CATCHING AFFORDABILITY WHERE IT’S AT:
ACQUISITION/REHAB OF OAKLAND’S UNSUBSIDIZED AFFORDABLE HOUSING

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Carol Galante

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Catching Affordability Where It’s At

Acquisition/Rehab of Oakland’s Unsubsidized Affordable Housing

University of California, Berkeley | Master of City Planning | Professional Report | Spring 2017
By Somaya Abdelgany

Introduction
As the Bay Area housing crisis persists and Oakland continues to face gentrification pressures, it is more important than ever to protect existing city residents from the threat of displacement. Housing options that are both affordable and in good physical condition have become increasingly scarce, making it especially difficult for the city’s most vulnerable residents to stay in their homes and neighborhoods for the long-term. While the conversation around solutions to the housing supply shortage has tended to focus on constructing new subsidized and/or market-rate housing, which is certainly part of the puzzle, more aggressive efforts must be made to preserve the existing stock of unsubsidized affordable housing to prevent the displacement of current residents. This is housing that is not subsidized through public funding, but is relatively affordable to lower and moderate income residents due to its old age, poor physical condition, design elements, and/or location in less desirable real estate markets.

Recognizing the urgency to preserve Oakland’s existing housing stock, a number of mission-driven entities have expressed a keen interest in developing a large-scale acquisition and rehabilitation (acquisition/rehab) strategy to take unsubsidized affordable units off the speculative market and establish permanent affordability. In order to do this successfully, the groups engaged in preservation work will need greater insight into the landscape of these properties, as well as appropriate strategies to acquire, renovate, and manage them. In addition, a diverse set of stakeholders, including residents, private property owners, non-profit developers, public agencies, base-builders, advocacy groups, and community development professionals, will need to engage in collaborative partnerships around acquisition/rehab to achieve both depth and breadth of impact.

“[Preservation] is about catching affordability where it’s at and preserving that affordability over the long term...For the affordable housing industry, preservation has always been around...but it’s never really gotten to scale.”

-Geeta Rao, Enterprise Community Partners
The purpose of the following report is to synthesize the lessons learned thus far and further inform the process of preserving the affordability and physical integrity of Oakland’s housing stock through a large-scale acquisition/rehab strategy. The report will begin by highlighting the threat of displacement in Oakland and describing the mechanics of acquisition/rehab as an anti-displacement strategy. The following section will analyze the supply of unsubsidized affordable housing in Oakland to help define the scope of work and property types that mission-driven groups engaged in acquisition/rehab will need to target. Finally, the report will conclude with a discussion about existing and potential stakeholder relationships, financing, and policy tools that can be leveraged to execute an effective, collaborative, and inclusive citywide acquisition/rehab strategy in Oakland.

Research Questions and Methods
This report presents qualitative and quantitative data gathered through a mixed-methods approach, including literature review, secondary data analysis, expert and stakeholder interviews, and stakeholder meeting observation. The following table lists the high-level research questions explored and corresponding research methods used to answer those questions. Please see the Appendix for a more detailed description of research methodology.

<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Research Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>What will it take to preserve Oakland’s unsubsidized affordable housing through a citywide acquisition/rehab strategy?</td>
<td>-Literature review&lt;br&gt;-Secondary data analysis</td>
</tr>
<tr>
<td>What is the problem that an acquisition/rehab strategy addresses?</td>
<td>-Literature review&lt;br&gt;-Secondary data analysis</td>
</tr>
<tr>
<td>How does acquisition/rehab work as an anti-displacement strategy?</td>
<td>-Literature review&lt;br&gt;-Interviews with City of Oakland staff, non-profit developers, community development professionals, and housing advocates&lt;br&gt;-Observation of acq/rehab stakeholder meetings</td>
</tr>
<tr>
<td>What is the supply of unsubsidized affordable housing in Oakland?</td>
<td>-Secondary data analysis</td>
</tr>
<tr>
<td>What are the existing and emerging stakeholders, financing tools, and policies around acquisition/rehab in Oakland?</td>
<td>-Interviews with City of Oakland staff, non-profit developers, community development professionals, housing advocates, and City staff&lt;br&gt;-Observation of acq/rehab stakeholder meetings</td>
</tr>
<tr>
<td>How can a citywide acquisition/rehab strategy be more effective, collaborative, and inclusive?</td>
<td>-Interviews with City of Oakland staff, non-profit developers, community development professionals, and housing advocates&lt;br&gt;-Observation of acq/rehab stakeholder meetings</td>
</tr>
</tbody>
</table>
Problem Definition: Housing Affordability and Habitability in Oakland

The gravity of the housing crisis in Oakland is a well-documented issue with a number of indicators pointing to a growing trend of gentrification and displacement. Home prices in Oakland have more than doubled since the stabilization of the foreclosure crisis in 2011 (Zillow, Inc. 2017). The median home value went from $310,000 in early 2012 to $670,000 in early 2017 (Zillow, Inc. 2017). The city’s home values have gone up by 9.7% over the past year alone and Zillow predicts they will rise 2.9% within the next year.

![Figure 1: Oakland Median Home Value 2007-2018](image)

Source: Zillow, Inc. 2017

Rents in Oakland have increased dramatically alongside property values, with a current median rent price of $2,900 (Zillow, Inc. 2017). As seen in Figure 2, the average asking rent is now more than double what it was in the pre-recession year of 2006, and $1,000 more than it was in the post-recession year of 2012. To put this into perspective at the national scale, a 2015 study identified Oakland as having the largest increase in rent relative to income since 2011 in the entire country, outpacing San Francisco, New York, and San Jose¹ (Wallace 2015).

¹ Based on rent data from RentJungle.com and income data from the U.S. Census Bureau. For every major city in the United States, they calculated fair market rent as a percentage of median income in 2011 and 2014. They then found the cities where that rent-to-income ratio has increased the most.
These dramatic increases in home values and rents have had a significant impact on residents’ ability to pay for housing costs. According to the 2011-2015 American Community Survey Estimates, 41,046 households, or 43% of renters, are burdened by monthly rent, and 23,015 households, or 37% of owners, are burdened by monthly owner costs. As illustrated in Figure 4 below, the rate of housing cost-burden is significantly higher among the lowest income households.

2 Households are considered housing cost-burdened if they pay greater than 30% of their income on rent or monthly owner costs.
According to UC Berkeley’s Urban Displacement Project (UDP) maps, the majority of low-income census tracts in Oakland are currently at risk of gentrification or displacement, and parts of North Oakland, Downtown Oakland, East Lake, Jingletown, and Havenscourt are already undergoing advanced gentrification. UDP also reports that approximately 52% of rent-controlled units throughout the city of Oakland lost their affordability due to tenant turn-over between 2010 and 2015 (Zuk et al. 2017).
In addition to the loss of housing affordability, poor housing quality and habitability are serious causes for concern in Oakland. Forty-two percent of Oakland’s housing was built before World War II, and many of these properties are at risk of deterioration due to deferred maintenance (Rose and Lin 2015). Oakland residents disproportionately face health impacts correlated with substandard housing conditions: 63% of all lead-poisoned children in Alameda County between 2000 and 2010 were reported in Oakland, and the rate of hospitalization for childhood asthma is over five times higher in West Oakland than the California average (Rose and Lin 2015).

The City of Oakland’s Code Enforcement division received 30,604 occupied blight complaints between 2003 and 2014, while many more building code violations go unreported due to residents’ fear of eviction or rent increases (Rose and Lin 2015). Unaddressed building code violations can be hazardous and the consequences grave, illustrated by two large-scale fires linked to substandard housing conditions in Oakland this past year. The Ghost Ship warehouse, which housed an artist collective and had serious electrical infrastructure issues, caught fire in December 2016, resulting in 36 fatalities (Davis 2017). A second fire at a large transitional housing building in West Oakland, which has received 20 code complaints over the past 10 years, resulted in 3 fatalities and the displacement of over 100 tenants and squatters (Bodley 2017).

**Acquisition/Rehab as an Anti-Displacement Strategy**

Understanding the gravity of the housing crisis, Oakland Mayor Libby Schaaf set up a Housing Implementation Cabinet in 2016 to produce a housing action plan called Oakland At Home. The plan proposes targets and action steps to construct new housing and protect existing affordability in Oakland. One proposed strategy is to acquire and rehabilitate 2,000 units of naturally occurring affordable housing (NOAHs)\(^3\), which is an estimated 10% of all NOAH housing stock in Oakland (Guy and Hood 2016). Acquisition and rehabilitation programs will be focused on both vacant properties and properties occupied by low and moderate income residents (Guy and Hood 2016). The following section will first define acquisition/rehab as a preservation strategy and will then describe the advantages, challenges, and factors for success of such a strategy.

