



TO: Regional Advisory Working Group

Dated: August 26, 2015

FR: Miriam Chion, ABAG, and Ken Kirkey, MTC

RE: Understanding Displacement in the Bay Area – Definition, Measures and Policy Approaches

In July, the MTC Planning and ABAG Administrative Committees discussed displacement in, the context of Plan Bay Area 2040's draft goals and performance targets. The Committees directed staff to provide additional information on displacement including, a definition, potential causes, and policy interventions.

These topics are described in this memo, and conclude with staff recommendations on how to incorporate this policy issue into Plan Bay Area 2040. Information for this memo draws on research conducted by the University of California Berkeley's Center for Community Innovation for the Regional Early Warning System for Displacement (REWS) study¹. For additional context on displacement, see *Addressing Displacement in the Bay Area, 2015*, ABAG, at <http://abag.ca.gov/planning/housing>

A. Definition of Displacement and Potential Causes

Displacement is a serious concern across the Bay Area, not just in the urban core. In both urban and suburban communities, displacement may be defined at multiple scales including, at a household, neighborhood and regional level.

At the household level, *displacement occurs when a household is forced to move from its place of residence due to conditions in the housing market that are beyond its ability to control, including, no-fault evictions, rapid rent increase, and relocation due to repairs or demolition, among others*².

At a neighborhood level, *displacement is assumed to occur in a census tract if it experiences a net loss in the number of low-income households due to conditions in the job and/or housing market when, over the same time period, the region overall gained low-income households*³.

At a regional level, *displacement may be assumed to occur when a household is forced to move to a place of residence outside the region due to conditions in the housing market that are beyond its ability to control.*

¹ See: http://iurd.berkeley.edu/uploads/CCI_Final_Report_07_23_15.pdf. The Regional Early Warning System for Displacement (REWS) study was funded in part by the Bay Area Regional Prosperity Plan and California Air Resources Board

² Adapted from the definition proposed by REWS and by Grier and Grier, 1978, and Marcuse, 1986

³ Wei and Knox, 2014, and Landis, 2015, found that neighborhood composition in the United States is considerably stable over time. The loss of low-income households can therefore be considered as a proxy for displacement

For the purpose of addressing displacement in Plan Bay Area 2040, staff recommends using a ***household level definition on displacement***.

The definitions provided above refer only to the displacement of *renters*. However, *owners* may also experience displacement due to a range of conditions including, an economic downturn, and/or predatory lending practices. In summary, displacement may be caused by a number of factors including but not limited to:

- Economic conditions such as rent increases as a result of a growing jobs market, loss of employment as a result of a shrinking jobs market, etc.; or
- Physical constraints such as lack of adequate affordable housing (below 120% of median income), long-term neighborhood disinvestment leading to poor access to amenities, etc.; or
- Some combination of both.

In the Bay Area, high displacement pressures are primarily caused by ***a combination of robust economic growth and lack of sufficient affordable housing*** for low- and moderate-income households. Other large metropolitan regions in the nation with a strong jobs market have also experienced similar pressures but not nearly at the scale and severity as in the Bay Area.

Recent research finds that existing communities, including low-income households and communities of color, are likely to benefit from investment around new transit stations if the adjacent development improves mobility, supports neighborhood revitalization, lowers transportation costs, and provides other spill-over amenities⁴. Research also shows that revitalization in low-income communities may provide broader socio-economic benefits including improved social mobility for low-income children⁵.

However, ***disadvantaged communities may fail to benefit*** from these improvements if gentrification leads to displacement of low-income and/or minority residents, or if new development does not provide more housing choices and improved job opportunities to existing lower-income and/or minority residents⁶.

B. Measuring Displacement

A direct measurement of displacement would require a case by case, ongoing and subjective assessment of the true causes that led to a household moving from its place of residence. The assessment would have to determine whether the household moved by choice or due to conditions beyond its control.

No such assessment has been, or could reasonably be, conducted at a local or regional level. Further, currently available data and analysis tools cannot measure actual displacement⁷. But the ***“risk of displacement” can be measured and modeled*** into the future using available data and tools, based on the criteria outlined in Table 1 below.

⁴ Robert Cervero, 2004, Transit-Oriented Development in the United States: Experiences Challenges and Prospects

⁵ The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment, Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, Harvard University and NBER, May 2015

⁶ Stephanie Pollack, Barry Bluestone and Chase Billingham, 2010, Maintaining Diversity in America’s Transit-Rich Neighborhoods: Tools for Equitable Neighborhood Change; Karen Chapple, 2009, University of California, Berkeley

⁷ Subject to availability of data and analysis tools, housing cost appreciation may be incorporated into estimates of displacement risk in future years. This analysis may be possible through UrbanSim, the region’s land use model.

Adopting effective anti-displacement policies at the local level may significantly reduce this risk. Regional programs can complement and support local policies but cannot replace the need for local action. Yet effectiveness of anti-displacement policies at the local or regional scale cannot be measured or forecasted.

