

macarthur

Accessibility and Investment in North Oakland



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Accessibility and Investment in North Oakland

Case Study on Gentrification and Displacement Pressures in the MacArthur Area of Oakland, CA

Introduction

The current economic and real estate market boom in San Francisco and Silicon Valley have produced profound ramifications for neighboring Bay Area cities, contributing to a regional crisis of housing availability and affordability that has resulted in marked demographic shifts. With its close proximity to San Francisco and transit accessibility via the BART system, the City of Oakland has been deeply impacted by this phenomenon, which emerged as many of Oakland's institutions and residents endeavored to recover from the Great Recession of 2008. Many residents, community organizations, and city leaders have expressed concern over residential displacement, anxious that as San Francisco becomes increasingly unaffordable, its residents will move to Oakland and extend a ripple effect of gentrification throughout the East Bay.

The MacArthur Station Area (Figure 1), which includes the neighborhoods known as Longfellow (part of North Oakland), Hoover-Foster (part of West Oakland), Temescal, Pill Hill, and Koreatown-Northgate (KONO), exemplifies the nexus of these regional and macroeconomic trends. Centrally located among the five residential neighborhoods is the MacArthur BART Station, a major transit hub for the Bay Area with an average of 8,826 people exiting at the station on a typical weekday (BART 2015). Since its construction in 1972, the station has played a defining role in the area's development. Staff at the community-based organization Causa Justa :: Just Cause (CJJJC) explain that "the gentrifying pressures on this area rest fundamentally on the neighborhood's connectivity, its access to major freeways, a BART transfer station, and the 1 and 57 bus lines. The transportation connections become even more important as San Francisco's workforce moves east, seeking cheaper rents" (CJJJC 2014).

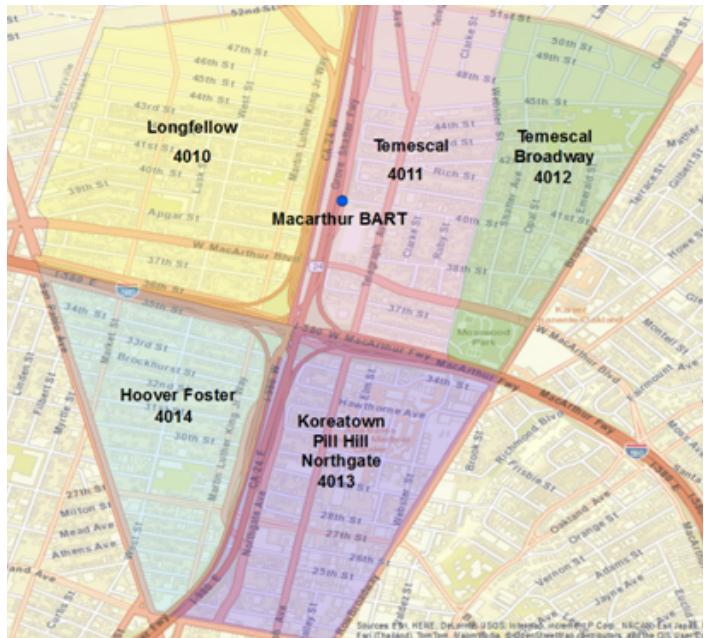


Figure 1: MacArthur Area Neighborhoods by Census Tract

Divided by the major freeways of I-580 and CA-24 (Grove-Shafter Freeway), the five neighborhoods—each with its own unique history and demographic profile—have responded differently to the housing crisis, as measured by various indicators of change. However, as a whole, the MacArthur area's proximity to retail corridors, historically affluent neighborhoods like Piedmont and Rockridge, and transit-oriented development (TOD) have made its neighborhoods particularly appealing to both homebuyers and renters from outside the vicinity. A 2009 Center for Community Innovation study classified the Temescal, Pill Hill, and Koreatown-Northgate neighborhoods as highly susceptible to gentrification and the Longfellow and Hoover-Foster neighborhoods as moderately susceptible (Chapple 2009).³

MacArthur's development potential has been factored into official city and regional plans, as indicated by the area's designation as a Priority Development Area (PDA) in Plan Bay Area, the region's long-range plan for transit-oriented development (ABAG and MTC

³ This study evaluated the susceptibility of Bay Area census tracts to gentrification based on an index of factors that influenced gentrification in the 1990s. Among the top factors included in the index are the availability of recreational and/or youth facilities, availability of public space, percent of workers taking transit, and percent of dwelling units with three or more cars.

2013).⁴ Under Plan Bay Area, the City of Oakland is expected to absorb a major portion of the region's population growth and housing demand in future decades, with a projected 30 percent growth in housing units (51,000 units) by 2040—the third-largest overall increase after San Jose and San Francisco (ABAG & MTC 2013). The majority of the city's growth is expected to occur within Oakland's six Planned PDAs.

Total households in MacArthur PDA are expected to increase by 40 percent, reaching an estimated 13,410 by 2040. The vision for this area centers on the MacArthur Transit Village, a mixed-use development expected to house 1,000 new residents over the next decade and provide 42,000 square feet of retail space (DCRP Transportation Studio 2014). The Transit Village includes plans for an affordable housing development with 90 income-restricted units (MacArthur Station 2014). In implementing its vision for a “vibrant hub of transit, housing, shopping and recreation that reduces dependency [on] vehicles by placing new residents near both transit and employment opportunities,” the City plans to improve streetscapes, build a new BART plaza, and support the development of “abundant housing choices” (ABAG & MTC 2012, 10). Planning efforts for the Transit Village were initiated in 1993, and construction finally began in 2011 (Alameda County Transportation Commission 2010, MacArthur Station 2014).

Much of the transit-oriented development planned for the MacArthur area and surrounding PDAs has emphasized economic development in commercial districts. Initially under the authority of the Oakland Redevelopment Agency known as CEDA (Community and Economic Development Agency), the City's efforts in this area have included the Broadway/MacArthur/San Pablo Redevelopment Plan, the Broadway-Valdez Specific Plan and support for the Temescal/Telegraph and Koreatown-Northgate Business Improvement Districts (BIDs). These and other related initiatives have spurred much public advocacy and debate regarding affordable housing, livability and gentrification in Oakland that we discuss later in this report.

The impact of these economic development strategies, which are part of confluence of multiple potentially gentrifying forces, remains challenging to parse. This case study endeavors to understand the specific impact of many of these factors on the MacArthur area neighborhoods' susceptibility to gentrification and displacement.

Case Study Methods

This case study uses mixed methods to determine demographic and housing changes in the neighborhoods surrounding the MacArthur BART Station since 1980, primarily drawing from US Census data. The data presented for the study is aggregated from five census tracts that capture the adjacent neighborhoods of Temescal (4011) and Temescal-Broadway (4012)⁵, Longfellow (4010), Hoover-Foster (4014), and Pill Hill and Koreatown-Northgate (4013) (Figure 1).

The indicators presented in this case study are those associated with processes of gentrification and residential displacement, and/or are thought to influence susceptibility to such processes (Chapple 2009). Unless otherwise noted, data on these characteristics are from the decennial Census for the years 1980, 1990, 2000, and 2010, and from the American Community Survey for the periods 2006-2010 and 2009-2013. Data from 1980 to 2000 is from the Geolytics Neighborhood Change Database, normalized to 2010 census tracts, which allows for standardized comparisons across the years (Geolytics 2014). This is supplemented by quantitative data from several other sources, including Zillow housing data.

Validity of these data was evaluated through a “ground-truthing” methodology that involved a systematic survey via visual observation of all residential parcels on a sample set of two blocks within the case study area. The data gathered through ground-truthing was subsequently compared to Census figures and sales data from the Alameda County Assessor's Office, which was obtained through Dataquick, Inc.

⁴ The MacArthur Transit Village PDA overlaps with much of the case study area, encompassing tracts 4010, 4011, 4012, and the northern half of 4013. Tract 4014 is included in the West Oakland PDA, and the southern portion of Tract 4013 is included in the Downtown PDA.

⁵ While the Temescal neighborhood is made up of Tracts 4011 and 4012, for the purpose of this study, these are analyzed separately as distinct halves of the same geographic neighborhood (distinguished as Temescal to the west and Temescal-Broadway to the east) to illustrate differing trends within each tract.

