Investment without Displacement: Preserving Existing Affordable Housing

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Investment without Displacement – Workshop Series

- Augmenting and preserving existing housing stock
- Stabilizing Neighborhoods
- Increasing Affordable Housing Supply
Workshop 1: Neighborhood Stabilization

“About four years ago, when we started hearing stories on the Peninsula about rent increases and evictions, it became clear quickly ... that building affordable housing was going to be too slow to meet their need, and too small scale to address the thousands of people who were going to be in need. So we discovered the tools of rent control and just cause for eviction, and really started advocating for that in a variety of cities.”

Jennifer Martinez
Faith in Action
Workshop 2:
Creating New Affordable Housing

“We can afford to make housing affordable here, because having too much money is the nature of the problem. There are mechanisms that allow us to tap into the economic engine of our economy to help spread the benefit. But it doesn’t just happen on its own.”

Rick Jacobus
Street Level Advisors
The economy is booming in the San Francisco Bay Area, spurring enormous job creation and an influx of new high-earner households. But rapid growth is placing extreme pressure on housing markets, and for the region’s lower income communities – which are disproportionately communities of color and were already experiencing high rates of housing cost burden – this has translated into escalating rents and rises in evictions. These gentrification and displacement pressures threaten economic and racial diversity of the region in the long-term. What would it look like to change this trajectory and guide growth and development in a more equitable manner? What are the needed policy tools and how can diverse stakeholders come together to make change?

Together with the Community Development team at the San Francisco Federal Reserve Bank, and the Great Communities Collaborative at the San Francisco Foundation, we are hosting a four-part workshop series on Investing without Displacement.

These workshops bring together staff and elected leaders from local and regional government, community-based organizations, funders, developers, business leaders and others to:

- Explore solutions that both provide immediate relief to communities and build more inclusive communities over a longer time frame;
- Examine the root causes of specific affordability challenges in the Bay Area today;
- Develop a shared understanding of how Bay Area towns and cities can manage growth and investment without displacement;
- Discuss challenges and pathways to implementing solutions; and
- Foster peer learning and build networks between government, advocates, and others to accelerate knowledge sharing and adoption of best practices.

**Workshops**

1. Neighborhood Stabilization, 11/22/16, Federal Reserve Bank of San Francisco

   - Download the framing presentation -- [PDF](http://www.urbandisplacement.org/IWD2017), or [PowerPoint](http://www.urbandisplacement.org/IWD2017) (with sources and links in notes).
   - Read the [summary blog post](http://www.urbandisplacement.org/IWD2017).
Bay Area: Growth and Displacement Pressures
Bay Area on the Rise

Bay Area Gross Domestic Product (GDP)

Per Capita GDP (Current US $)

Bay Area
California
United States

Sources: US Bureau of Economic Analysis, MTC Vital Signs, CA Dept. of Finance
Recent economic growth is not a neutral story

Declining poverty
Income inequality

Growth in high wage jobs

Low unemployment
Rising rents

Jobs and housing mismatch

Suburbanization of poverty
Rent Over Time: Bay Area vs. California

Median Rent, 2011-2015

Source: Zillow Rental Index Multifamily, SFR, Condo/Co-op Time Series

Bay Area Average
San Jose Metro Area
San Francisco Metro Area
California
Wages Have Not Kept Up With Rents

Median Rent and Income

Source: American Community Survey 1 year estimates
Note: All values adjusted to 2015 dollars
Augmenting and Preserving Existing Affordable Housing
Housing preservation

The process of maintaining and improving the **physical integrity** and **affordability** of existing housing stock where needed to protect current residents from displacement.
Older Units are More Affordable

Median Gross Rent by Year Structure Built

San Francisco-Oakland-Hayward, CA Metro Area
San Jose-Sunnyvale-Santa Clara, CA Metro Area
Bay Area Average

Source: American Community Survey, 5-yr estimates, 2009–2014, Table B2511
But more likely to be substandard

