The Urban Displacement Project: Lessons for Housing Production and Preservation

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Regional sustainability planning, urban displacement?

2040 Plan Bay Area:
• 2 million new residents, 1 million new jobs
• 80% of new growth in 5% of land area
Developing a New Methodology for Analyzing Potential Displacement
Funded by California Air Resources Board and MTC, March 2014-February 2017
case studies on Gentrification and Displacement in the San Francisco Bay Area
Online Interactive Map

http://www.urbandisplacement.org
Definitions: Gentrification and Displacement

**Gentrification:**
Transformation of urban working-class neighborhoods by influx of capital and/or higher-income residents.

**Displacement:**
When households are forced to move or are prevented from moving into a neighborhood due to conditions which are beyond their ability to control or prevent (e.g., rent increases).

-- Occurs in all types of neighborhoods
-- May be physical, economic, or exclusionary
Change in Low Income Households

2000: 970,272 low income households

2013: 1,064,681 low income households

➤ **Net gain** of 94,408 low income households

➤ On average tracts **gained** 60 low income households.
Loss of Naturally Affordable Housing

2000: 223,046 low income households lived in naturally affordable housing

2013: 117,149 low income households lived in naturally affordable housing

- Loss of 47% of naturally affordable units while
- Number of low income households grew by 10%
Where low-income households move (2013)

- 40% of low-income households move to the core cities
- 60% to the suburbs

Proportion of All Low-Income In-Movers by Census Tract, 2013

- < .02%
- .02 - .04%
- .04 - .06%
- .06 - .08%
- > .08%
Regional Displacement

- > 53% of low-income households live in neighborhoods at risk of gentrification and displacement.

- ~ 50% of displacement is happening in moderate/high income neighborhoods.
## Census Tract Typology Classification

<table>
<thead>
<tr>
<th>Lower Income Tracts (&gt;39% of HH are considered Low Income)</th>
<th>Moderate to High Income Tracts (&lt;39% of HH are considered Low Income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not losing low income households or very early stages</td>
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</tr>
<tr>
<td>Does not fall within any of the below categories</td>
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</tr>
<tr>
<td>At risk of gentrification or displacement</td>
<td>At risk of displacement</td>
</tr>
<tr>
<td>• Strong market</td>
<td>• Strong market</td>
</tr>
<tr>
<td>• In TOD</td>
<td>• In TOD</td>
</tr>
<tr>
<td>• Historic housing stock</td>
<td>• Historic housing stock</td>
</tr>
<tr>
<td>• Losing market rate affordable units</td>
<td>• Losing market rate affordable units</td>
</tr>
<tr>
<td>• Employment center</td>
<td>• Employment center</td>
</tr>
<tr>
<td>Undergoing displacement</td>
<td>Undergoing displacement</td>
</tr>
<tr>
<td>• Already losing low income households, naturally affordable units, and in-migration of low income residents has declined</td>
<td>• Already losing low income households</td>
</tr>
<tr>
<td>• Stable or growing in size</td>
<td>• Decline in either naturally affordable units or in-migration of low income residents</td>
</tr>
<tr>
<td>Advanced Gentrification</td>
<td>Advanced Exclusion</td>
</tr>
<tr>
<td>• Gentrified between 1990 and 2000 or between 2000 and 2013 based on:</td>
<td>• Very low proportion of low income households</td>
</tr>
<tr>
<td>• Neighborhood vulnerability</td>
<td>• Very low in-migration of low income households</td>
</tr>
<tr>
<td>• Demographic change</td>
<td></td>
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<tr>
<td>• Real estate investment</td>
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</table>
Anti-Displacement Policies

**LAW/DEVELOPMENT**

- Short-term
- Building by building, tenant by tenant

**POLICY**

- Seek displacement remedies
  - Just Cause, tenant protections
  - Discrimination enforcement
  - Code enforcement
  - Tenant counseling
  - Tenant rental assistance
  - Tenant right to purchase laws
  - Community organizing

- Preserve and fund new affordable housing
  - Project-based Section 8 preservation
  - Rent control/stabilization
  - Rental building acquisition
  - Condo conversion restrictions
  - Foreclosure prevention
  - SRO regulations
  - One-for-one replacement
  - Mobile home park preservation
  - Permit streamlining/fee reduction
  - Tax exemptions
  - Affordable housing tax
  - Bonds for housing construction
  - Demolition control
  - Housing rehab programs
  - Homeownership programs
  - Fair housing
  - Asset building/minimum wage

- Stabilize neighborhoods and promote diversity
  - Density bonuses/inclusionary
  - Value recapture
  - Impact and linkage fees
  - Community benefit districts, housing overlay zones
  - Zoning/density restrictions
  - Station area plans
  - Reduced parking requirements
  - Reduced barriers to second units
  - Public land disposition
  - Housing trust funds
  - Land acquisition funds/land trusts
  - Housing elements
  - Transportation investment

**PLANNING**

- Long-term
- City/regional
SB 1069/AB 2299: Accessory Dwelling Units

North Berkeley
BART
ADU Potential in Unincorporated San Mateo County
Regional policy inventory