This comparison showed that of the sample blocks' 111 parcels recorded in the assessor dataset, field researchers were able to match the parcel numbers of 72 percent and land use of 84 percent of buildings through ground-truthing.⁶ These results suggest that some error may exist in either the Census or Assessor's reported count of housing units and unit type, likely due to rapid or unpermitted changes to parcels that may go unaccounted for. In order to account for possible errors, we cross-referenced the data with qualitative field observations, archival research, and interviews with key informants. We also relied upon research and insight provided by Causa Justa :: Just Cause (CJJJC), a community-based nonprofit organization that served as a core partner in this project.

A similar process of ground-truthing and further qualitative research was employed to assess commercial change in the Temescal/Telegraph commercial corridor, a prominent retail district within the area. Using baseline data gathered as part of a 2007 Temescal merchant survey (Munektyo, Simundza, and Chapple 2007), we observed and inventoried the businesses along the corridor to identify changes on a parcel-by-parcel basis. This information was analyzed in relation to data on sales and number of establishments from the National Employment Time-Series Database (NETS). These methods are discussed further below.

Neighborhood Historical Context

The neighborhoods within the MacArthur Station Area reflect a long history of residential segregation along racial lines, with persisting impacts that shape their built environment today. The "radically unequal patterns of capital investment" (Self 2005, 136) from the 1940s onward throughout Oakland have not only informed demographic differences among the MacArthur neighborhoods, but also disparate levels of vulnerability to residential displacement.

The racial divide between African American and White residents became institutionalized as Oakland's African American population grew during the World War II era. Between 1950 and 1960, the city's African

American population nearly doubled, from 55,778 to 100,000, as many migrated to the Bay Area in search of work (Self 2005, 160). Many of the available jobs were near the port in West Oakland, the city's industrial center. As a result, this neighborhood became one of Oakland's largest concentrations of African American residents.

By the end of World War II, the boundary between African American and White residents stood at 36th and Grove (later renamed Martin Luther King, Jr. Boulevard) Streets, a product of institutionalized discriminatory practices such as redlining, which made it "nearly impossible for African Americans to purchase homes and establish businesses east of Telegraph" (Norman 2006, 8). Across this entrenched boundary, Temescal, Longfellow, Rockridge and other neighborhoods of North Oakland, were home to Italian, Portuguese, and Irish immigrant families (Norman 2006, 91).

These neighborhood-based divides were promptly disrupted in the 1960s with the construction of the Grove-Shafter Freeway (CA-24) and other urban renewal projects, which cut through the area and ultimately catalyzed decades of economic decline through the 1980s (Norman 2006, 78). Aside from the many whose homes were demolished to make way for the freeway, hundreds of others left the area as the construction project "decimated entire commercial districts" of long-established local businesses and completely transformed the culture and community of affected neighborhoods (Norman 2006, 68).

This, coupled with WWII veterans who decided to resettle in the suburbs using their federal housing subsidies upon return, drove an exodus of White residents from the area. With this drastic change, the racial boundary became no longer relevant. As the Italian, Portuguese and Irish communities moved out, African American residents began to move into the North Oakland neighborhoods that were formerly inaccessible (Norman 2006). By the 1980s, the MacArthur area was predominantly African American.

The combination of national trends of deindustrialization, urban renewal, and White flight during the decades after World War II left a profound impact on Oakland and its African American residents. As White households left the city for surrounding suburbs, "investment and taxable wealth left the city" (Self 2005, 136). The industrial jobs that much of the African American community had relied on began to disappear as the nation shifted toward a service-oriented economy.

⁶ In this case, the discrepancy between assessor records and what we observed through ground-truthing is primarily due as assessor entries for 22 condominiums, each with their own parcel number. However, our ground-truthing results listed all 22 units under one parcel number. Excluding this case of condominiums, the percentage of parcels matched is 86 percent.

Between 1990 and 2000, poverty rates rose significantly in all MacArthur neighborhoods except Temescal. Crime also became a pressing concern. Amidst lower residential property values, Temescal, Pill Hill and Koreatown-Northgate saw an influx of Korean, Ethiopian and Eritrean residents and businesses, while the share of African American families declined (Norman 2006). Following this, real estate prices in these areas east of the Grove-Shafter freeway began to rise, marking the onset of gentrification in the Temescal and Broadway neighborhoods. After 2000, merchant-initiated efforts such as the establishment of the Temescal/Telegraph Business Improvement District and government-led plans such as the Broadway-MacArthur-San Pablo Redevelopment Plan, Broadway-Valdez Specific Plan, and Telegraph Streetscape Improvements Project sought to advance economic development primarily in the neighborhoods east of the Grove-Shafter Freeway.

While real estate prices and median income rose in portions of Temescal, other MacArthur neighborhoods, particularly Hoover-Foster, continue to struggle with higher poverty, unemployment, and crime rates (Ostler 2007). These issues have correlated with one of Oakland's highest rates of vacancy and "occupied blight," a term used by the City of Oakland Building Services Department that refers to "interior habitability issues that are generally derived from tenant complaints, as well as structural defects or failures" that may have significant implications for residents' health (Urban Strategies Council 2014).⁷

These challenges in Hoover-Foster, considered in comparison to trajectory of Temescal, illustrate the range of neighborhood differences within the MacArthur area. With an eye toward these differences as well as the context of disparate impacts of institutionalized racism across the MacArthur neighborhoods, the following section examines the demographic changes within MacArthur since 1980.

Demographic Changes

US Census data shows that the MacArthur area population increased 12% from 1980 to 2013, though growth was not consistent among the neighborhood tracts over this thirty-year period. From 1980 to 1990, the study area saw a 3% increase overall – from 17,722 people to 20,092 people – with the most rapid growth

⁷ Examples of "occupied blight" include damaged structures, plumbing or electrical problems, and the presence of debris or mold (Urban Strategies Council 2014).

occurring in Pill Hill and Koreatown-Northgate. By 2000, growth in Hoover-Foster peaked, and by 2013 the neighborhood population had decreased to 4,340 people (from 4,738 in 2000). Population in Longfellow also decreased between 2000 and 2013. Meanwhile, the Pill Hill and Koreatown-Northgate neighborhood saw a large increase in population between 2000 and 2013. This uneven change, which may be related to the recession and foreclosure crisis from 2007 and 2011, or even a decrease in household size associated with gentrification, is explored further below.

Racial and Ethnic Changes

Reflecting the broader trend of demographic change throughout Oakland, the MacArthur area experienced a major decrease in the number of African American residents since 1980. As shown in Figure 2, in 1980, over 64 percent of the study area was home to African-American households while the White population made up 25% of residents. By 2013, the African American population had fallen to 34% while the White population climbed to 34%. The total decrease in the African American population between 1980 and 2013 equaled 4,829 individuals – a drastic 42% reduction that corresponds with a 32% increase in the White population during the same period. Figure 3 shows that the sharpest declines in number of African American residents occurred in Longfellow and Hoover-Foster, which together accounted for 4,030 – or 83 percent – of African American residents who moved out during the thirty year period.

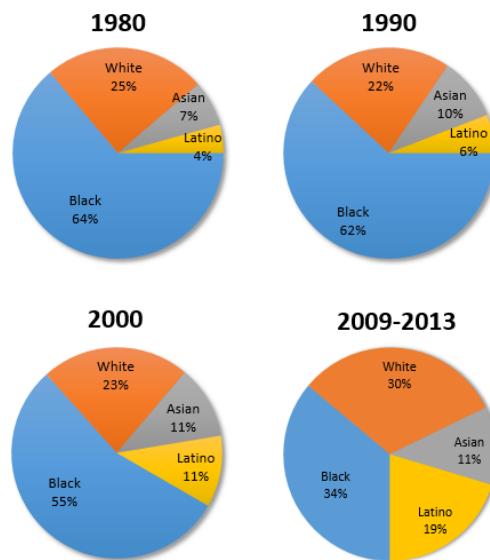


Figure 2. MacArthur Area Population by Race/Ethnicity, 1980-2013.