\(^3\) A number of Oakland housing professionals have begun to avoid the use of the term NOAH because referring to the affordability of these units as “natural” disregards the decades of disinvestment and uneven development that has nurtured an “untapped market” ripe for speculative reinvestment. For example, in his draft article entitled “Thoughts on the Unnatural Occurrence of Cheap Housing,” Steve King from the Oakland Community Land Trust proposes HAUTMSS (Housing Affordable Until the Market Speculation Starts; suggested pronunciation: “hot mess”) as a more appropriate term. This report uses “unsubsidized affordable housing” as an alternative term and is defined below.
Defining Preservation and Acquisition/Rehab

To begin, *housing preservation* refers to the process of maintaining and improving both the physical integrity and affordability of the existing housing stock to protect current residents from displacement. Preservation tools loosely fall into two different strategy types:

- **Rehabilitation** of owner-occupied and renter-occupied housing to address code compliance and safety issues and to prevent displacement due to deferred maintenance. This strategy does not entail a transfer of ownership and is ideal for low and moderate income owners in need of financial assistance to upkeep their single family homes or for rental property owners willing to implement affordability restrictions in exchange for a rehab loan or other incentive.

- **Acquisition/rehab** of vacant and renter-occupied properties, in which mission-driven entities or individuals purchase residential properties, rehabilitate where needed, and establish long-term affordability to protect low and moderate income renters from fluctuations in the speculative market.

There are two different types of renter-occupied affordable housing that are often targeted for these preservation strategies:

- **Subsidized affordable housing**: housing that is financed through government-sponsored economic assistance programs aimed at providing affordable housing options for low and moderate income residents. These properties are targeted for preservation when they are privately owned and are at risk of losing their affordability because of expiring tax credit contracts.

- **Unsubsidized affordable housing**: market housing that is relatively affordable to lower and moderate income residents due to its old age, poor physical condition, design elements, and/or location in less desirable real estate markets.

This report will focus primarily on the *acquisition/rehab of unsubsidized units occupied by and affordable to low and moderate income renters*. This focus was driven by the urgent affordability and habitability issues described in the previous section, as well as a keen interest among public and non-profit stakeholders in Oakland to bring this development strategy to scale with the recent emergence of local and regional financing opportunities (described in greater detail in subsequent sections). Additionally, the majority of low and moderate income residents live in unsubsidized rental housing and an acquisition/rehab strategy has promising potential to serve as an anti-displacement measure that directly keeps vulnerable renters in their homes and neighborhoods.
Advantages of Acquisition/Rehab

While both new construction and preservation of affordable housing are necessary, acquisition/rehab has a number of unique advantages when compared to new construction of subsidized housing. First and most importantly, acquisition/rehab promotes equitable development in several ways. While increasing the overall supply of affordable housing is important at the macro-level to address the shortage of housing options for low and moderate income residents, new construction alone does not keep existing residents in their current homes. Studies have shown that housing instability can have negative impacts on residents’ physical and mental health, access to employment, civic engagement, cultural preservation, social networks, and children’s education (Zuk et al. 2016). Acquisition/rehab of renter-occupied buildings can help provide existing tenants with the economic stability and physical improvements they need to stay in their communities and to thrive in all aspects of their lives. Assisting vulnerable tenants to stay in place when their neighborhoods start to gentrify can promote economic diversity and sustain mixed-income communities, such that long-time residents have equal opportunity to enjoy the neighborhood improvements that come with increased investment (HUD User 2013).

This strategy can also act as a neighborhood revitalization tool by addressing issues of blight and physical decay on both vacant and resident-occupied properties (HUD User 2013). Furthermore, acquisition/rehab of existing residential buildings in transit-efficient and amenity-rich locations, where vacant land tends to be scarce, can promote more sustainable transit-oriented affordable housing in neighborhoods of opportunity (Wilkins et al. 2013).

Additionally, acquisition/rehab can be significantly more cost-effective than new construction depending on the amount of rehabilitation required, with costs reaching as low as one half those of new construction (HUD User 2013). A study by the Center for Housing Policy compared the total cost of developing and maintaining multi-family affordable rental housing over a 50-year period using either strategy, and found that new construction added approximately $40,000 to $71,000 (25 to 45 percent) per-unit to the lifecycle costs (Wilkins et al. 2015). New construction of affordable housing in the Bay Area market has a number of associated costs that aren’t necessarily incurred to the same degree by acquisition/rehab projects, including the hard costs of land, building materials and labor, as well as soft costs associated with the entitlements process and tax-credit deals (HUD User 2013). Because acquisition/rehab of residential buildings

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4 The study applies a new life-cycle cost approach, factoring both the development and long-term maintenance of the property, to compare the costs of new construction and the acquisition/rehab of existing structures. This puts new construction and acquisition/rehab on an even playing field, irrespective of the level of initial rehab. The study analyzed a convenience sample of 269 properties and controlled for location, project size, average unit size, building type, and year of development.
is consistent with the existing land use and surrounding neighborhood infrastructure, it can also be politically easier to circumvent NIMBYism, saving both time and money when applying for regulatory approval (Misra 2016).

Challenges of Acquisition/Rehab

The advantages described above illustrate the importance of acquiring and rehabilitating unsubsidized affordable housing while it’s still affordable, but no anti-displacement strategy is without challenges. To begin, there are limited financing options for property acquisition that non-profit actors can take advantage of. Many non-profit developers engaged in acquisition/rehab in Oakland have noted that the greatest obstacle they face is competition from for-profit buyers when pursuing properties on the market. Because proposals to preserve affordability often require multiple funding streams, most of which are from public agencies and have lengthy approval processes, they tend to take more time than simpler bids (Treskon and McTarnaghan 2016). In competitive markets like the Bay Area, where sellers can choose between buyers, non-profit developers are disadvantaged by their limited access to “quick capital” compared to their for-profit counterparts, who are more nimble and can gather private debt and equity to close on acquisition costs relatively quickly (MPPI 2013). In a similar vein, some non-profit developers have long specialized in the highly regulated production of subsidized housing, so they may be less equipped with the development and management expertise needed to be successful in the unsubsidized affordable housing market (MPPI 2013).

The generally small scale of unsubsidized properties creates an added layer of complexity to these general financing and capacity issues. Throughout the nation, the majority of unsubsidized renter-occupied housing units are located in smaller buildings, with about half in buildings of one to four units and over three-quarters in buildings of less than 50 units (HUD User 2013, ACS 2011-2015 Estimates). Financing can be difficult to obtain for the rehabilitation of buildings at this scale. Low Income Housing Tax Credit (LIHTC) financing generally favors buildings of 50 units or more and finding small loans with favorable terms to rehabilitate or renovate such small-scale buildings can also be a challenge: financial institutions have less incentive to provide small loans to borrowers because the cost of underwriting and processing is the same regardless of the loan amount, but the fees gathered on a smaller loan are significantly less (HUD User 2013). Because of their small scale and scattered ownership, these multifamily rentals often miss out on energy-efficiency programs offered through utility companies as well (HUD User 2013).

Small-scale buildings can pose a property management challenge for mid-sized and large-scale affordable housing developers in particular, who often develop and manage buildings of 50 more units in order to utilize tax credits and make on-site property management financially
feasible. Thus, if these developers wish to do acquisition/rehab at a large scale, they may be limited to a small supply of buildings that they can reasonably pursue or be forced to retool to make scattered site property management work.

Additionally, because unsubsidized affordable housing is often older in age and in poor physical condition, it is difficult for buyers to know the true extent and cost of needed rehabilitation before acquiring the property. In a 2009 paper, Rosenthal and Listokin explain that “the walls of existing buildings are opaque. Builders do not know the full measure of what renovation entails until they open those walls and confront prevailing realities at the site.” Developers must do as much due diligence as possible to plan out their financing, but may discover much worse conditions than anticipated only after purchasing the building and gaining full access to its interior infrastructure (Rosenthal and Listokin 2009).

Finally, there are some potential challenges specific to acquiring and rehabilitating renter-occupied properties. Mission-driven buyers seeking to serve low and moderate income tenants may find it difficult to determine the incomes of tenants that occupy buildings being considered for acquisition. Additionally, if extensive rehabilitation is needed on the property, residents may need to be temporarily relocated during the construction process (Rosenthal and Listokin 2009).

Factors for Success
In August 2016, the Urban Institute published a research brief and six cases studies of successful large-scale affordable housing preservation deals throughout the country. Authors Treskon and McTarnaghan highlight five factors that contributed to the success of these acquisition/rehab deals, which included:

- **Local and state resources to match federal funds**: Most of the case study projects were able to sustain long-term affordability through federal subsidies, but also used loans and grants from community development financing institutions (CDFIs) and city, county, and state agencies to cover the costs of predevelopment, acquisition, and in some cases, permanent financing.

- **Developer capacity to coordinate multiple funding streams and put together complex deals**: Larger-scale projects require more sophisticated development methods and more partners involved to be successful. In order to effectively compete for property acquisition, non-profit developers need the experience and real estate acumen to put financing together fairly quickly. Some preservation deals have unique characteristics, such as historic buildings or occupants with special needs, which require additional specialized expertise.
• **Collaborative relationships between buyers and sellers:** While rare in the unsubsidized affordable housing market, the best-case scenario for a preservation deal is one in which both the buyer and the seller are mission-driven entities or individuals that are committed to maintaining long-term affordability.

• **Local policy context that allows for innovations in the field:** Certain policies can provide a framework that supports the preservation of affordable housing alongside financing. For example, Washington D.C.’s Tenant Opportunity to Purchase Act requires that owners planning to sell their properties provide tenants the opportunity to purchase their residences. Tenants have a set time to secure financing and negotiate a sale or can assign their rights to purchase to a third party, such as a mission-driven or non-profit developer.