<table>
<thead>
<tr>
<th>County: Alameda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent stabilization or rent control: Complex formula with 29 factors annually calculated; 3.5% with $30/unit cap (1980, last amended 2005)</td>
</tr>
<tr>
<td>Rent review board or mediation: Yes (1980) funded by fees on all registered rental units. Independently elected board, not under the authority of the City Council, with separate staff.</td>
</tr>
<tr>
<td>Mobile home rent control: Yes</td>
</tr>
<tr>
<td>SRO preservation: Yes - BHA provides subsidy for 98 units of SRO</td>
</tr>
<tr>
<td>Condominium conversion regulations: 100 units/yr. However, to the extent the number of units approved for conversion in any given year is less than 100, the quota for the following year may be increased by an equivalent amount, which may be carried forward from year to year, but shall not exceed a total of 200 rental units in any given year (2009)</td>
</tr>
<tr>
<td>Foreclosure assistance: Yes</td>
</tr>
<tr>
<td>Jobs-housing linkage fee or affordable housing impact linkage fee: Yes - Affordable housing mitigation fee (2011)</td>
</tr>
<tr>
<td>Commercial linkage fee/program: Office $5.00/sf, Retail $5.00/sf, Industrial $2.50/sf when greater than 7,500 sf. 20% of fees go towards child care operating subsidies (1998)</td>
</tr>
<tr>
<td>Housing trust fund: Yes</td>
</tr>
</tbody>
</table>
Figure 4
Housing Construction on California Coast Was Flat During National Housing Boom

Average Number of Building Permits in Major Metros

- California Inland
- Rest of U.S.
- California Coast

Yearly Data from 2000 to 2006
We gain and lose jobs rapidly but build housing slowly...
**Summary**

California has a serious housing shortage. California's housing costs, consequently, have been rising for decades. These high housing costs make it difficult for many Californians to find housing that meets their needs, forcing them to make serious trade-offs in order to live in California.

In our March 2015 report, California’s High Housing Costs: Causes and Consequences, we discussed evidence for California's housing shortage and discussed its major ramifications. We also suggested one remedy—California’s housing challenges is a substantial increase in private home building in coastal urban communities. An expansion of California’s housing supply would offer widespread Californians, as well as those who wish to live in California but cannot afford to do so.

Some fear, however, that these benefits would not extend to low-income Californians. Because construction is targeted at higher-income households, it is often assumed that new construction increases the supply of lower-end housing. In addition, some worry that construction of market-rate housing in low-income neighborhoods leads to displacement of low-income households. In response, some question whether efforts to increase private housing development are prudent. These observations are important to policymakers who must choose between expanding government programs that aim to help low-income Californians afford housing.

In this follow-up to California’s High Housing Costs, we offer additional evidence that substantial increases in market-rate housing in coastal urban communities would help make housing affordable for low-income Californians. Existing affordable housing programs assist only a small fraction of the state’s low-income households. Most low-income Californians receive little or no assistance. Expanding housing programs to help these households likely would be extremely challenging and prohibitively expensive. It may be best to focus on programs that help California’s more specialized housing needs—individuals and families or persons with significant physical and mental health challenges.

Encouraging additional private housing construction can help the many low-income Californians who do not receive assistance. Considerable evidence suggests that construction of market-rate housing for low-income households is, in fact, a strategy that can mitigate displacement in the short term. Bringing about more private home building, however, would be no easy task; requiring state and local governments to confront very challenging issues and taking many years to come to fruition. Despite these efforts to provide significant widespread benefits, lower housing costs for millions of California residents.
Summary

California has a serious housing shortage. California’s housing costs, consequently, have been high for decades. These high housing costs make it difficult for many Californians to find housing that meets their needs, forcing them to make significant trade-offs in order to live in California.

In our March 2015 report, California’s High Housing Costs: Causes and Consequences, we discuss the evidence for California’s housing shortage and discussed its major ramifications. We also suggested a key remedy to California’s housing challenges is a substantial increase in private home building in coastal urban communities. An expansion of California’s housing supply would offer widespread benefits to Californians, as well as those who wish to live in California but cannot afford to do so.

Some fear, however, that these benefits would not extend to low-income Californians. Recent construction is targeted at higher-income households, it is often assumed that new construction increases the supply of lower-end housing. In addition, some worry that construction of market-rate housing in low-income neighborhoods leads to displacement of low-income households. In response, some questioned whether efforts to increase private housing development are prudent. These observers instead focus on expanding government programs that aim to help low-income households afford housing.

In this follow-up to California’s High Housing Costs, we offer additional evidence that linking private housing development in the state’s coastal urban communities would help make housing affordable for low-income Californians. Existing affordable housing programs assist only a small proportion of low-income Californians. Most low-income Californians receive little or no assistance. Expanding housing programs to help these households likely would be extremely challenging and prohibitive. It may be best to focus these programs on Californians with more specialized housing needs—individuals and families or persons with significant physical and mental health challenges.

Encouraging additional private housing construction can help the many low-income Californians who do not receive assistance. Considerable evidence suggests that construction of market-rate housing helps reduce housing costs for low-income households and, consequently, helps to mitigate displacement in it. Bringing about more private home building, however, would be an easier task, requiring state authorities to confront very challenging issues and taking many years to come to fruition. Despite these efforts, the state could provide significant widespread benefits lower housing costs for millions of Californians.

Figure 3

Building Market-Rate Housing Appears to Reduce Displacement

Percent of Low-Income Bay Area Census Tracts That Experienced Displacement Between 2000 and 2013

<table>
<thead>
<tr>
<th>Amount of Market-Rate Housing Construction</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Communities</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Communities Without Inclusionary Housing</td>
<td>15%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Filtering is not enough

- 1.5% of market-rate units filter per year, but rents decline only 0.3% (Rosenthal 2014)
- If units built for median income households:
  - 15 years to filter down to households @80% of median
  - 50 years to filter down to households @50% of median
- In the short term, market-rate development brings higher rents
Market-rate housing slows down displacement, but subsidized housing is twice as effective.
Housing production may not reduce displacement pressure in a neighborhood
Democratizing data