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 American Community Survey 5-Year Estimates

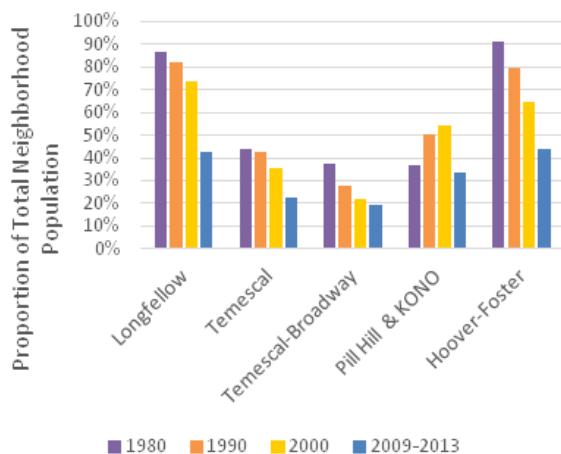


Figure 3. MacArthur Area African-American Population by Neighborhood, 1980-2013.

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 American Community Survey 5-Year Estimates

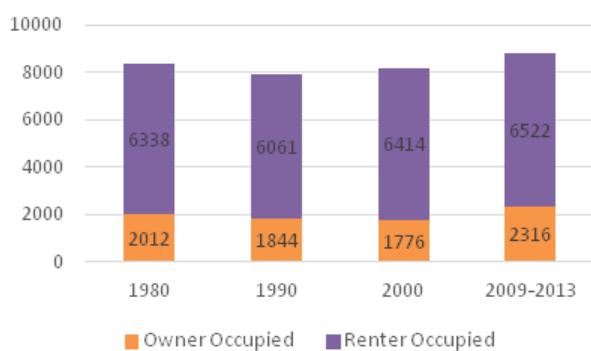


Figure 4. MacArthur Occupied Housing Units by Tenure, 1980-2013.

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 American Community Survey 5-Year Estimates

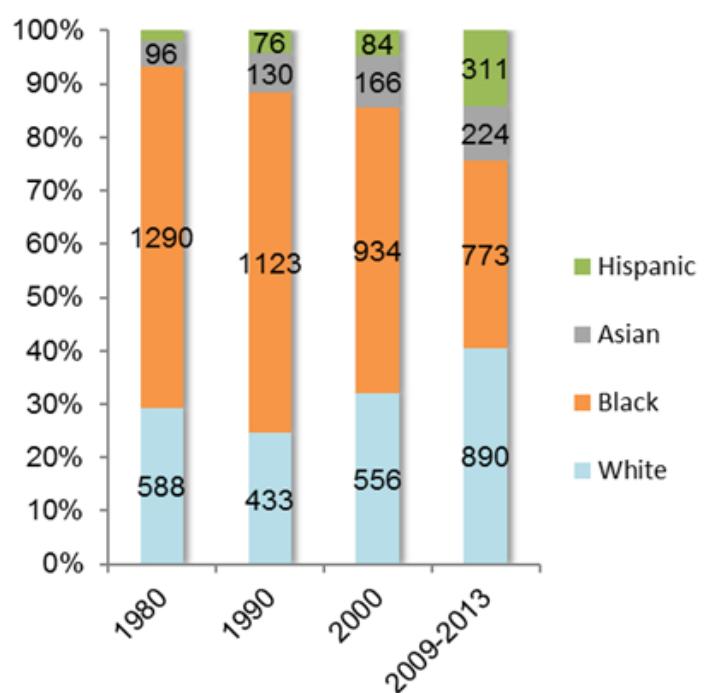


Figure 5 Macarthur Station Area Homeowners by Race/Ethnicity, 1980-2013

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 American Community Survey 5-Year Estimates

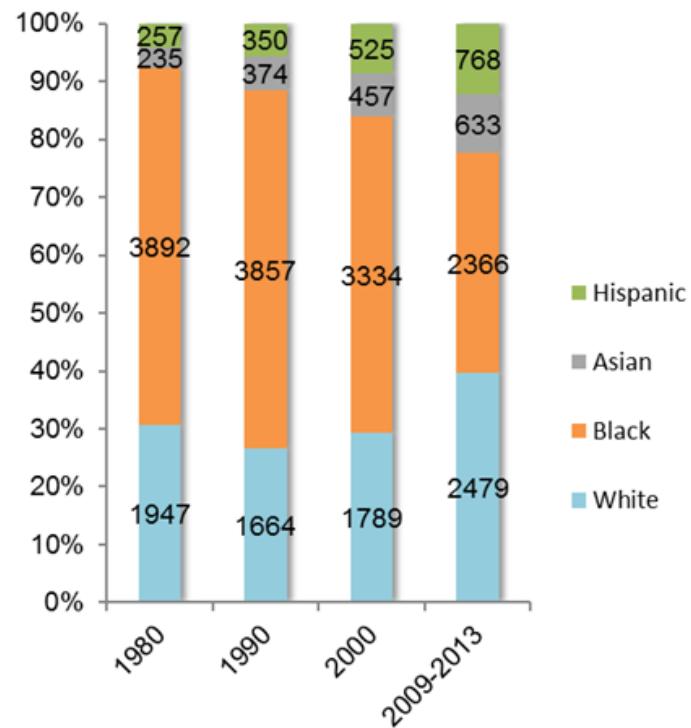


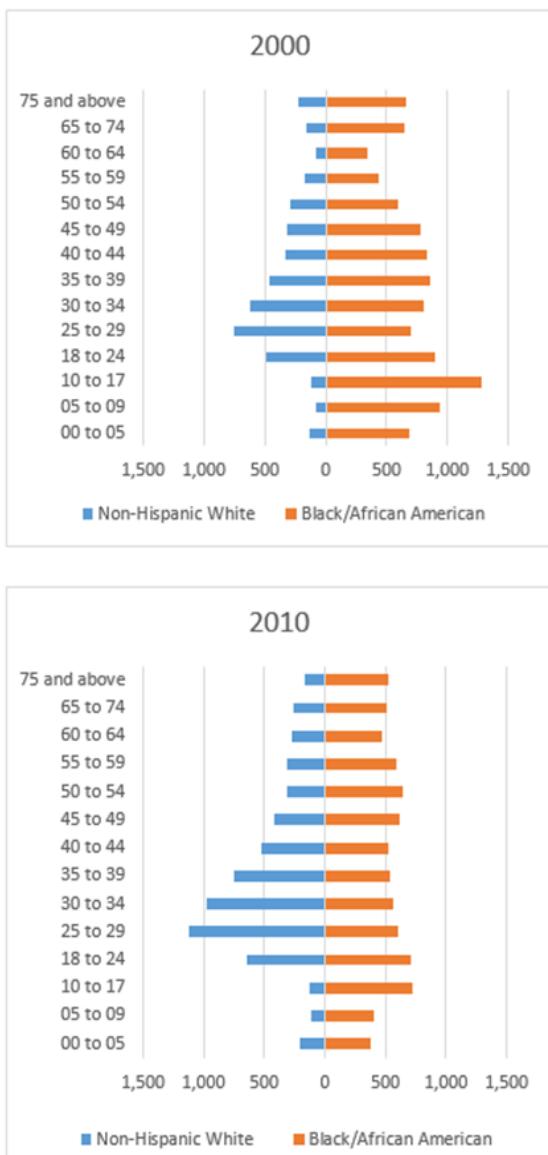
Figure 6 Macarthur Station Area Renters by Race/Ethnicity, 1980-2013

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 American Community Survey 5-Year Estimates

While the MacArthur area has housed far more renters than homeowners (Figure 4) the rates of both homeownership and tenancy among African American households further illustrate the stark declines among African American households by tenure (Figures 5 and 6). Since the 1990s, the share of White homeowners has more than doubled. By 2013, 41 percent of owner-occupied units across all five neighborhoods were owned by White householders while 35 percent were owned by African American householders – a marked decrease from 1990, when African American households comprised 64 percent of the area's homeowner population. Similarly, the share of African American households fell for the renter population, from 62 percent in 1980 to 38 percent in 2013. Though the share of African American homeowners has more severely declined than the share of the African American renters, the overall number of African American renter households lost was nearly triple the number of homeowner households lost for the same period.

From 2000 to 2010, most of the decrease among the African American population occurred among residents under the age of 44, with even greater decreases among the youth population, which suggests that the population change can be attributed to African American families, rather than senior citizens, leaving the area (Figures 7 and 8).