• **Policy networks that allow for transfer of knowledge, techniques, and interventions from one place to another:** The report stresses the importance of communicating models, successes, and challenges to interested parties locally and throughout the country in order to bring preservation efforts to scale. This can involve structuring financing, creating grant or loan funds, or building policy frameworks to promote preservation efforts. Entities in Oakland have begun to build this type of infrastructure for stakeholder relationships through a number of working groups, which will be discussed in greater detail later in this report.

Another important factor for the long-term success of acquisition/rehab mentioned in a number of interviews with non-profit developers, community development professionals, and housing advocates is resident engagement. Residents and the base-builders that represent them can be key informants for non-profit and mission-driven buyers about buildings that are expected to go to market, where notices of eviction have been issued, or where code compliance complaints have been filed. As illustrated by the Urban Institute report, in places like Washington D.C. and Oregon, residents can also act as primary decision-makers during the acquisition process when legislation provides them with an official channel to directly negotiate with the seller (Treskon and McTarnaghan 2016). Residents also play an instrumental role in making decisions about temporary relocation and scope of work needed during the rehabilitation process (Treskon and McTarnaghan 2016). Some preservation deals will necessitate that residents be income-qualified and that rents be adjusted to ensure affordability for all tenants in the building. For all these reasons, an open line of communication and trust-building with residents throughout the preservation process is imperative to ease concerns about displacement and help tailor investments and services to the needs of residents.
Finally, mission-driven developers place a strong emphasis on the need for ample “quick capital” in order to successfully compete with market-motivated developers for the swift acquisition of properties. Mission-driven developers need financing products that can be provided in a short period of time so that they can enter into purchase contracts with limited financing contingencies and short escrow periods (Enterprise and LIIF 2016). Competitive and flexible financing terms are also an important component of the financing products needed to assist mission-driven developers, with higher loan-to-value (LTV) maximums and lower than market interest rates (Enterprise and LIIF 2016).

Oakland’s Unsubsidized Affordable Rental Housing Supply

In order to execute a citywide strategy to acquire and rehabilitate unsubsidized affordable housing in Oakland, preservation stakeholders will require deeper insight into the range of affordability and physical quality in existing buildings. The following section provides a snapshot of 1) rental housing supply with existing affordability that should be maintained and 2) rental housing supply with poor physical quality that should be rehabilitated.

Rental Housing Supply with Existing Affordability

While the supply of subsidized affordable housing is well documented by the public agencies that administer funds to these projects, determining the supply of unsubsidized affordable housing that is on the market is less straightforward. This section analyzes disaggregated American Community Survey Public Use Microdata Sample (ACS PUMS) in order to obtain the number of all affordable rental housing units in Oakland, which includes both subsidized and unsubsidized units. This total was developed by calculating the number of households in Oakland occupied by low and moderate income renters paying 30% or less of their income on rent, the national standard for housing affordability. The analysis found that in total, there are about 29,792 low to moderate income households that can afford rent without being overly burdened by housing costs. The following table provides estimates for the total rental housing affordable to each income level among low to moderate income households.

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Percentage of Area Median Income (AMI)</th>
<th>Total Affordable Rental Housing Units*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low Income</td>
<td>0-30% AMI</td>
<td>6,182</td>
</tr>
<tr>
<td>Very Low Income</td>
<td>30-60% AMI</td>
<td>6,548</td>
</tr>
<tr>
<td>Low Income</td>
<td>60-80% AMI</td>
<td>6,095</td>
</tr>
<tr>
<td>Moderate Income</td>
<td>80-120% AMI</td>
<td>10,968</td>
</tr>
<tr>
<td>All Low to Moderate Households</td>
<td>0-120% AMI</td>
<td>29,792</td>
</tr>
</tbody>
</table>

*Note: Includes both subsidized and unsubsidized affordable rental housing

Mission-driven developers in Oakland currently engaged in acquisition/rehab each tend to target different income groups and buildings sizes depending on their mission and financing tools. For instance, the East Bay Asian Local Development Corporation (EBALDC) tends to develop large buildings of 50 or more units with most renters earning between 10% (with Section 8 subsidies) and 60% AMI because that scheme works well with Low Income Housing Tax-Credit requirements and on-site professional property management. As another example, the Oakland Community Land Trust (Oakland CLT) targets small and medium-sized properties with 1-20 units in order to allow low-income residents to either buy affordable homes under a limited-equity model or set up rental housing cooperatives with community-led management. Given this wide range of preservation work in Oakland, it is important to capture the distribution of affordable housing units across income level and building size. Table 4 provides the total affordable rental housing supply by building size, and the Figure 6 illustrates the occupant income levels that organizations can expect to reach by acquiring different building sizes.

### Table 3: Total Affordable Rental Housing Units by Building Size, Oakland

<table>
<thead>
<tr>
<th>Number of Units in Building</th>
<th>Total Affordable Rental Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 unit</td>
<td>6,065</td>
</tr>
<tr>
<td>2-4 units</td>
<td>7,777</td>
</tr>
<tr>
<td>5-19 units</td>
<td>7,468</td>
</tr>
<tr>
<td>20-49 units</td>
<td>4,617</td>
</tr>
<tr>
<td>50+ Units</td>
<td>3,874</td>
</tr>
<tr>
<td><strong>All Building Sizes</strong></td>
<td><strong>29,792</strong></td>
</tr>
</tbody>
</table>


### Figure 6: All Affordable Rental Housing Units in Oakland by Building Size and Occupant Income Level

Another important factor for mission-driven buyers to consider as they acquire existing affordable housing units is the age of the building, which can provide clues about the extent of rehabilitation that might be needed. The older the building, the greater the likelihood it will require significant upgrades. To give a general idea of the affordable rental housing supply's age, Table 5 shows estimates for the year of construction for all affordable units and Figure 7 breaks down each building size by year of construction. One can see from the data that there are more affordable housing units among the older housing stock and that smaller-scale buildings tend to be built earlier than larger buildings.

Table 4: Total Affordable Rental Housing Units by Year of Construction, Oakland

<table>
<thead>
<tr>
<th>Year of Construction</th>
<th>Total Affordable Rental Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939 or earlier</td>
<td>9,453</td>
</tr>
<tr>
<td>1940-1959</td>
<td>5,964</td>
</tr>
<tr>
<td>1960-1979</td>
<td>8,680</td>
</tr>
<tr>
<td>1980-1999</td>
<td>3,529</td>
</tr>
<tr>
<td>2000-2015</td>
<td>2,166</td>
</tr>
<tr>
<td>All Years</td>
<td>29,792</td>
</tr>
</tbody>
</table>


Figure 7: All Affordable Rental Housing Units in Oakland by Building Size and Year Structure Was Built

Unsubsidized Affordable Rental Housing Total

These figures presented above include both subsidized and unsubsidized affordable housing, but it is also necessary to isolate the unsubsidized affordable housing stock from this aggregate number to come up with a reasonable target for acquisition. For this next step of the analysis, the number of subsidized rental housing units in Oakland, provided in the City’s General Plan Housing Element, was subtracted from the aggregate ACS PUMS total and the difference is an estimate for the number of unsubsidized affordable housing units. The following table shows this calculation.

Table 5: Unsubsidized Affordable Rental Housing Calculation

<table>
<thead>
<tr>
<th>Total Affordable Rental Housing Units in Oakland</th>
<th>Total households occupied by low income (0-80% AMI) and moderate income (80-120% AMI) renters, paying no more than 30% of their income on rent</th>
<th>29,792</th>
<th>Source: 2011-2015 ACS PUMS Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidized Affordable Rental Housing Units in Oakland</td>
<td>Privately-owned subsidized rental housing units* Occupied public housing units</td>
<td>10,337 1,543</td>
<td>Source: 2014 Oakland Housing Element</td>
</tr>
<tr>
<td>Sub-Total</td>
<td></td>
<td>11,880</td>
<td></td>
</tr>
<tr>
<td>Unsubsidized Affordable Rental Housing Units in Oakland</td>
<td>Total Affordable minus Subsidized Affordable</td>
<td>17,912</td>
<td></td>
</tr>
</tbody>
</table>

*Note: This number includes Project-Based Section 8 Vouchers, but not the 6,868 tenant-based Section 8 Housing Choice Vouchers administered by OHA, which are tied to residents as opposed to specific housing units

Thus, among the 29,792 households living in rental housing that is affordable to them, 17,912 households, or 60%, live in units that do not have public subsidy attached to them. This is the overall universe of unsubsidized affordable properties within which mission-driven developers are pursuing acquisition/rehab.