Loss of Affordability in Non-Subsidized Units, ‘00 – ‘15

Source: Add detail...
Loss of Affordability from Turnover in Rent-Controlled Units, ‘10 – ‘15

Berkeley: 64%
East Palo Alto: 67%
Oakland: 52%
San Francisco: 45%
San Jose: 56%

Source: Add detail...
Average Rent Gap of $605

Source: American Community Survey, 5-yr estimates, 2010-2015
Many Subsidized Units are at Risk of Conversion

Source: Association of Bay Area Governments, 2015
Why is it important to preserve and improve existing affordable housing stock?
Threats to Existing Affordable Housing

“NATURALLY OCCURRING”
- Rising rent
- Market-rate flips

“SUBSIDIZED”
- Expiration of affordability agreements
- Demolition (e.g., HOPE VI)

“BOTH”
- Substandard / lack of maintenance
Substandard living conditions: Public health risk

• About 40% of diagnosed asthma among children believed to be attributable to residential exposures.

• Annual cost of lead poisoning in Oakland: $150 million per year

Photo credit: Jennifer Wadsworth
“If we stayed there longer, it could have killed us. Now look, we’re alive but homeless.” – Kathleen Radivojec, San Jose resident suing landlord

Photo credit: Jennifer Wadsworth
What are some of the tools to preserve and improve the existing affordable housing stock?
Preservation Policy Tools

**PREVENTATIVE POLICIES**

- Renter protections (JCE)
- Rent stabilization/control
- Condo conversion controls
- SRO/mobile home preservation
- Foreclosure prevention
- Tax incentives for private owners
- One-for-one replacement
- Demolition restrictions
- Right of return
- Short-term rental regulation
- Relocation assistance

**ACQUISITION STRATEGIES**

- Tenant purchase/alternative ownership models (coops, CLTs, etc.)
- Tax-default acquisition strategies
- Retention of subsidized units facing expiring use
- Streamlined access to funding for acq/rehab
How can code enforcement be leveraged as a preservation tool?

- Many cities turning to **proactive code enforcement**
- **Challenges:**
  - Poor condition, debt
  - Sustainable ownership/management structures
- **Goal:** force landlords to:
  - Repair and properly maintain OR
  - Relinquish ownership
- **Key elements for community benefit:**
  - Local gov’t negotiates improvements AND long-term affordability
  - Tenants associations negotiate transfer of ownership
“Success” Story: Code Enforcement in Washington DC

“We put up for years with the noise and dust and headache while the Metro was being built and now we are being told we had to leave.”

– Sister Carmen Soto

- 24–unit multi–family apt building, mostly Latino and Vietnamese
- Received 2–week closure notice
- Community organizing with CBOs
- Negotiation: **Tenant purchase:** Owners relinquished building to tenants + $300,000 in rehab funds
- Outcome: **Only a short–term success:** Four years later sold to a developer, converted to luxury condos
Success Story: Resident “Opportunity to Purchase” Mobile Home Parks in OR

- Oregon state law: resident “opportunity to purchase” for mobile home parks

- Vida Lea Mobile Estates, Leaburg, OR:
  - Mobile home park for seniors
  - Owner wanted to sell park
  - Residents formed the Vida Lea Community Cooperative, which purchased the park in 2012
  - Community Cooperative Supervised improvements and repairs to the property

Vida Lea Mobile Estates
Source: CASA of Oregon
Success Story: Tenant Justice Campaign, Oakland

• Goal: keep residents of RC units from being pushed out due to capital improvements
• 2014: City Council limited rent increases due to capital improvements
  – Only 70% of the cost of the upgrades can be passed on to tenants

Photo Source: Leah Millis, SF Chronicle
What are some success stories and challenges in the Bay Area?
Today’s Panel

Felix AuYeung
MidPen Housing Corporation

Kate Hartley
San Francisco Mayor’s Office of Housing and Community Development

Rosemary Bosque
San Francisco Department of Building Inspection

Geeta Rao
Enterprise Community Partners, Inc.