Nonetheless, individual neighborhoods show an uneven distribution of these outcomes. For example, in Hoover-Foster, 42 percent of adults in 1980 had not completed high school. This rate held at about 40 percent through 2000, until dropping sharply to 26 percent by 2013. Despite this decrease, Hoover-Foster had the highest percentage among the MacArthur neighborhoods



Figures 7 and 8. MacArthur Area Non-Hispanic White and Black/African American Populations by Age, 2000 and 2010

Education, Income, and Poverty

Along with dramatic changes in population demographics, the MacArthur area saw an increase in educational attainment over the 30 year period. In 1980, 14 percent of residents had a college degree; this increased to 38 percent in 2013 (Figure 9).

Nonetheless, individual neighborhoods show an uneven distribution of these outcomes. For example, in Hoover-Foster, 42 percent of adults in 1980 had not completed high school. This rate held at about 40 percent through 2000, until dropping sharply to 26 percent by 2013. Despite this decrease, Hoover-Foster had the highest percentage among the MacArthur neighborhoods of adults that had not completed a high school education. Conversely, Temescal/Broadway began 1980 with 22 percent of its residents not graduating high school. That percentage decreased to 8 percent in 2000, and then 4 percent in 2013. Moreover, only 16 percent of Hoover-Foster's population in 2013 had earned a college degree or higher, compared to 52 percent of Temescal and 56 percent of Temescal-Broadway.

College graduation rates in Koreatown-Northgate and Longfellow lag behind Temescal and Temescal-Broadway, but their increase has been as rapid. Koreatown-Northgate's college educated population more than doubled—from 12 percent in 1980 to 33 percent in 2013. Similarly, Longfellow's college-educated population went from 7 percent in 1980 to 34 percent in 2013.

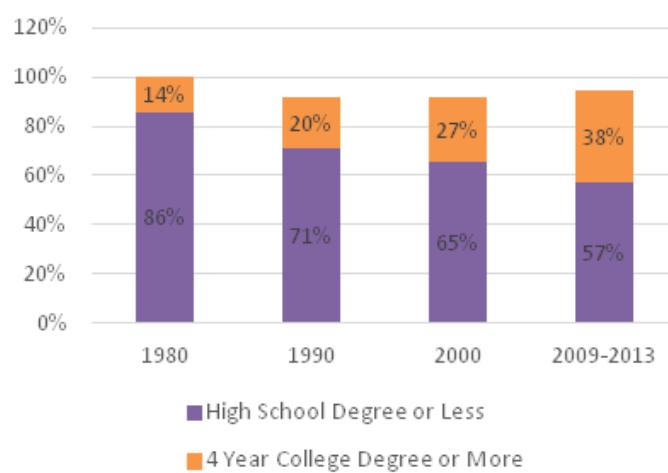


Figure 9. MacArthur Educational Attainment, 1980-2013.

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 American Community Survey 5-Year Estimates

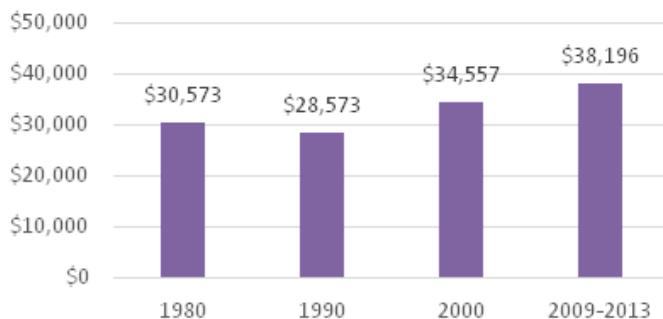


Figure 10. MacArthur Median Household Income, 1980-2013 (in 2010 dollars).

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 American Community Survey 5-Year Estimates

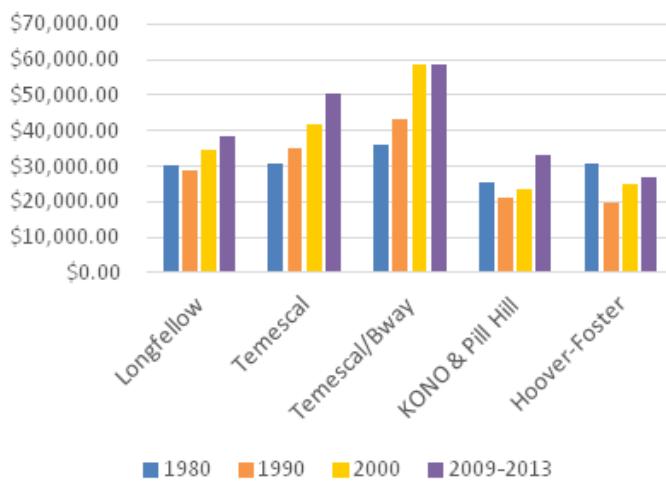


Figure 11. MacArthur Median Household Income by Neighborhood, 1980-2013 (in 2010 dollars).

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 American Community Survey 5-Year Estimates

Coupled with major shifts in the MacArthur area's racial/ethnic demographics, these data suggest that the 30 year changes in educational attainment are due to a higher level of education among newcomers in specific neighborhoods.

The area's median household income also changed significantly within the time period, rising nearly 25 percent between 1980 and 2009-2013 (Figure 10). However, when disaggregated by neighborhood, median household income rose modestly in Longfellow and Pill Hill/Koreatown-Northgate, and dropped in Hoover-Foster. Much of the growth is limited to both Temescal tracts, indicating a trend of gentrification in the neighborhood that has gone on for some time.

As a whole, the MacArthur area has seen little fluctuation in poverty rates since 1980, although the number of impoverished residents has declined substantially since the poverty rate spiked in 2000 (Table 1).

But as with household income, disaggregated figures show that the Longfellow and Hoover-Foster neighborhoods west of CA-24 have seen consistently higher rates of poverty at the neighborhood scale. As the income gap between neighborhoods within the MacArthur area increases, areas with disproportionately high poverty rates may be particularly vulnerable to residential displacement.

Recent data for Hoover-Foster may be indicative of such a circumstance. Between 2000 and 2010, Hoover-Foster experienced a major drop in its poverty rate – from 50 to 27 percent (2,365 to 918 individuals) – that was unparalleled among other neighborhoods in the area.⁸ Such a stark change, combined with a population decrease of 424 (the only population decrease in MacArthur for this decade) suggests that a significant portion of Hoover-Foster's population below the poverty line may have been displaced between 2000 and 2013. This change is explored further in the following section.

Table 1. MacArthur Area Poverty Rate, 1980 to 2009-2013

Year	Total Residents	% of Population
1980	4664	27%
1990	4606	26%
2000	6217	32%
2009-2013	5159	26%

Table 2. Poverty Rate by Neighborhood, 1980 to 2009-2013

Neighborhood	1980	1990	2000	2009-2013
Longfellow	29%	29%	31%	25%
Temescal	25%	17%	20%	15%
Temescal/ Broadway	19%	18%	11%	10%
Pill Hill/ KONO	30%	27%	40%	33%
Hoover- Foster	30%	34%	50%	40%

⁸ ACS 5-year estimates show that Hoover-Foster's poverty rate between 2009 and 2013 was 40 percent, suggesting that it rose back to levels comparable to 1990 after a drop in 2010.

Residential Displacement among Homeowners

The story told by demographic and socio-economic trends in Hoover-Foster contribute to a larger picture of the severe impacts of the Great Recession and foreclosure crisis on the MacArthur area and Oakland overall, with over 10,000 properties foreclosed citywide between 2007 and 2011 (Urban Strategies Council 2012).

Between 2006 and 2014, 195 properties (2.3 percent) were foreclosed within the case study area. Of the 195, 67 percent occurred west of the Grove-Shafter freeway in Longfellow and Hoover-Foster (Figure 12). This is equivalent to an approximate 2.5 percent foreclosure rate in Longfellow and 5.0 percent in Hoover-Foster. These neighborhoods, which as previously detailed, have historically been home to the highest concentrations of African American households in the MacArthur area, correspond with nationwide reports that show high-risk lending practices by banks and subsequent foreclosures have disproportionately impacted the African American community (Housing and Economic Rights Advocates 2007).