Rental Housing Supply with Inadequate Physical Quality

While these estimates highlight key features of Oakland’s housing stock with existing affordability for low and moderate income residents, more detailed information about housing quality is needed to understand potential rehabilitation costs. The Census Bureau’s American Housing Survey (AHS) provides data on housing quality at the San Francisco-Oakland-Hayward Metro level, and these figures were used to approximate estimates for the city of Oakland. The AHS reports housing quality on a scale of “adequate”, “moderately inadequate”, and “severely inadequate.” In total, there are approximately 7,553 rental housing units in Oakland with severely or moderately inadequate housing quality, which as another good proxy for unsubsidized affordable housing that should be targeted for acquisition/rehab.
Table 6: Total Rental Housing Units by Housing Quality, Oakland

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<tr>
<th>Housing Quality</th>
<th>Severely Inadequate</th>
<th>Moderately Inadequate</th>
<th>Adequate</th>
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<tr>
<td>Number of Rental Units</td>
<td>3,076</td>
<td>4,477</td>
<td>87,456</td>
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<tr>
<td>Percentage of Total</td>
<td>3%</td>
<td>5%</td>
<td>92%</td>
</tr>
</tbody>
</table>


Figure 8: Rental Housing Units in Oakland with Inadequate Quality by Building Size


Final Unit Targets for Acquisition and/or Rehabilitation

In summary, the City of Oakland has:

- 29,792 total rental housing units, subsidized and unsubsidized, affordable to low and moderate income households
- 17,912 unsubsidized rental housing units on the market with existing affordability that should be preserved through acquisition/rehab or other means
- 7,553 properties with severely inadequate or moderately inadequate housing quality that should be rehabilitated

It is important to note that the overlap between the 17,912 units with existing affordability and 7,553 units with inadequate housing quality is unknown. However, if we assume that all buildings with poor housing quality are relatively affordable at market, this implies that there are 10,359 units among the unsubsidized affordable housing total that have adequate housing quality and may not necessarily require substantial repairs.

Neighborhood-level Considerations

Finally, while this data analysis highlights the overall supply of unsubsidized affordable housing citywide, mission-driven developers have limited funds and capacity and must define priorities
for acquisition/rehab alongside the residents and communities they hope to serve. One way stakeholders can consider concentrating their efforts is by focusing on neighborhoods where there is an intersection of affordability and habitability issues. There is a greater sense of urgency to stabilize rents in neighborhoods where residents are struggling to afford housing costs, and one illustration of this is neighborhood-level rates of rent-burden. Simultaneously, there is a great need to target buildings that show signs of physical decay or neglect by absentee landlords, and a potential indicator of such physical issues can be obtained by identifying properties with a history of code compliance problems. The following map helps highlight the intersection of these issues by displaying the census tract-level percentage of rent-burdened households overlaid with the location of code enforcement complaints over the last five years. One can see that parts of West Oakland, Downtown, and East Oakland stand out as having both affordability and habitability issues based on these two indicators, making them important neighborhoods to target for acquisition/rehab efforts.

Figure 9: Rent Burden by Census Tract and Properties with Code Enforcement Complaints
Source: 2011-2015 ACS, 2010-2016 City of Oakland
Oakland’s Acquisition/Rehab Stakeholders

In order to create a citywide acquisition/rehab strategy that achieves both breadth and depth of impact, a diverse set of stakeholders will need to collaborate, bringing their respective resources, knowledge, and assets to the table. Fortunately, a wide variety of Oakland stakeholders have expressed interest in engaging more actively in preservation work, and many already play unique roles in the process of acquiring and rehabilitation unsubsidized affordable housing. The following section describes these stakeholders and their preservation activities, and maps out existing and potential collaborations between them.

Stakeholder Types

Residents

Low and moderate income residents are at the heart of the housing preservation process. The ultimate goal of renter-occupied acquisition/rehab is to protect Oakland tenants from displacement by financially stabilizing and physically improving their housing. However, in addition to being the target beneficiary of acquisition/rehab, residents play an important role in carrying the process forward. Renters can be key informants about what properties are expected to go to market (ideally before they go to market), at risk of rent increases, out of code compliance, or generally in physical disrepair. Once a building is acquired by a mission-driven developer, residents inform the rent stabilization process through income qualification and the rehabilitation process by weighing in on decisions about needed repairs and potential temporary relocation. Under ideal conditions, tenants are full decision-making partners with the housing developers that acquire and rehabilitate their buildings. Or, given the financial means and appropriate scale, tenants can directly acquire the housing units that they occupy to become homeowners.

Mission-driven Housing Developers

Mission-driven housing developers are the main drivers of acquisition/rehab work, seeking out properties to purchase and incorporating them into their affordable rental housing portfolios or selling them at affordable rates to low and moderate income residents. As described in the housing supply data analysis of this report, the non-profit housing developers in Oakland have a wide range of missions and strategies around affordable housing preservation. While this is not an exhaustive list of developers that engage in acquisition/rehab, the following four small and mid-sized developers have been active players in the emerging effort to develop a citywide strategy for acquisition/rehab in Oakland:

- **East Bay Asian Local Development Corporation (EBALDC):** EBALDC focuses its efforts on purchasing and operating large rental properties before speculative market-rate investors drive up rental rates. EBALDC has been able to leverage a line of credit to
compete with for-profit buyers for market-rate buildings that are either renter-occupied or vacant. They are also negotiating funding commitments from different equity partners and lending institutions to initiate acquisition. Upon acquisition, EBALDC rehabilitates properties and preserves existing rental rates. When units are newly vacated, they will be rented out at affordable rates to residents who are income qualified up to 60% AMI until they can refinance the building using tax credits.

- **Housing Consortium of the East Bay (HCEB):** HCEB provides supportive services and develops small-scale affordable housing for individuals with developmental disabilities or other special needs in Alameda County and Contra Costa County. To this end, they build and acquire single-family homes and small rental properties affordable to extremely low income tenants, and they hope to begin purchasing and operating single-room occupancy buildings (SROs). HCEB also partners with other nonprofit and for-profit companies to secure set-asides within larger rental communities and possess a unique expertise in scattered site property management.

- **Oakland Community Land Trust (OakCLT):** OakCLT is focusing its preservation efforts on acquiring medium-sized properties that are either tax-defaulted, purchased at market rate, or donated. Once the properties are acquired, they will employ one of two cooperative housing models for long-term affordability. The first model is a limited-equity housing cooperative in which the CLT sells the building to residents who co-own and operate the property. The second model is variation on renting referred to as a “non-equity” or “zero equity” cooperative, in which the CLT owns the property and sets rents at affordable levels, while tenants are afforded increased control over operations of the building.

- **Hello Housing:** Hello Housing’s preservation strategy is to acquire single family homes and small rental properties for conversion to Below Market Rate (BMR) homeownership and rental opportunities for low- and moderate income households. They purchase properties in relatively affordable neighborhoods that are either foreclosed, tax-defaulted, or on the traditional market. If properties are occupied by renters, Hello Housing will determine how much subsidy would be required to maintain the current rents or adjust them to more affordable rents. When the tenancy turns over, these properties are then evaluated as either ongoing rental or conversion to BMR homeownership. If a property is vacant at purchase, Hello Housing will perform basic rehabilitation to address health and safety concerns, correct code violations and provide energy efficiency upgrades. They will then sell the properties as a permanently affordable BMR homes at discounted prices.
Private Property Owners
Private property owners that rent out existing unsubsidized affordable housing units to tenants play a number of important roles in the space of preservation. When a transfer of ownership to affordable housing developers or existing tenants is the ultimate goal, property owners have a great deal of leverage as sellers of property in a competitive real estate market. However, owners are not always looking to sell, in which case, preservation interventions must focus on influencing the behavior of owners around maintenance and affordability. In all instances, it is important to understand the range of property owner types associated with different building scales and portfolio sizes. In a 2013 report on preserving unsubsidized affordable housing, the Minnesota Preservation Plus Initiative (MPPI) categorized the diversity of property owners in Minneapolis into three broad types that are also applicable to the Oakland context. These owner types include:

- **Do-It-Yourself (DIY)/Part-time**: Referred to among Oakland housing professionals as “mom & pop” owners, these are owners with small portfolios consisting mostly of single-family homes and small 2-4 unit buildings that are self-managed and typically considered secondary sources of personal income or investment. These owners are often employed in another industry with rental property as a side business.

- **Small-scale Professional**: MPPI defines this category as owners with portfolios that are less than 100 units that may or may not have professional management, but view property ownership and/or management as their full-time occupation.

- **Large-scale Professional**: These owners manage portfolios of 100+ units that provide professional management as a related business line or through a fee-for-service arrangement. These are mostly formal business organizations that operate as an ongoing concern, rather than individuals or partnerships.

Understanding the range of owners can give insight into the types of acquisition/rehab deals mission-driven developers or tenants may be able to negotiate. For example, larger affordable housing developers or collective partnerships of small and mid-sized housing developers may have the capacity and financing to buy a whole portfolio of properties from large-scale professional owners. Acquisition negotiations may also be more flexible or favorable to affordable housers with part-time individual owners or partnerships that are not tied to the bottom line of a larger business organization, especially if they are mission-driven local sellers invested in the community but no longer interested in managing property. In the same vein, tenants seeking to directly purchase the units they occupy are most likely to be able to do so if they live in single-family homes, duplexes, triplexes, or fourplexes owned by mom & pop owners.
City of Oakland
The City of Oakland plays the important role of crafting policies and programs to facilitate the preservation of affordable housing. There are a number of City departments engaged in this work around different aspects of the preservation process and to varying degrees:

- **Mayor’s Office**: Mayor Libby Schaaf put together the Housing Implementation Cabinet in 2016, which included City staff from a number of departments, as well as private sector and non-profit sector housing experts and advocates. The report they produced set targets for the acquisition and rehabilitation of Oakland’s housing stock and put forth a list of policy and financing action steps to go about reaching that target. Staff members in the Mayor’s office are also continuing to look for new ways to support housing preservation in Oakland beyond what was proposed in the report. For example, the Mayor’s Director of Equity & Strategic Partnerships is exploring ways to engage the tech industry in the financing of housing preservation.

