policies in East Palo Alto

The following policies are in place in East Palo Alto (11 of the 14 inventoried):

- Just Cause Eviction Ordinance
- Rent Control
 - East Palo Alto is one of just a handful of cities in the Bay Area to have such an ordinance, and is the smallest by population of those cities. However, the Costa Hawkins state legislation explicitly excluded single-family homes from being covered under rent control policies; since 75% of the housing stock in the case study area is single-family homes, rent control likely was not the main reason for the neighborhood's stability.
- Rent Review/Mediation Boards
- Preservation of Mobile Homes (Rent Stabilization Ordinance)
- Condominium Conversion regulations
 - These policies are very strict; one stakeholder believed there had been no applications in at least 9 years.
- Foreclosure Assistance
 - This is provided by a community development corporation in East Palo Alto and funded by the city, according to a stakeholder.
- Housing Development Impact Fee (or Jobs-Housing Linkage Fee)
 - The fee is quite substantial: \$21 per square foot, according to a stakeholder.

⁹ Overcrowding is defined as having more than one person per room.

- Inclusionary Zoning/Housing
 - In East Palo Alto, the law applies only to ownership housing. While nothing has been entitled since 2013, prior to that time 80 below-market-rate homes were built through this policy, according to a stakeholder.
- Local Density Bonus Ordinance (above state requirements)
 - The ordinance was passed in 2008; since then, there has been “minimal” entitlement activity, according to a stakeholder.
- Community Land Trusts
- First Source Hiring Ordinances

Which of these policies might be contributing to the lack of gentrification in the case study area?

Subsidies and Inclusionary Zoning

The city enacted a Below Market Rate Inclusionary Housing Program in 2002, requiring that at least 20% of residential units in all new buildings be made available to households making between 30% and 80% of the area median income. This program was undermined by legal challenges to inclusionary housing at the state level, but the City Council has now unanimously endorsed a housing impact fee for new market rate developments in order to fund low-income housing (Dreman, 2014).

Subsidies and inclusionary zoning together produced seven affordable housing developments in this part of East Palo Alto between 1990 and 2013, according to a stakeholder. The addition of these units likely helped preserve the low-income population in the area.

Just Cause Evictions

Several stakeholders cited renter protections, such as the just cause evictions policy—which applies to single-family homes (unlike other rent control provisions) which comprise the bulk of housing units in the case study area—as a reason for the case study area’s stability. A legal services provider commented that, while in other areas outside the city, there have been many cases of a landlord issuing a 60-day notice of eviction on a tenant who has paid rent on time and followed other guidelines. In East Palo Alto, this would not be allowed due to the just case evictions policy. In this way, the city has established a first defense against displacement.

Other Reasons for Stability of Low-Income Population

Besides these anti-displacement policies helping the community to avoid gentrification, several other aspects of the neighborhood seem likely to have played a role in limiting the gentrification, including low-quality schools and amenities, an (out of date) image of the city as unsafe and full of crime, and overcrowding.

Schools and Amenities

East Palo Alto residents attend school in the Ravenswood City School District, which also includes portions of Menlo Park and Palo Alto. The district has been “notorious for essentially not being able to figure out how to improve” their low scores, even after trying many things, according to a stakeholder, who believes that the poor quality of the school district may be dissuading higher-income people from moving into the neighborhood (interview with authors).

Furthermore, this part of the city lacks many amenities—including transit—and access to social institutions on the Westside of the city is made difficult by the difficult-to-cross Highway 101 and University Avenue that run through the city. This kind of “in-between” place along hard urban edges often retains social diversity longer than more homogeneous neighborhoods (Talen 2006). Much of this part of the city has also lacked sidewalks, though that started changing in the late 1990s, according to a stakeholder (interview with authors).

Image as Unsafe

In the late 1980s and early 1990s, there was an “epidemic” of drugs and violence, making East Palo Alto infamous as a crime capital, a place where “you could drive into and have a cornucopia of drugs laid at your feet,” according to one stakeholder. While task forces and local social institutions helped to address these issues by the late 1990s, the reputation has stuck, so much so that an outside consultant told the city, as recently as 2011, that the perception of East Palo Alto as unsafe was scaring developers off.

Overcrowding

As discussed above, 34% of housing units are overcrowded in the case study area. In the face of significantly rising rents in East Palo Alto, such doubling or tripling up of families can help low-income families stay in their neighborhood. This is particularly true for single-family homes—the bulk of the housing stock here—where families can squeeze into a shed in the back, a garage, or more; this is easier to get away with than overcrowding in an apartment. A stakeholder recalled seeing “tell-tale signs” of overcrowding: a window in a garage, tape around a garage door, etc. This phenomenon helps explain some of the stability in the low-income population here: low-income families can hold on to their housing even with rising rents.

Conclusion

East Palo Alto is distinctive for its government’s commitment to ensuring the city remains affordable to low income households, and for a strong legacy of community organizing that holds the City government accountable to that commitment. The city is home to many low-income households already burdened by their housing costs, and vulnerability is compounded for undocumented immigrants. Because so little affordable housing is available in surrounding cities, the stakes are high for households that leave. Numerous interviewees highlighted that households that cannot afford East Palo Alto may be forced to leave the region altogether, and are relocating as far as Tracy, Manteca, and the Central Valley. This is why the city’s suite of anti-displacement policies is particularly important.

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