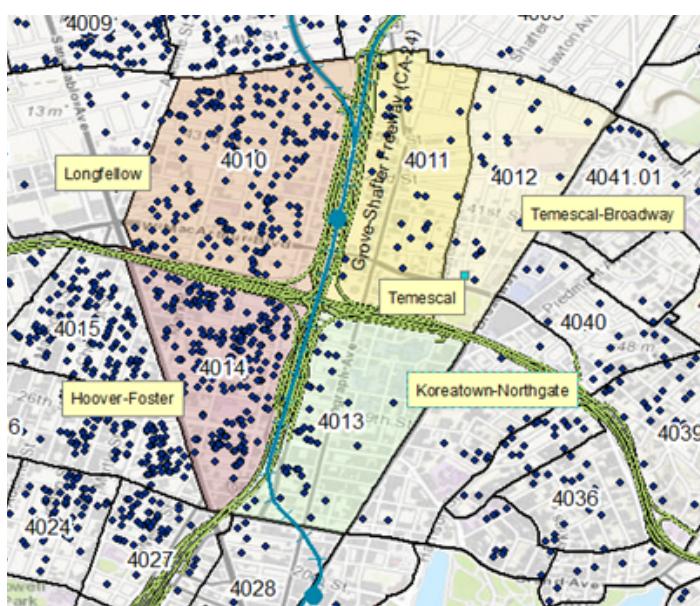


Figure 12: 2006-2014 MacArthur Foreclosures by Neighborhood

Source: Open Oakland 2014

However, a closer look at the numbers of African American owner-occupied units shows that the decrease in African American homeownership began decades prior to the Great Recession. The largest decreases occurring between 1990 and 2000 for both Longfellow and Hoover-Foster, with the downward trend continuing more gradually through the height of the foreclosure crisis. This initial decrease corresponds with an increase in mortgage-burdened households between 1980 and 1990 (Figure 14). Mortgage-burden rates for 2013, which reached 78 percent in Hoover-Foster, demonstrate the extent of the housing affordability crisis after the Great Recession.

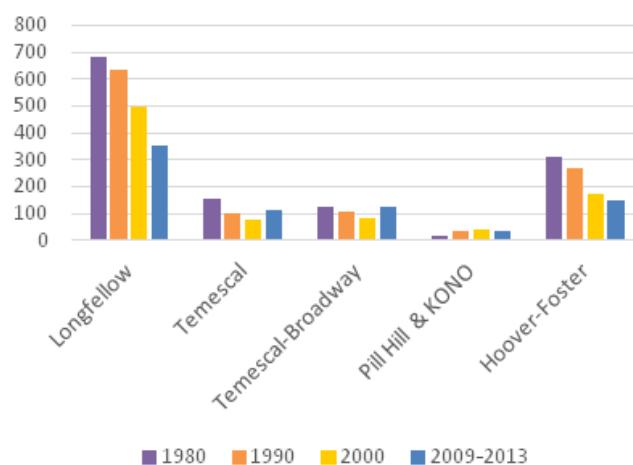


Figure 13. Number of African American Owner-Occupied Households by Neighborhood, 1980-2013.

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 American Community Survey 5-Year Estimates

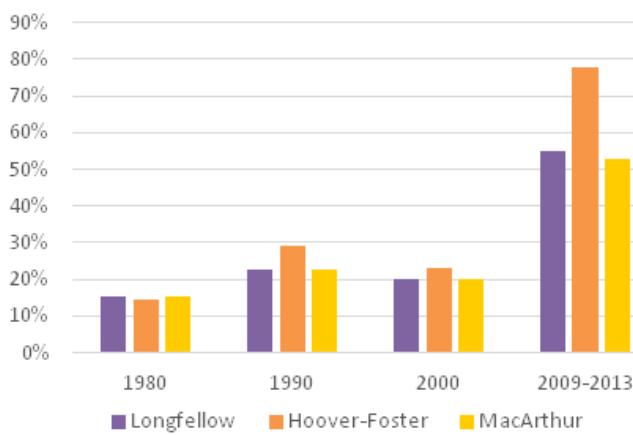


Figure 14. Percent of Mortgage-Burdened Households in Longfellow and Hoover-Foster, 1980-2013.

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 American Community Survey 5-Year Estimates

Fueled by the real estate market, outside investment and “flipping” properties have become commonplace in the tracts of West Oakland closest to transit, according to local real estate agents. The Urban Strategies Council produced a report in 2011 quantifying the level of investment on foreclosed properties throughout Oakland. According to the report, 81 percent of the homes sold in Oakland between 2007 and 2011 were to banks or other financial institutions. Of these, 42 percent were sold to investors looking to “flip” the homes for a profit, where 93 percent of homes acquired by investors were located in flatland neighborhoods like Hoover-Foster – the same neighborhoods targeted by sub-prime lenders before the foreclosure crisis (Urban Strategies Council 2011).

Such transactions have contributed to the rapid change of these neighborhoods. Sales data from the Alameda County Assessor’s Office shows that the prevalence of flipping corresponds with hot real estate markets of the dot com boom at the turn of the century and the over-heated market prior to the housing crisis, with most incidences occurring within Longfellow and Hoover-Foster.⁹ Furthermore, Hoover-Foster’s vacancy rate spiked to 27 percent in 2010 from 11 percent in 2000, making it the highest in the area and nearly double the vacancy rate of MacArthur as a whole (14 percent).¹⁰ This may be indicative of the turnover that occurs with flips, as new owners evict current residents and allow units to remain vacant while waiting for property values to increase.

On the other hand, between 2000 and 2013, the number of owner-occupied units in the MacArthur area increased from 22 to 26 percent. This could indicate a change in the mix of housing offered in the area due to a combination of conversion to owner-occupied units due to owner-move-in, condo conversion of multi-unit buildings, and new construction.¹¹

While flips have been more prevalent in the neighborhoods west of the Grove-Shafter Freeway, sales prices have been highest in Temescal and Temescal-Broadway (Figure 15). The architectural character of Temes-

cal’s housing stock may play a role in the area’s desirability. 70 percent of the housing stock in the study area was built before 1949. These older homes tend to be bought and renovated by middle- and high-income earners as they migrate into older urban environments. Therefore, the presence of these architectural types within the housing stock – craftsman, Victorians, and pre-war bungalows – may itself be an indicator of risk for gentrification. Housing in the Pill Hill/Koreatown-Northgate area tends to be slightly newer in comparison to the other tracts, with 58 percent built before 1949, whereas housing in the Temescal-Broadway area tends to be older, with 80% of housing built before 1949. This indicates a strong vulnerability to gentrification, realized in the 1980s and 1990s.

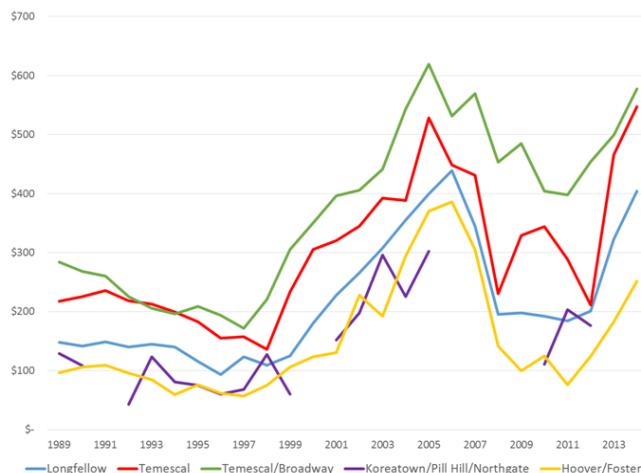


Figure 15. Median sales price per square foot for single family units in MacArthur by Neighborhood, 1989 – 2014

Source: Dataquick (2014)

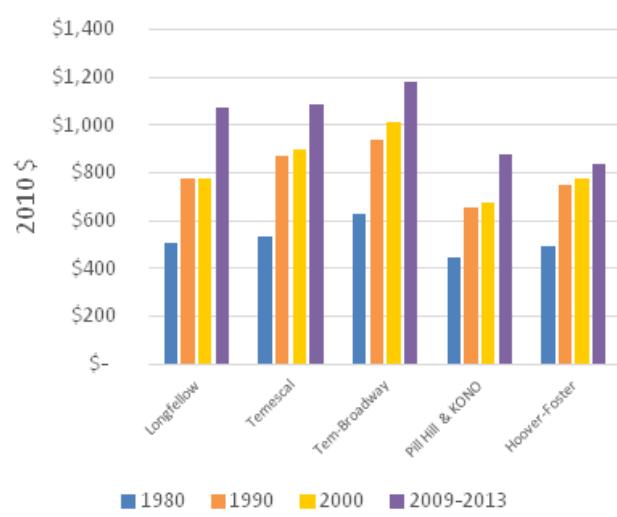


Figure 16. Change in Median Rent by Neighborhood, 1980-2013.