- **Housing and Community Development Department (HCD)**: Oakland HCD administers a number of loan and grant programs for both the creation and preservation of affordable housing. Existing preservation programs include multiple rehab funding programs for low and moderate income single family homeowners and mom & pop owners of 1-4 unit rental buildings. The primary goal of these programs is to rectify health and safety code compliance issues to ensure that existing occupants are not subject to hazardous living conditions or displaced due to deferred maintenance. They also have a number of emerging programs geared towards the rehabilitation and acquisition/rehab of larger multi-family rental buildings with the passage of new preservation funding this past November, discussed in greater detail in the following section. Aside from providing funds, HCD conducts studies, maintains data and statistics, provides information, advocates legislation, creates and ensures compliance with local, state and federal policies and procedures related to affordable housing in Oakland.

- **Planning and Building Department**: The Planning and Building Department’s Code Compliance staff enforces California Housing Law and the Oakland Municipal Code to ensure that existing buildings used for human occupancy and surrounding property are maintained in a safe and healthy manner. Department staff provides services to inspect and respond to complaints of deferred maintenance, health and safety violations, zoning code violations, and public nuisance structures or conditions. They also monitor two registries of properties prone to issues of deferred maintenance and blight: one for foreclosed and tax-defaulted residential properties and another for investor-owned residential properties in the process of foreclosure.
**Base-Builders**

A number of base-building groups in Oakland have either long focused on housing issues or shifted towards an anti-displacement policy agenda to meet the urgent needs of their members. A number of these organizations are currently interested in engaging more actively in the acquisition/rehab process as representatives of resident and community perspectives at the decision-making table. With an eye for the priorities and concerns of the communities they organize, base-builders hope to inform the types of properties that will be targeted and other aspects of the acquisitions/rehab process that affect the daily lives of residents. Some of these interested community-based groups include the Alliance of Californians for Community Empowerment (ACCE), Causa Justa :: Just Cause (CJJC), and East Bay Asian Youth Center (EBAYC). These organizations have built up trust and a direct line of communication with residents over the years, an asset that is both valuable and essential to a successful acquisition/rehab process. For this reason, mission-driven developers engaging in acquisition/rehab work and public agency staff crafting preservation programs would greatly benefit from working in closer partnership with these groups. For example, ACCE has been surveying its members to scope out buildings that may soon go to market and sharing that local knowledge with OaklCLT, who will in turn target those buildings for acquisition and make decisions in partnership with residents in a shared equity or rental cooperative model.

**Community Development Financing Institutions and Philanthropy**

Community development financing institutions (CDFIs) and philanthropic foundations help move the acquisition/rehab process forward by funding certain stages of the acquisition/rehab process and/or facilitating discussions among various stakeholders. CDFIs and foundations often provide grants or loans for predevelopment or acquisition activities and for the facilitation of broader working group discussions about preservation needs and best practices. Any public, private, or non-profit organization that makes decisions about policy or community investment aims to create programs that will effectively serve their target audience, and they often require technical assistance to gather the perspectives of their potential beneficiaries. Community development professionals from CDFIs and foundations often provide this service by convening relevant stakeholders, compiling their technical or community knowledge, and putting recommendations forward to decision-makers either within their own organizations or from other entities. A number of working groups in Oakland, discussed below, have emerged to inform the city’s housing preservation process and most of them include community development professionals that help stakeholders develop shared goals, organize meetings, and keep track of agreed upon work plans and final deliverables. Examples of organizations currently playing these financing and facilitation roles include Enterprise Community Partners (Enterprise), the Low Initiatives Support Corporation (LISC), The California Endowment (TCE), and The Great Communities Collaborative/San Francisco Foundation (GCC/TSFF).
Research and Advocacy Groups
Research and advocacy groups play a supporting role in the preservation process by providing technical assistance and helping to facilitate discussions with stakeholders alongside community development professionals. These groups provide an expertise in housing issues through a wide variety of lenses to help stakeholders understand multiple angles of the preservation process. Examples of these groups in Oakland include member-driven organizations like East Bay Housing Organizations (EBHO), who represent a wide range of housing developers, service-providers, community members, advocates, and practitioners, as well as specialized advocacy groups like Urban Habitat and Public Advocates.

Other Public Agencies
A number of public agencies in Oakland and the Bay Area can provide additional sources of complementary funding for acquisition/rehab work. The Metropolitan Transportation Commission (MTC) is exploring the creation of a regional preservation fund. Additionally, the Oakland Housing Authority (OHA) administers Section 8 project-based and tenant-based vouchers, which can be used in acquisition/rehab projects to deepen the level of affordability for extremely low-income residents. Finally, Alameda County passed Measure A1 in the November 2016 election, which dedicates $580 million to the creation and preservation of affordable housing throughout the County, with almost $55 million reserved exclusively for the City of Oakland. More details about these financing tools is included in the following section.

Stakeholder Relationships
All of these stakeholders interact and collaborate in an intricate web of relationships. These synergies occur between organizations within the same stakeholder categories described above and between different types of stakeholders throughout the city. A number of collaborative groups and on-going discussions have emerged around acquisition/rehab in Oakland, each with a different focus:

- The Acquisition/Rehab Working Group: Facilitated by Enterprise, this working group brings together mission-driven developers, advocates, and City staff to provide the City of Oakland with technical assistance in developing a new acquisition/rehab loan program to distribute Measure KK funds. This group started their work in early 2016 by defining the universe of unsubsidized affordable housing in Oakland, developing detailed preservation program options for the City, and projecting outcomes for different scenarios of the Measure KK housing component. Now that the bond measure has passed and the City has $100 million for housing preservation in its tool belt, this group is researching ways to efficiently get those funds out the door and into a wide range of acquisition/rehab projects.
• **The Oakland Property Acquisition Collaborative**: Since the passage of Measure KK funds, EBALDC has begun convening small and mid-sized affordable housing developers in Oakland to share affordable housing development and property management expertise and to discuss the prospect of partnering up to collectively buy large portfolios of unsubsidized affordable housing. The developers involved hope to achieve maximum citywide impact by coordinating their acquisition/rehab efforts, targeting different parts of the housing market with their distinct development strategies, avoiding competing with one another over the same properties, and potentially sharing property management services.

• **The Bay Area for All (BA4A) Preservation Working Group**: GCC/TSFF, Urban Habitat, and Public Advocates are facilitating discussions among community-based organizations that are part of the Great Communities Collaborative and 6 Wins coalitions to develop a community-driven preservation strategy that ensures that low-income residents and communities of color play a key role in the process. This group began convening in spring of 2017 and is in its early stages of developing a work plan to build relationships with other Oakland stakeholders to identify and acquire buildings that community-based organizations wish to target and to share expertise and capacity around real estate acquisition, property management, and resident outreach and education.

• **Resident-Centered Housing Preservation Fund Planning**: In 2016, OakCLT received a planning grant from TCE to explore the creation of a fund or other investment tool to finance acquisition/rehab efforts with an explicit focus on deep community engagement and resident control. In developing this financing plan, OakCLT is engaged in an ongoing conversation with a number of Oakland base-builders, including ACCE, CJJC and EBAYC, to help envision a resident-centered approach to acquisition/rehab. OakCLT has also met with banks, CDFIs, and foundations to discuss the failure of current systems and financing sources to prevent displacement and the need for a pool of patient, affordable capital to complement traditional affordable housing development sources.

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<th>Collaboration</th>
<th>Facilitators</th>
<th>Participants</th>
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<td>Enterprise</td>
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<td>CJJC, ACCE, EBAYC</td>
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Table 7: Oakland Acquisition/Rehab Collaborations
Figure 10 represents some of the ways in which different types of stakeholders coalesce around acquisitions/rehab in a broader preservation ecosystem. In this diagram, residents are at the center of the process as the target beneficiary and most directly affected. They are immediately surrounded by core players, including the City of Oakland, private property owners, mission-driven developers, and base-builders, who make key decisions around acquisition/rehab negotiations and/or represent resident interests during that process. Finally, there are those who help facilitate acquisition/rehab through additional funding and technical assistance, including CDFIs, philanthropic organizations, research and advocacy groups, and other public agencies.
Oakland’s Acquisition/Rehab Financing Tools

The growing interest in Oakland to bring acquisition/rehab to scale coincides with the emergence of new funding programs specifically targeted at preservation activities. The following section describes the development, eligible uses, and general requirements for these new financing tools.

Measure KK Oakland Infrastructure Bond

An opportunity to provide critically needed local resources that would support preservation efforts in Oakland arose last year, when the City put forward Measure KK, a $600 million Infrastructure Bond measure placed on the November 2016 ballot for voter approval. The bond was proposed to invest tax dollars in safer streets and sidewalks, improved libraries and parks, upgrades to public safety buildings and fire stations, and high quality affordable housing. The final version of Measure KK allocated $100 million for existing affordable housing preservation, and it passed with overwhelming support from about 82% of Oakland voters. While specific funding programs and allocations are still being developed, Measure KK funds will support four general program types: acquisition/rehab, rental rehabilitation, homeowner rehabilitation, and new construction. While the City has existing rehabilitation and new construction funding programs that it plans to bolster using Measure KK funds, an entirely new funding program is being crafted around acquisition/rehab, the preliminary parameters for which is described here.