Table 1. Risk of Displacement Criteria

<i>Census Tract Level Criteria⁸</i>	<i>Rationale</i>
Lower-income households (below 120% AMI) in baseline year of PBA 2040	Lower-income households are more likely to be housing cost burdened in the Bay Area and due to a lack of sufficient affordable housing are vulnerable to rapid rent increases.
Concentration of new residential development ⁹ <i>OR</i> Proximity to regional job centers (ratio of jobs to households) ¹⁰ <i>OR</i> Planned or existing high-quality transit (as defined in PBA 2040) ¹¹	Lower-income households in areas with higher-than-average new development will be at a higher risk of displacement. Neighborhoods in proximity, or with a direct access to jobs increases property value, especially in a growing economy. Quality transportation infrastructure attracts new investment to a neighborhood by improving access to jobs and amenities (resulting in higher real estate values and therefore pressure on existing residents).

C. Relevance to Plan Bay Area and Regional Programs

Plan Bay Area provides a blueprint for future regional growth and transportation investments. Since implementation is still largely the responsibility of local governments, the Plan includes programs that assists local governments in achieving regional goals. These programs include One Bay Area Grants (OBAG), which provides funding for planning and transportation improvements within Priority Development Areas (PDAs).

The REWS study found that in 2013:

- Of the 1,064,681¹² low-income households in Bay Area, 644,502 (61%) lived within PDAs¹³;
- 64% of the 644,502 low-income households that lived within PDAs were at risk of displacement¹⁴;

⁸ Thresholds of concentration for each criteria are defined as a sum of the regional mean and ½ standard deviation from that mean. This methodology is derived from the 2013 Plan Bay Area Equity Analysis. The criteria is based on empirical work. Both the criteria and thresholds may be updated based on additional data on displacement trends

⁹ REWS regression analysis results, p value < 0.1

¹⁰ REWS regression analysis results, p value < 0.2

¹¹ REWS regression analysis results, p value < 0.1

¹² Households earning less than 80% of the county median income

¹³ Based on analysis of census tracts that intersect with PDA boundaries

¹⁴ Includes areas that have already undergone displacement, but are at risk of losing more low income households

- By comparison, only 36% of the remaining 420,607 low-income households that lived outside the PDAs were at risk of displacement; and
- In total, 53% or 566,477 low-income households in the region are at risk of displacement due to current conditions in the job and housing market.

As noted in section B of this memo, adopting anti-displacement policies at the local level, and implementing regional programs that complement them, can mitigate the risk of displacement across the region, including within PDAs.

D. Potential Policy Approaches

Results from the REWS study indicate that there is an inherent tension between the Plan's emphasis on focused growth within PDAs and patterns of displacement risk in the region. The Plan partially addresses displacement risk to low-income households by increasing resources for affordable housing and non-automobile transportation access in low-income neighborhoods, and supporting economic opportunities across the region that benefit existing residents.

But these regional programs can address only part of the issue. Local jurisdictions and the region at large must therefore work together to develop strategies to address displacement risk at the neighborhood level, and advocate for stronger policy changes at the state and federal level. Without a significant reduction in displacement risk, the Plan's objectives of boosting housing production in PDAs, preserving open space and agricultural lands, and achieve significant greenhouse gas emissions reduction may be difficult to achieve¹⁵.

See Attachment 1 for a list of existing policy tools adopted by local jurisdictions in the Bay Area. More assessment is needed to evaluate the feasibility of any one or more local policy or program that can have a regional level impact. Regardless, local efforts must address the following:

- Production and preservation of deed-restricted and/or market-rate affordable housing for low- and moderate-income households in PDAs, transit-priority areas (TPAs) and high-opportunity areas (for example, by identifying dedicated sources of adequate funding);
- Tenant protections such as counselling services for both tenants and landlords (similar to the Rent Stabilization Board in the City of Berkeley), stronger just-cause eviction requirements and rent stabilization;
- Land speculation and wild swings in housing costs that impacts neighborhood stability (for example, by carefully considering the amount of up-zoning of an area at any one time); and
- Balancing revenue-generation with fulfilling community needs (for example, by allocating under-utilized publicly-owned lands for affordable housing); etc.