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 American Community Survey 5-Year Estimates

⁹ A parcel was classified as flipped if assessor data showed that it changed ownership more than once in a two-year period.

¹⁰ Five-year estimates from the American Community Survey indicate that the vacancy rate has since decreased, with a 19 percent vacancy rate between 2009 and 2013.

¹¹ Since 2000, approximately 500 new units have been constructed, with the majority (52 percent) built in Pill Hill/Koreatown-Northgate (Dataquick).

Loss of Affordable Rental Units

The decreased share of renter-occupied units raises concern about the vulnerability of MacArthur's renter population, which comprised approximately 74 percent of the total units in 2013. Similar to homeowners, by 2013 over half of renter households were spending over 30 percent of their income on housing, making the majority of the population susceptible to displacement (Figure 17).

The increase in rent-burdened households corresponds with an increase in median rent in all 5 neighborhoods. Adjusted for inflation, average rent in the study area tracts rose from \$520 per month in 1980 to just over \$1,000 by 2013 (in 2010 dollars). According to Zillow.com, the 2014 median rent for zip code 94609, which makes up the central majority of the study area, was \$1,876, indicating a steep rise in rents in recent years.¹² As depicted in Figure 18, rental prices increased nominally between 1990 and 2000 but rose significantly by 2013, with the highest median rent in the Temescal-Broadway neighborhood. While rents in Longfellow, Pill Hill & Koreatown-Northgate and Hoover-Foster were comparable in 1990 and 2000, by 2013, the median rents in Longfellow and Pill-Hill & Koreatown-Northgate surpassed Hoover-Foster's.

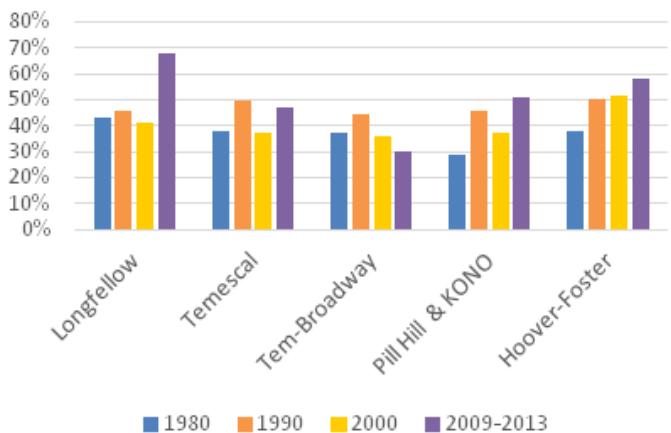


Figure 17. Percent of Rent-Burdened Households in MacArthur by Neighborhood, 1980 to 2009-2013.

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 American Community Survey 5-Year Estimates

By measuring the median contract rent in each neighborhood against average household income, CJJC analyzed potential rent gaps to understand housing pressures and potential movement of high-income newcomers to the area. This analysis reveals the largest differences between average monthly income and median rent are generally among the northern-most portions of Longfellow, Temescal and Temescal-Broadway (CJJC, 2014). For example, one block group in Temescal-Broadway has a median contract rent of \$1,404 and a median monthly income of \$7,416, yielding a rent gap of \$6,013. This difference suggests more affluent households are pricing out lower-income households and potentially driving up prices of formerly "naturally affordable" units. Moreover, areas with large rent gaps may indicate greater redevelopment and profit potential for landlords, which would trigger further gentrification (Smith 1979). CJJC's analysis suggests that the Longfellow neighborhood may be especially vulnerable within this context, with rent gaps on some blocks between \$3,500 and \$4,700.

Subsidized Housing

These rent increases throughout the MacArthur area pose major challenges for families who rely on housing choice vouchers to afford housing. With public housing authorities generally only able to set a maximum payment standard for Section 8 property owners at 120 percent of fair market rent (HUD Housing Choice Voucher Program Guidebook 2001), landlords can often earn a larger profit by renting their units to non-voucher holders in the private market. Moreover, due to the lengthy waitlist, households may wait several years before they can receive Section 8 assistance.¹³

With the challenges related to voucher-based subsidies, other subsidized units such as public housing and inclusionary units built with Low Income Housing Tax Credits (LIHTC) are important to preserving affordability in MacArthur and Oakland overall. Currently, nearly all of the MacArthur area's 611 subsidized

¹³ The Oakland Housing Authority's Section 8 Housing Choice Voucher waitlist was last opened in 2011 (Oakland Housing Authority, 2013). At the end of fiscal year 2011, there were 10,007 households on the general (tenant-based subsidy) wait list. These households were chosen by lottery among the over 55,000 households who applied to be on the wait list (Oakland Local 2013). OHA reported that at the end of FY 2011, there was a combined total of 26,362 households on all wait lists for public housing, Section 8 and other mixed finance subsidized housing in the city (Oakland Housing Authority 2011).

¹² Zillow data provides information on the price of rental units that are currently on the market, rather than for all units in an area.

housing units across 10 separate developments are located in the Pill Hill & Koreatown-Northgate and Hoover-Foster neighborhoods; in contrast, only 6 units are located in Longfellow, and none exist in Temescal (CHPC 2014). Approximately one half (328) of the total are designated as senior housing (CHPC 2014). This may contribute to the relatively stable population numbers of senior citizens between 2000 and 2013.

Due to the elimination of funding for local redevelopment agencies statewide, affordable housing development projects have become even more challenging to finance in Oakland. Previously, the City's Community and Economic Development Agency (CEDA) awarded approximately \$20 million per year in funding to develop affordable housing throughout the city, but in 2014, its successor agency's funding pool had shrunk to \$3 million (Musiker 2015).

However, archived CEDA reports on the Broadway/MacArthur/San Pablo Project Area that covered portions of Temescal/Temescal-Broadway and Pill Hill show that Redevelopment Agency funds were not used to build a single unit of affordable housing between 2000 and 2009. All of the 373 units built within this time period did not have income restrictions. In order to meet redevelopment requirements for the production of 56 low and moderate income and 23 very low-income units for the 2000-2009 compliance period, the City constructed two developments, with a total of 203 affordable units, outside of the Project Area (City of Oakland 2009, 14).¹⁴

CEDA's dissolution also disrupted the implementation of Redevelopment Area plans, including those for the MacArthur Transit Village and others within the Broadway/MacArthur/San Pablo Project Area. With an expanding need for below market rate units, these issues further exacerbate mounting market pressures on the existing housing stock.

Commercial Gentrification

Another marker of increased market pressure is change in surrounding commercial districts. Changes in the commercial environment of gentrifying neighbor-

hoods have been seen as both an instigator and consequence of residential demographic change (Chapple and Jacobus 2009). Researchers have shown that retail and commercial amenities signal to middle class residents that a low-income neighborhood is changing, consequently attracting new residents (Brown-Saracino 2004). On the other side, others have shown how shifting buying power and cultural preferences of new residents in gentrifying neighborhoods may influence the mix of retail in nearby commercial corridors (Chapple and Jacobus 2009). Many scholars believe that commercial gentrification results in the disappearance of small, mom-and-pop stores and the arrival of boutiques, chains or commercial establishments that do not serve the needs of the existing, low income residents (Zukin et al. 2009). In its analysis of the MacArthur neighborhoods, CJJC notes that commercial development in major retail nodes—both within the MacArthur area, such as the Temescal/Telegraph Corridor, and outside of it, such as Bay Street and other retail centers in Emeryville—has played a role in defining neighborhood change (CJJC 2014).