A large portion of Measure KK funds will be used to create a new acquisition/rehab program to assist in the acquisition and rehabilitation of existing multi-family housing properties and land for use as affordable housing. Eligible buildings for acquisition include unsubsidized housing vulnerable to speculative market pressures and subsidized affordable housing at risk of being lost to expiring affordability contracts. Funds can be used for property acquisition and holding costs, rehabilitation costs, and all associated soft costs. The loan amount will be about $150,000 per unit and affordability restrictions must be maintained on the property for at least 55 years. Developers purchasing unsubsidized rental buildings are expected to acquire mixed-income properties and stabilize rents for existing residents. Upon turnover, vacant units should be offered at affordable rates to renters earning 60% AMI or below until the average income for all households in the building reaches 80% AMI. For affordable homeownership programs, eligible buyers must be low or moderate income, earning 120% AMI or below. Funds will be awarded through a competitive process, and the point system will give significant weight to projects that provide a viable plan for targeting extremely low income households. In spring of 2017, the City of Oakland launched small pilot program with $1 million of City funds, called the Site Acquisition, Rehabilitation and Naturally Occurring Affordable Housing (NOAH) Preservation Program, offering awards of up to $300,000 to non-profit and for-profit affordable multi-family housing developers, which will help inform the distribution of Measure KK funds.
This program is being modeled in part after San Francisco’s thus far successful Small Sites program (SSP), an acquisition and rehabilitation loan program launched in 2014 that assists non-profit and for-profit entities to remove small housing developments of 5-25 units from the market and restrict their rents for long-term affordability. The program began in 2014 as a $3 million pilot program, and due in part to its early success, the City of San Francisco increased the budget for SSP to $75 million primarily using the City’s Housing Trust Fund, inclusionary set-aside, and bond funds. SSP projects are intended to be mixed-income developments, with rents restricted to an average of 80% AMI for the life of the project. The City of San Francisco offers a maximum of $350K of subsidy per unit along with a traditional mortgage loan to purchase and/or rehab the property.

So far, 78 units have already been closed using SSP funds, stabilizing housing for 154 people, and 59 more are pending closing, for a grand total of 137 units on the path to preservation (Harris 2017). Smaller-scale housing developers, such as the San Francisco Community Land Trust and Mission Economic Development Agency, have expressed that the program has empowered their organizations to compete at market and stabilize tenants’ homes. There are of course, lessons to be learned. The program establishes a timeframe of 90 days to close the loan, but in SF’s hot market, this is not always fast enough for sellers, who can sometimes close with other buyers within 45-60 days. In addition, program costs have been relatively high thus far, ranging from $200K to $750K per unit, so the City is considering the introduction of a project funding cap and targeting less expensive areas of San Francisco. These funds are also limited in terms of the types of properties they preserve, leaving out larger rental properties and untraditional housing types like lofts, warehouses, single-room occupancy buildings, and accessory dwelling units (Harris 2017).

The Acquisition/Rehab Working Group advising the City on program design is also looking to the former Oakland Affordable Housing Site Acquisition Loan Program as a precedent. The program was adopted in 2000 and used $43 million of redevelopment agency set-aside bond funds to assist non-profit and for-profit developers in acquiring sites for affordable housing development. The Redevelopment Agency provided up to 100% of the acquisition and a pre-approved budget for holding costs, including insurance, property taxes, maintenance. However, it was soon discontinued during the 2002 economic downturn. During its short life, the loan program gave preference to projects that pursued vacant land and buildings in targeted areas of the city. Once sites had been acquired, projects with deeper affordability were eligible to convert the acquisition loan into permanent financing. The most compelling aspect of the program is that City staff could approve acquisition loans with City Administrator sign-off and without City Council approval. Because of this, loans were able to be closed within 30 days, allowing affordable housing developers to effectively compete with market-rate developers for sites.
**MTC Regional Preservation Fund**

In fall of 2015, fifteen Bay Area cities requested that the Metropolitan Transportation Commission (MTC) assist in their efforts to address the region’s affordability crisis by dedicating $10 million to the creation of a regional preservation fund (Enterprise and LIIF 2016). MTC Commission took action by voting to commit the $10 million in seed funding in 2017 to support the acquisition and rehabilitation of unsubsidized housing affordable to low- and moderate-income populations under the conditions that MTC funds are leveraged alongside sources by five to one and that funds are targeted to Transit Priority Areas and Priority Development Areas (Enterprise and LIIF 2016).

MTC has asked Enterprise Community Partners and Low Income Investment Fund to develop the financing tools that would be created with these funds. While still being developed, the tools are intended to assist developers to acquire and hold properties for up to 10 years, such that they have sufficient time to stabilize the properties post-acquisition (Enterprise and LIIF 2016). During this “mini-permanent” 10-year hold phase, developers can carry out minimum repairs and develop a long-term financial plan to repay program debt (Enterprise and LIIF 2016). Exit strategies for both larger multi-family housing and small sites have been explored. Large properties may utilize Low Income Housing Tax Credits (LIHTC) or other existing typical sources of affordable housing financing at the local, state, and federal level (Enterprise and LIIF 2016). Small sites may rely on committed public or private funding sources specifically targeted to small sites, such as the San Francisco Small Sites program and the soon-to-be Measure KK Acquisition/Rehab program (Enterprise and LIIF 2016).

One potential risk of such a program is that a developer may not be able to secure long-term financing to keep a property affordable, in which case a secondary source of repayment would likely be the sale of the property without guarantee that it will not be converted market-rate (Enterprise and LIIF 2016). However, proponents of the prospective funding source argue that even stabilizing an affordable property for 10 years and avoiding the displacement of residents during that time period is a significant accomplishment worth the risk (Enterprise and LIIF 2016).

**Measure A1 Alameda County Affordable Housing Bond Funds**

In the summer of 2016, the Alameda County Board of Supervisors submitted an affordable housing bond ballot measure, Measure A1, for approval by Alameda County voters in the November 2016 election. The bond measure passed with 73% of the vote, raising $580 million for the creation and preservation of affordable housing for extremely low-income residents with special needs and the low to moderate income workforce population. The funds are allocated to a combination of rental and homeownership programs for projects located within the county.
The largest proposed program is the Rental Housing Development Program, which will provide $425 million in funds for the creation and preservation of affordable rental housing with about $55 million dedicated to the City of Oakland and an additional $89 million dedicated to all North County cities, which includes Oakland (Alameda County Board of Supervisors 2016). The use of funds in this component is intended to be flexible within bond eligibility parameters, making it ideal for predevelopment, construction period, and permanent financing for new construction, acquisition, and rehabilitation (Alameda County Board of Supervisors 2016).

An additional program, called the Rental Housing Innovation and Opportunity Fund, allocates $35 million to support the ability for affordable housing developers to respond quickly to opportunities that arise in the market, to preserve and expand affordable rental housing, and to prevent displacement of current low-income tenants (Alameda County Board of Supervisors 2016). This is a unique opportunity for mission-driven housing developers in Oakland pursuing acquisition/rehab efforts. One of the expressed uses of this component’s funds will be the creation of “a rapid-response, high opportunity site acquisition and predevelopment loan program under which pre-qualified developers can apply for quick-turnaround, relatively small loans, to secure properties for purchase” (Alameda County Board of Supervisors 2016). Properties eligible for these funds include vacant land, existing apartment buildings, or motels that become available in the market and can be converted to affordable housing (Alameda County Board of Supervisors 2016).

Recommendations and Further Research

The above stakeholder relationships and financial resources are important requisites for bringing acquisition/rehab to scale in Oakland, and they provide a promising foundation to meet the Housing Implementation Cabinet’s target of 2,000 units. However, there are many more properties in need of preservation and a number of ways in which stakeholders can be augment and improve the efficacy of their efforts. It is also important to acknowledge the limitations of acquisition/rehab as a strategy: not all 18,000 unsubsidized affordable housing units will go to market in the immediate future, and mission-driven developers only have so much funding and capacity go about acquiring properties. Thus the following section provides recommendations and ideas for further exploration to both strengthen the emerging infrastructure for acquisition/rehab and augment those efforts with complementary preservation programs.

Recommendation #1: Align, Diversify, and Increase Acquisition/Rehab Financing

The passage of Measure KK, Measure A1, and the MTC Preservation Fund will provide timely and much needed local and regional resources for acquisition/rehab, but the structuring of these financing tools will greatly impact how far those funds will go. Additionally, as with all affordable housing programs, more funds will be needed from public agencies and organizations at all
geographic scales to achieve large-scale impact and to achieve community development goals. Some ideas to work towards this recommendation include:

Facilitate leveraging of multiple local and regional funding sources for acquisition/rehab:
The entities that are designing financing programs with newly passed local and regional resources must do so in a way that allows mission-driven developers to leverage more than one at once. Affordable housing developers are well versed in the challenging work of piecing together a wide range of funding streams, each with unique program requirements, to make their projects pencil out. Ideally, because the program development of Measure KK, Measure A1, and the MTC Preservation funds are all coinciding, they can be designed in a way that allows local housing developers to leverage all three for one project. For example, public agencies administering these funds can ensure that any one program's affordability requirements are flexible enough such that developers can meet the affordability requirements of another program simultaneously. Programs should also have an eye for how other funding sources may help developers fulfill some of the requirements; for example, Measure KK funds has a 20% set-aside for extremely low-income residents, so it will be important that the City of Oakland work with the Oakland Housing Authority to ensure that there will be enough Section 8 vouchers to achieve that depth of affordability.