Temescal/Telegraph Corridor

Centrally located within the case study area, the Temescal/Telegraph retail corridor may be a key “gentrifying pressure” on the MacArthur area as a whole, with the greatest vulnerability in neighborhoods west of the Grove-Shafter Freeway (CJJC 2014). The Temescal/Telegraph Corridor, which consists of a six-block strip of small locally owned businesses along Telegraph Avenue, runs through some of the most affluent neighborhoods in the MacArthur area that have gentrified in recent decades (CJJC 2014). With the support of the Temescal Business Improvement District, the “hip” and “cool” neighborhood strip boasts signs touting its restaurants, shopping, and authentic local flavor. While the neighborhood was once home to Italian, then African, and then Korean immigrants, it is now a predominantly White, middle to upper middle class hotspot. National media has described the neighborhood as “Oakland’s answer to San Francisco’s Mission District and the city of Berkeley drawing a mix of yuppies and plaid-wearing hipsters” (Woo 2009), and the “hippest part of Oakland” (Haber 2014).

To understand patterns of change among the Corridor’s business mix, we evaluated data on commercial establishments from the National Employment Time-Series Database (NETS), which provided information on sales and number of establishments for businesses by

¹⁴ These two developments, Fox Courts and Jack London Gateway, also fall outside of the case study area. California Redevelopment Law credited the City with one unit toward its affordable housing production requirement for every two units built outside of the Project Area (City of Oakland 2009, 14).

North American Industrial Classification System (NAICS) code (Walls & Associates 2013). We categorized each business as either local-serving or region-serving based on its NAICS code, following a method used by Koebel and Chapple and Jacobus which classifies specific business types as most likely to serve local market areas (Koebel 2002; Chapple and Jacobus 2009). These types—which include grocery and food product stores, restaurants, financial institutions, salons and barbershops, and laundromats—are detailed in the table below.

Additionally, data gathered through ground-truthing was used to compare current businesses and businesses that existed in 2007, which were inventoried as part of the 2007 Temescal/Telegraph Merchant Survey (Munektyo, Simundza, and Chapple 2007).¹⁵

As the neighborhood's desirability has increased since 2000, the Temescal/Telegraph Corridor has undergone significant change. Of the 224 commercial parcels along the Corridor, 49 percent turned over between 2007 and 2014. Twenty-five percent of the businesses replaced by 2014 were retail businesses, and another 17 percent were restaurants or food service establishments. The greatest amount of change in business type occurred among service establishments, with 35 percent replaced by 2014.

Nearly all local-serving businesses that have turned over were replaced by new local-serving establishments. NETS data show that in fact, the ratio of regional to local-serving businesses has remained fairly consistent over time (Figure 18). However, certain names of new businesses suggest that, while they may still be local-serving, they cater to a new local demographic—one that differs from the clientele of replaced businesses. For example, several African/African American hair salons and barber shops¹⁶ are among the replaced businesses, which reflects the decline in African American residents throughout the MacArthur Area.

¹⁵ The date of this survey poses a limitation to this methodology, as the Temescal district's commercial revitalization began prior to 2007. Many of the businesses that can be considered part of this revitalization (because they were established after 2005) were already in place by 2007 and are classified here as having not been replaced. Thus, this analysis only captures a partial extent of the changes since associated with the present wave of commercial revitalization.

¹⁶ Among these are ADOM Hair Braiding, Hair Extraordinaire, Ebony Men, My Sista My Brotha Beauty Salon, Destiny 2000 and Madingo Braids.

Table 3. ‘Local-serving’ Business Types

NAICS code	Business type
444130	Hardware Stores
445110	Supermarkets and Other Grocery (except Convenience) Stores
445120	Convenience Stores
445210	Meat Markets
445220	Fish and Seafood Markets
445230	Fruit and Vegetable Markets
445291	Baked Goods Stores
445292	Confectionery and Nut Stores
445299	All Other Specialty Food Stores
445310	Beer, Wine, and Liquor Stores
446110	Pharmacies and Drug Stores
451212	News Dealers and Newsstands
522120	Savings Institutions
522130	Credit Unions
522190	Other Depository Credit Intermediation
522291	Consumer Lending
722330	Mobile Food Services
722410	Drinking Places (Alcoholic Beverages)
722511	Full-Service Restaurants
722513	Limited-Service Restaurants
722514	Cafeterias, Grill Buffets, and Buffets
722515	Snack and Nonalcoholic Beverage Bars
812111	Barber Shops
812112	Beauty Salons
812113	Nail Salons
812310	Coin-Operated Laundries and Drycleaners
812320	Drycleaning and Laundry Services (except Coin-Operated)

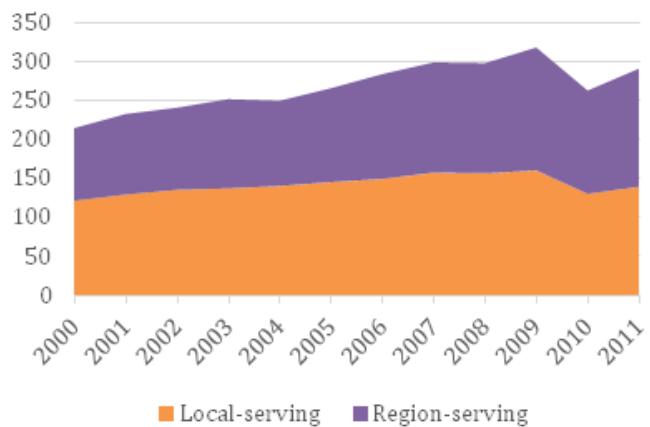


Figure 18. Number of Business Establishments, Temescal/Telegraph Corridor, 2000-2011.

Source: National Employment Time Series Dataset

However, this data also reveals that regional-serving businesses have generated much more revenue per establishment than local-serving businesses since at least 2000. Furthermore, average sales per establishment have fluctuated greatly over time—and resulted in an overall decrease since 2000—for region-serv-

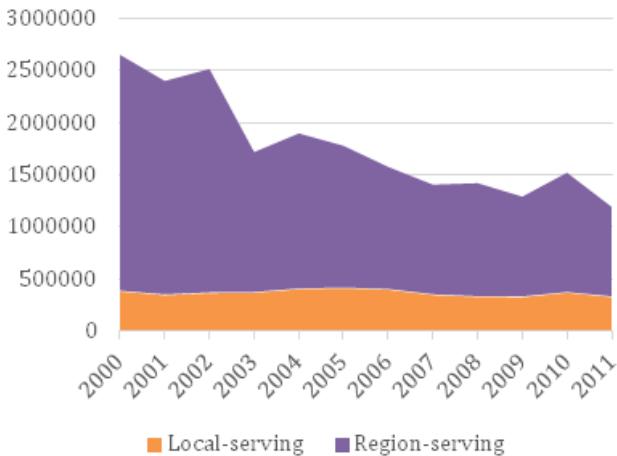


Figure 19: Average Sales per Establishment, Temescal/Telegraph Corridor, 2000-2011.

Source: National Employment Time Series Dataset

ing businesses, while staying fairly consistent for local-serving businesses (Figure 19). Thus, despite the relatively even distribution in the number of local and regional-serving businesses, the Corridor's business patterns appear to be susceptible to changes in regional consumer preferences and/or spending power.

Business Improvement Districts and City of Oakland Planning Efforts

Changes along the Corridor correlate with the founding of the Temescal/Telegraph Business Improvement District (BID) in 2005. The BID notes in its 2015 Management Plan that sales tax revenues within its boundaries have risen 32 percent within the past 10 years, despite an overall 4 percent decline in citywide sales tax revenues (New City America 2014). It attributes this success as well as the “new identity” of the Temescal commercial district to the organization’s physical improvement and marketing activities, which have included installation of pedestrian street lights and pole banners, sidewalk sweeping and graffiti abatement, underwriting of several public events and street fairs, and coordination of social media marketing (New City America 2014).

The Temescal/Telegraph Corridor’s evolution can provide insight into the future of surrounding residential areas as well as nearby commercial districts. With the Temescal district’s revitalization viewed as a model of positive economic development, business and commercial property owners in Koreatown-Northgate (KONO) followed a similar path by forming their own BID (called a Community Benefit District) in 2007 and engaging heavily in marketing efforts that brand KONO

as “the neighborhood that defines the new Oakland,” and an “up and coming community that has become the ‘unofficial’ hub of arts and culture in the Bay Area.” This identity is reflected in the Broadway-Valdez District Specific Plan (BVDSP), which envisions the area as a “new, re-imagined 21st Century neighborhood” that emphasizes destination retail (City of Oakland 2014).

Adopted in 2014 after a six-year planning process that started with funding from CEDA, the BVDSP includes a vision for development along Telegraph Avenue and Broadway in the form of housing projects, complete streets transportation plans, and retail upgrades. Among the planned new establishments is a development called “the Shops at 30th and Broadway,” which will be anchored by a higher-end Sprouts Farmer’s Market grocery store. The image and target demographic of this development stand in contrast to a Grocery Outlet Bargain Market located just across the street that has served the community for much longer. The developer’s online marketing materials explicitly demonstrate its intention of catering its retail toward affluent residents by including an income map that shows “major access to and from Piedmont and the Oakland Hills” (Lockehouse & Portfolio Development Partners, LLC 2012).

This development is guided by the City of Oakland’s “Retail Enhancement Strategy,” which was first developed in 2008 to address the issue of retail gaps and leakage, which leads to the loss of potential sales tax revenue from resident purchases made in neighboring municipalities (Conley Consulting Group 2008). With this plan guiding citywide development projects, including the MacArthur Transit Village, the implications of commercial gentrification on neighborhood change are important to consider.

Development interest in the Broadway-Valdez corridor has recently taken off; a January 2015 article in the San Francisco business times states that “The area... is attracting big interest in the way of mixed-use projects. Applications have been pouring in since the city finalized its specific plan for the transit-rich area” (Azevedo 2015). A private developer of a mixed use project that was the first to receive entitlements under the BVDSP states that this 435-unit development will target supporting medical staff and millennials who can’t afford San Francisco rents” as tenants (Azevedo 2015).

As demand for real estate in the Broadway-Valdez area grows, it is likely that market rate development will quickly outpace subsidized housing development and leave few viable opportunity sites available to affordable housing developers. City institutions and community-based organizations continue to grapple with the question of how to effectively manage neighborhood change in order to support inclusive economic development and prevent displacement. Early drafts of the BVDSP focused primarily on sales tax revenue generation and failed to directly address affordable housing needs in the plan area (Wampler 2015). In 2008, a coalition of community groups known as the Better Broadway Coalition launched a campaign to ensure that the Broadway-Valdez Specific Plan included strong affordable housing measures and goals (Great Communities Collaborative 2014). The coalition also pushed for economic development strategies that would benefit residents through local hiring and living wage policies (Wampler 2015).

As a result of this advocacy, the adopted plan includes a target of 15 percent of new homes to be affordable for low- and moderate-income households as well as language on anti-displacement strategies and workforce housing (City of Oakland 2014).

While the plan includes a stated policy to “explore the formulation and adoption of a comprehensive citywide affordable housing policy that addresses concerns from all constituents,” it remains vague in terms of actions that the City will commit to in order to preserve affordability in the area (City of Oakland 2014). Thus, implementation of the Broadway Valdez Specific Plan may provide a crucial leverage point for resident and community engagement. Organizations involved with the Better Broadway Coalition have called for an affordable housing impact fee that would contribute to a sustained source of funding for affordable housing production and preservation in Oakland. The City has embarked on a nexus study to explore the specifics of a possible impact fee, but further advocacy is needed (Wampler 2015).

Conclusion

With major revitalization projects slated for central locations within MacArthur, the area’s desirability will likely continue to increase, placing further strain on the housing stock and continuing to drive change block-by-block. The implications of this change on low-income residents must be considered pre-emptively, so as to not exacerbate the existing affordability crisis.

While MacArthur has passed the peak of the latest foreclosure crisis, many residents remain vulnerable to displacement, and the full impact of the foreclosures is yet to be determined as properties continue to rapidly change hands and sales prices climb. The data points to increasing severity of the affordability crisis, with continuously rising rents and a tremendous jump in rates of housing burden.

As discussed throughout this case study, the housing affordability crisis’ varied manifestations, whether in the form of foreclosures, high vacancy rates and flips, or increasing rent gaps and changing retail patterns, paint a picture of residential displacement in the various MacArthur neighborhoods that may remain an ongoing threat, especially for low-income households. In this, MacArthur is not an exception, but an example of trends throughout the rest of Oakland. These current housing dynamics in MacArthur are born of a long history of institutionalized racial discrimination, with the most notable impact on the area’s African American residents. Any efforts to achieve equitable development must take this history into account.

As much of the region’s challenges are actively debated and addressed in MacArthur, changes in the area provide an opportunity for advocates, researchers, community leaders, and government officials to inform regional solutions through careful tracking of MacArthur’s ongoing neighborhood change and evaluation of tested anti-displacement strategies.

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Appendix: Ground-Truthing Methodology and Results

Because visual indicators of neighborhood change most likely vary from block to block – and even parcel to parcel – the three blocks selected as a sample for visual observation were chosen based on the likelihood that we would be able to systematically observe indicators of neighborhood change and/or vulnerability to gentrification. Criteria used to select blocks included higher than average percentage change in tenure (from owner-occupancy to renter-occupancy or vice versa), percentage of white residents, and percentage of parcels sold since 2012. Researchers further narrowed the sample pool by working with the project's CBO partner, Causa Justa :: Just Cause (CJJC), to identify specific blocks that, based on the organization's work with the Oakland community, staff know have experienced recent change. Finally, logistical considerations, such as land area as well as number of parcels on each block, were also taken into account.

In Fall 2014, two researchers from the Center for Community Innovation (CCI) surveyed three blocks, Block 3009 in Tract 4011 and Block 2003 in 4010. As part of the ground-truthing exercise, researchers observed and recorded a range of variables for all parcels on three different Census blocks in three different tracts within the Greater Chinatown case study area. These include the primary land use, building type (multi-family, single-family, business, etc.), the number of units it

appears to hold, and indicators of recent investment such as permanent blinds and updated paint. Researchers also looked for signs of concern over safety, such as security alarm signage or barred windows, as well as signs of disinvestment, such as litter or debris, boarded windows, or peeling paint. The data gathered through this process is referred to in this memo as “ground-truthing data.”

The ground-truthing exercise is meant to provide an additional set of data to verify conclusions reached through analyzing assessor and Census data. Complicating this effort is that the data sets do not have the same set of parcels (Table 1). All data reported from the assessor data (Dataquick) includes all parcels in that set; likewise, all data reported from the ground-truthing data collection includes all parcels in that set (which is based on parcels from Boundary Solutions). For two variables—land use and number of units—comparisons are made on a parcel-by-parcel basis; only parcels that appear in both data sets are used for this comparison. Census data is not provided on a parcel level, and so includes all households surveyed by the Census.

Table 1: Parcel Mismatch Among Datasets

Block and Tract	# Parcels in Assessor But Not Ground-truth
Block 3009 Tract 4011	24 / 54
Block 2003 Tract 4010	2 / 45

Table 2: Sales History of Parcels since Construction

Block	Median Year of Construction	Median Year of Last Sale	Median Sale Price	Median Sale Price Per Square Foot
3009	1919	2006	\$226,500	\$202
2003	1920	2004	\$283,000	\$209

Source: Dataquick, 2014. These figures refer to all parcels in the area, including non-residential uses.

Table 3: Sales History of Parcels Sold Since 2007 and 2010

Block	Percent Sold 2007-2014	Percent Sold 2010-2014	Median sales price per square foot if sold 2007 or later	Median sales price per square foot if sold 2010 or later
3009	38	18	\$258,000	\$276,000
2003	31	24	\$315,000	\$315,000

Source: Dataquick, 2014. These figures refer to all parcels in the area, including non-residential uses.

Table 4: Summary of Parcel Matches and Primary Land Use

Block	Primary Land Use, based on Ground-truthing data	Percent Land Use Matched	Total Number of Units on Block			Percent of Parcels whose Number of Units match between Assessor Data and Visual Observation
			Assessor Data – Dataquick	Visual Observations on Ground-truthing	Census Data: Total Housing Units – 2010	
3009	Multi-family and single-family	48%	150	105	115	17%
2003	Single-family	70%	73	67	72	59%

Note: Percent Land Use Matched and Percent Units Matched take as their denominator only those parcels for which a land use or number of units was indicated by both assessor data and ground-truth data.