Provide financial incentives to private owners of unsubsidized housing that commit to long-term affordability: It is important to acknowledge the limitations of acquisition/rehab by mission-driven developers, who have limited funds and capacity. Even with more resources, it is unrealistic that all 18,000 units of unsubsidized affordable housing units will go to market in the immediate future. For this reason, local governments can provide financial incentives to owners that agree to maintain affordable rents over time. For example, the City of Oakland currently has a Home Maintenance Improvement program that offers rehab loans to owners of small properties to make needed physical repairs in exchange for 10 years of affordability for tenants with low to moderate incomes. The City can build on this program by extending the affordability terms beyond 10 years and expanding the types of building types that are eligible for these types of funds. The City can also advocate at the state-level to offer property tax exemptions for private owners of that agree to implement long-term affordability restrictions on some defined number or percentage of units or for owners that commit to accepting tenants with Section 8 certificates.

Develop financing programs that meet multiple community development goals: Many stakeholders interested in developing a citywide acquisition/rehab strategy in Oakland are eager to not only house, but also empower residents through deep community engagement during this process. A number of groups are brainstorming ways to implement a resident-centered
acquisition/rehab strategy and The California Endowment is looking to create an investment tool towards this end. One precedent for a funding program that both houses and empowers low to moderate income residents through acquisition/rehab is New Haven Connecticut’s Landlord Entrepreneurship Affordability Program (LEAP), which offers downpayment assistance and mortgages to people earning 80% AMI to buy small multifamily properties of 2-4 units, requiring that they live in one of the units and rent all other units out to residents earning no more than 80% AMI (HUD User 2016). In this way, the program not only provides low and moderate income residents housing, but also the opportunity to be direct investors and property managers. In addition, Neighborhood Housing Services of New Haven provides classes on property management as well as the rights and responsibilities of landlords and tenants (HUD User 2016).

**Recommendation #2: Implement Complementary Preservation Policies**

In addition to providing urgently needed financing tools for acquisition/rehab, public agencies can pass legislation and create programs to help facilitate the work of organizations carry out preservation work. Some examples of these policy tools include:

**Pass legislation that uplifts the preferences of residents and the organizations that serve them:** One way to help tenants and/or non-profit organizations have an upper hand in the acquisition of unsubsidized affordable housing is to grant these stakeholders right of first refusal. For example, Washington D.C. has a Tenant Opportunity to Purchase Act (TOPA), passed in the 1980s, which requires landlords who are selling their properties to provide existing tenants with an offer of sale and give them 90 days to issue a statement of interest (Treskon and McTarnaghan 2016). Landlords and tenant organizations then have 120 days to negotiate the sale, during which tenants can buy the property directly or assign their rights to other groups, such as non-profit housing developers (Treskon and McTarnaghan 2016). This type of tool offers multiple lines of defense before a building goes to market: first, it allows residents with the necessary financial means and organizing capacity to take ownership of their homes and second, if tenants themselves do not have the means or desire to directly acquire property, it gives tenants an opportunity to ensure that there is a transfer of ownership to mission-driven entities committed to long-term affordability. By allowing for greater dialogue between property owners looking to sell and the residents affected by that decision, this type of policy can help preserve affordable housing stock in strong housing markets like Oakland, as long as residents can connect with necessary finance tools and project partners.

**Reform code enforcement policy to tie in affordability requirements:** Local jurisdictions can use code enforcement to compel absentee landlords to repair and properly maintain housing units in physical decay, or to relinquish ownership if they fail to rectify code violations. Because
the City of Oakland has the authority to cite code violations, press for corrections or prosecution, and negotiate resolution between landlords and tenants, there may be an opportunity to formally incorporate long-term affordability requirements into the code enforcement process. When private owners agree to rectify code violations, the City should prohibit landlords from passing on renovation costs to tenants through exorbitant rent increases (PolicyLink 2002). If property owners with outstanding habitability issues give up ownership, the City should facilitate the sale of these properties directly to tenants or to mission-driven owners by granting them the right of first refusal as into its code enforcement process like the one described above (PolicyLink 2002). Another mechanism to incorporate affordability into the code enforcement process is a receivership, a legal process that allows a third party appointed by a court to take temporary possession of a privately owned, substandard property to bring it up to code (Rose and Lin 2015). Oakland HCD is looking to revive a receivership program it once had and ca prioritize properties that have extensive code violations with the potential to become affordable housing in priority neighborhoods (Rose and Lin 2015). The City can also waive payment of its municipal liens on receiver properties if the property is used for long-term affordable housing (Rose and Lin 2015).

**Recommendation #3: Expand and Deepen Stakeholder Collaborations**

Finally, in addition to financial and policy tools, stakeholders in Oakland should expand and deepen their collaboration around preservation efforts.

**Bring together existing collaborations for greater impact and diversity of perspectives:**

Once existing working groups and collaborations in Oakland have developed their internal shared goals and work plans, they can engage more actively with other groups to increase their capacity and deepen their impact. For example, the Oakland Property Acquisition Collective (OPAC), a group of mission-driven developers coordinating efforts to acquire and rehab properties, can work with the BA4A working group to collectively target properties that are both feasible for acquisition from a development standpoint and of high priority to community-based organizations and residents. In this way, mission-driven developers can share their technical and transactional knowledge about acquisition/rehab and base-builders can share their community knowledge about residents’ property priorities and organizing.

**Identify and fill gaps in expertise and assets:** While a diverse set of stakeholders are already engaged in conversations about preservation from a variety of perspectives, these groups should identify others in Oakland that can be brought into the discussion to fill in any gaps in expertise or assets. For example, mission-driven sellers of property or mission-minded private investors are largely missing from these discussions and are important to converse with. Additionally, a number of other housing developers in Oakland and surrounding region already
engage in acquisition/rehab could be brought in to expand the knowledge base of existing working groups.

**Connect with preservation networks beyond Oakland:** A number of multi-stakeholder, multi-sector networks have emerged around preservation in other regions throughout the U.S. and at the national scale. Communicating and exchanging experiences with these large-scale collaborations can help inform Oakland’s work, especially among groups in competitive real estate markets similar to the Bay Area. Some examples of groups working on bringing preservation to scale include:

- **The National Preservation Working Group:** coalition of affordable-housing advocates, developers, and other stakeholders advocating federally for more effective preservation policies
- **Preservation Compact:** brings together stakeholders in the Chicagoland region involved in efforts to preserve affordable multifamily rental housing
- **Greater Minnesota Housing Fund:** recently launched a regional NOAH Impact fund that target 2,000 NOAH units with capital from mission-motivated investors.

**Conclusion**

Oakland is building a promising infrastructure around preservation of affordable housing and has the potential to successfully preserve the City’s 2,000-unit target by leveraging emerging stakeholder relationships and financing tools. To improve the efficacy of these efforts and reach beyond the initial target set out for the City, stakeholders in Oakland will need to explore more strategic financing tools, policy programs, and stakeholder relationships, such as the examples provided here. No one strategy will be a panacea to preserve all 18,000 unsubsidized affordable housing units in Oakland. Each strategy can individually achieve incremental gains towards preservation, but the full range of existing and potential strategies must be pursued simultaneously to achieve both breadth and depth of impact citywide.
References
Alameda County Board of Supervisors. 2016. “Proposed $580 Million Affordable Housing General Obligation Bond Program Summary.”


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Appendix
Detailed Research Methodology
This report presents qualitative and quantitative data that was gathered through a mixed methods approach including literature review, secondary data collection and analysis, expert and stakeholder interviews, and stakeholder meeting observation. The following table expands on specific research questions explored and the corresponding research methods and sources used to answer those questions.

### Detailed Research Questions and Methods

<table>
<thead>
<tr>
<th>Research Question</th>
<th>Research Methods</th>
</tr>
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</table>
| What will it take to preserve Oakland’s unsubsidized affordable housing through a citywide acquisition/rehab strategy? | -Literature review  
-Secondary data from the American Community Survey (ACS) 5-Year Estimates, Zillow, City of Oakland, and Urban Displacement Project |
| What is the problem that an acquisition/rehab strategy addresses?                   | -Literature review  
-Secondary data from the American Community Survey (ACS) 5-Year Estimates, Zillow, City of Oakland, and Urban Displacement Project |
| - What is the extent of the housing crisis in Oakland?                              | -Literature review  
-Secondary data from the American Community Survey (ACS) 5-Year Estimates, Zillow, City of Oakland, and Urban Displacement Project |
| How does acquisition/rehab work as an anti-displacement strategy?                  | -Literature review  
-Interviews with City of Oakland staff, non-profit developers, community development professionals, and housing advocates  
-Observation of acq/rehab stakeholder meetings |
| - What are its advantages compared to new construction?                            | -Literature review  
-Interviews with City of Oakland staff, non-profit developers, community development professionals, and housing advocates  
-Observation of acq/rehab stakeholder meetings |
| - What are the challenges?                                                         | -Literature review  
-Interviews with City of Oakland staff, non-profit developers, community development professionals, and housing advocates  
-Observation of acq/rehab stakeholder meetings |
| - What are the factors for success?                                                | -Literature review  
-Interviews with City of Oakland staff, non-profit developers, community development professionals, and housing advocates  
-Observation of acq/rehab stakeholder meetings |
| What is the supply of unsubsidized affordable rental housing and poor quality housing in Oakland? | -Secondary data analysis using ACS Public Use Microdata Sample (PUMS), ACS 5-Year Estimates, 2015 American Housing Survey Data (AHS), City of Oakland Housing Element Data, and City of Oakland Code Enforcement Data |
| - How does the supply differ by affordability level, building size, building age, tenure of occupants, and degree of physical issues? | -Secondary data analysis using ACS Public Use Microdata Sample (PUMS), ACS 5-Year Estimates, 2015 American Housing Survey Data (AHS), City of Oakland Housing Element Data, and City of Oakland Code Enforcement Data |
| What are the existing and emerging efforts around acquisition/rehab in Oakland?    | -Interviews with City of Oakland staff, non-profit developers, community development professionals, and housing advocates  
-Observation of acq/rehab stakeholder meetings |
| - Who are the stakeholders around acquisition/rehab and what are their respective opportunities and challenges? | -Interviews with City of Oakland staff, non-profit developers, community development professionals, and housing advocates  
-Observation of acq/rehab stakeholder meetings |
| - What financial tools are available for acquisition/rehab in Oakland?             | -Interviews with stakeholders engaged in or interested in engaging in acquisition/rehab work in Oakland  
-Observation of acq/rehab stakeholder meetings |
| How can the citywide acquisition/rehab strategy be more effective, collaborative, and inclusive? | -Interviews with stakeholders engaged in or interested in engaging in acquisition/rehab work in Oakland  
-Observation of acq/rehab stakeholder meetings |
| - What can be done to increase the capacity of stakeholders?                       | -Interviews with stakeholders engaged in or interested in engaging in acquisition/rehab work in Oakland  
-Observation of acq/rehab stakeholder meetings |
| - What potential synergies can be created and leveraged between various stakeholders? | -Interviews with stakeholders engaged in or interested in engaging in acquisition/rehab work in Oakland  
-Observation of acq/rehab stakeholder meetings |
Secondary Data Analysis

Secondary data analysis was used in this report to generate estimates for the supply of unsubsidized affordable rental housing in Oakland. To develop a grand total of unsubsidized affordable housing units, the overall approach was to subtract the total number of known subsidized units, which are closely tracked by the City because of their affordability restrictions, from the total number of units affordable to low and moderate income residents in the city of Oakland, which can be estimated from disaggregated Census data.

The 2011-2015 American Community Survey Public Use Microdata Sample (ACS PUMS) was used to determine the total number of rental units affordable to low and moderate income households in the city of Oakland. The geography of Oakland is roughly represented by the Public Use Microdata Areas (PUMAs) 00102, 00103, and 00104 (see map and note below for details about the geographic scope of the data presented). Low income households are defined in this report as earning 0-80% of the Area Median Income (AMI) and moderate income households are defined as earning 80-120% AMI. Households were considered to be living in an affordable housing unit if they were not rent-burdened, or in other words, if their gross rent did not exceed 30% of their household income.

Figure 11: Map of Oakland City Border and ACS PUMAs

Note: In this data analysis, estimates were generated for the City of Oakland using ACS PUMS records from PUMAs 00102, 00103, and 00104. The neighboring cities of Emeryville and Piedmont are included in these PUMAs but do not pose too much of an accuracy problem because they these are small communities that are contiguous and relatively similar in character to adjacent Oakland residential neighborhoods. Additionally, the Oakland International Airport and some adjacent residential neighborhoods are located in PUMA 00105, but this PUMA was excluded from the data analysis because it also includes large areas of Alameda City and San Leandro.
Housing weights in the PUMS ACS dataset were used to produce percentages for variables of interest, including the aggregate number of affordable housing units, subsidized and unsubsidized (explained in the previous paragraph), and the breakdown of that total by income level, building size, and year built. Those percentages were then multiplied by Oakland Place-level estimates from the 2011-2015 American Community Survey (ACS) to develop approximate city figures.

The total number of subsidized rental affordable housing units was obtained from the 2014 City of Oakland Housing Element. This includes all privately-owned/publicly subsidized housing units, Oakland Housing Authority (OHA) public housing units, and OHA Project-Based and Tenant-Based Section 8 Vouchers.

An additional data analysis was conducted to develop estimates for the supply of housing units in Oakland that are in poor physical condition and likely in need of rehabilitation. The 2015 American Housing Survey (AHS) reports housing quality data for the San Francisco-Oakland-Hayward Metro Area. Percentages for respondents in the Metro Area that had moderately inadequate or severely inadequate housing quality were applied to the total number of Oakland households reported in the 2011-2015 ACS to develop a rough estimate of Oakland’s poor quality housing supply. This methodology was used by the City of Oakland to approximate the number of NOAH units in throughout the city. Their original analysis used 2011 AHS data, so this is an update using the most recent data available. The 2015 AHS housing quality percentages by building size are listed here:

<table>
<thead>
<tr>
<th>Building Size</th>
<th>Severely Inadequate</th>
<th>Moderately Inadequate</th>
<th>Adequate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>0.9%</td>
<td>1.95%</td>
<td>97%</td>
</tr>
<tr>
<td>2-4 Units</td>
<td>3.1%</td>
<td>5.49%</td>
<td>91%</td>
</tr>
<tr>
<td>5-19 Units</td>
<td>4.7%</td>
<td>4.89%</td>
<td>90%</td>
</tr>
<tr>
<td>20-49 Units</td>
<td>2.9%</td>
<td>5.46%</td>
<td>92%</td>
</tr>
<tr>
<td>50+ Units</td>
<td>5.8%</td>
<td>7.28%</td>
<td>87%</td>
</tr>
</tbody>
</table>

**Stakeholder Meeting Observation**

Upon request from City of Oakland staff, Enterprise Community Partners began convening a small working group in early 2016 to refine the Housing Component of the Oakland Infrastructure Bond (Measure KK), which was passed by voters in November 2016. This group, called the Acquisition/Rehab Working Group, began to define the universe of unsubsidized affordable housing in Oakland, developed detailed preservation program options for the City, and projected outcomes for different scenarios of the Infrastructure Bond Housing Component.
The group has continued to conduct biweekly meetings to assist the City with designing a loan program for the newly passed bond funds.

Quantitative data on the landscape of unsubsidized affordable housing and qualitative research on existing and emerging acquisition/rehab efforts in Oakland presented in this report were gathered through observation and note-taking during twelve working group meetings between February 2016 and August 2016, and from internal memorandums produced by members of the working group.

Participants of the Acquisition/Rehab Working Group include:
- small and medium-sized housing developers—Oakland Community Land Trust, Hello Housing, Housing Consortium of the East Bay (HCEB), East Bay Asian Local Development Corporation (EBALDC)
- advocates and CDFIs—East Bay Housing Organizations (EBHO) and Local Initiatives Support Corporation (LISC)
- Oakland City staff—Housing and Community Development (HCD)

Visitors to working group meetings that shared information included in this report represented the following agencies:
- San Francisco Mayor’s Office of Housing and Community Development
- Oakland Housing Authority

**Expert and Stakeholder Interviews**

Twelve interviews were conducted with experts and stakeholders that either engage in or have interest in acquisition/rehab efforts in Oakland. The first batch of stakeholder interviewees were recruited through the Oakland Acquisition/Rehab Working Group and subsequent interviewees were recruited through referrals and snowball sampling.

The full list of interviewees included:
- Ethan Guy, City of Oakland City Administrator’s Office
- Jean Casey, City of Oakland Planning and Building
- Meghan Horl, City of Oakland Housing and Community Development
- Geeta Rao, Enterprise Community Partners
- Anne Griffith, Enterprise Community Partners
- Steve King, Oakland Community Land Trust
- Darin Lounds, HCEB
- Josh Simon, EBALDC
- Laurie McWhorter, EBALDC
• Jeffrey Levin, EBHO
• Gloria Bruce, EBHO
• Elizabeth Wampler, Great Communities Collaborative/The San Francisco Foundation

The following general topic guide was expanded upon and tailored to each interviewee as relevant:

1. What have been your past and current efforts or interests around acquisition/rehab of unsubsidized affordable housing?
2. What have you found to be successful in your acquisition/rehab work?
3. What have you found to be challenging in your acquisition/rehab work?
4. Moving forward, how do you envision the role of your organization in a citywide acquisition/rehab strategy?
5. What policy or financial tools could help facilitate, expand, or deepen your acquisition/rehab work?
6. What can other mission-driven entities in Oakland do, if anything, to help facilitate, expand, or deepen your acquisition/rehab work?