E. Staff Recommendation for Plan Bay Area 2040

Staff recommends the following approach to address potential risk of displacement in the Plan:

- Add a new goal and Performance Target on displacement risk. Set the target, fully recognizing that this is extremely aggressive, to completely eliminating the risk of displacement on low-income households over the timeframe of the Plan (recommendation for action in September 2015); and

¹⁵ California Housing Partnership Corporation, Working Paper, 2013, Building and Preserving Affordable Homes Near Transit: Affordable TOD as a Greenhouse Gas Reduction and Equity Strategy. See report at: <http://www.scanph.org/node/3438>

- Given the challenge of achieving this aggressive Performance Target, recommend appropriate regional investments and local policy interventions that local governments can adopt and tailor to their communities to bring the Plan closer to achieving the Target. Options for further consideration include:
 - a. Make One Bay Area Grant (OBAG) funding partially contingent (among other requirements) on adoption of local policy interventions, in areas where there is a high risk of displacement (OBAG 2.0 policies to be adopted in November 2015);
 - b. Increase resources for affordable housing by expanding the Transit-Oriented Affordable Housing (TOAH) program, and directing a greater share to areas with a high risk of displacement;
 - c. Recommend potential region-wide initiatives to address displacement risk, including but not limited to a regional commercial linkage fee, revenue-sharing mechanisms, dedicated funding program for moderate-income (80% to 140% median household income) housing, etc. (see Attachment 2 for recommendations related to the Regional Prosperity Plan that were presented at the July Joint Committee meeting);
 - d. Recommend a strong policy platform to advocate for support at the state and federal level (next annual legislative program to be adopted in December 2015); and
 - e. Fund a robust technical assistance program through the PDA and Community-Based Transportation Plan (CBTP) programs to provide adequate support to local jurisdictions to develop and implement affordable housing production and preservation, tenant protection and economic development initiatives that address displacement risk (may be included in the OBAG 2.0 framework).

Next Steps

Staff is requesting RAWG members to provide feedback on this paper by Tuesday, September 8, 2015. Staff will summarize and share this feedback with the Joint MTC Planning and ABAG Administrative Committee on Friday, September 11, 2015.

- Attachments:*
1. Existing Local and Regional Policy Tools to Address Displacement Risk
 2. July 2015 Joint MTC Planning and ABAG Administrative Committee Memo on Potential Initiatives and Role for MTC / ABAG to Implement Regional Prosperity Plan

Protecting Existing Assets: Local and Regional Tools to Address Displacement

Existing research is inconclusive on which local policies are most effective in reducing displacement risk, or to what extent. But there is general consensus among researchers and community organizations that local policies are the most effective policy tools to mitigate displacement risks in low-income communities. Table A below lists the most commonly adopted anti-displacement and affordable housing production policies among Bay Area jurisdictions¹.

Table A. Common Policies Adopted by Bay Area Jurisdictions

<i>Anti-Displacement and Affordable Housing Policies</i>	<i>Share of Jurisdictions</i>
Inclusionary Zoning / Below Market Rate Program	71%
Condominium Conversion Ordinance	67%
In-Lieu Fees to Fund Affordable Housing	58%
Reduced Fees or Waiver for Affordable Housing	56%
Home-Owner Repair or Rehabilitation Ordinance	48%
Locally Funded Homebuyer Assistance Program	43%
Housing Development Impact Fees	32%
Home Sharing Program	32%
Commercial Linkage Fee	25%
Housing Development Impact Fee	22%
Single-Room Occupancy Preservation Ordinance	22%
Enhanced Density Bonus	16%
General Fund Allocation including “Boomerang” Funds	14%
Rent Stabilization or Control	7%
Just Cause Eviction Ordinance	6%

In addition to local policies, regional agencies may consider additional policies and initiatives to limit or reduce the share of low-income residents at risk of displacement. But regional programs can at best complement local policies, not replace them. Existing tools that are available to regional agencies are listed in Table B below.

Table B. Existing Regional Programs with Potential to Address Displacement Risk

<i>Initiative</i>	<i>Potential Modifications</i>
Transit-Oriented Affordable Housing	Expand and create preservation program category
One Bay Area Grants	Add criteria for housing policies to eligibility; add targeted technical assistance program
Regional Housing Needs Allocation	Advocate for full credit for preservation projects

¹ Bay Area Housing Policy Database v.1.0, ABAG, January 2015



TO: Regional Advisory Working Group
FR: Ken Kirkey, MTC staff; Miriam Chion, ABAG staff and Vikrant Sood, MTC staff
RE: Potential Initiatives and Role for MTC / ABAG to Implement Regional Prosperity Plan

Background

The Regional Prosperity Plan was completed in June 2015 following a 3-year process to address the following three challenges: production and preservation of affordable housing near transit and jobs; neighborhood stabilization in communities at risk of displacement; and expanding economic opportunities for lower-wage workers.

A Steering Committee, formed to oversee project implementation, published an Action Plan in June 2015 that identifies 20 strategies and 76 actions to implement program recommendations. Of this total, only a small subset is directly relevant to the areas of jurisdiction of MTC and ABAG. Some actions in this subset are already underway through existing activities. These activities may be modified or expanded as needed and appropriate to incorporate additional findings from the Prosperity Plan. Staff will present these existing and potential new activities identified in the Action Plan at a Joint Committee meeting in fall 2015 for further review and discussion.

Potential Initiatives to Implement Regional Prosperity Plan

This memo proposes three bold new initiatives that MTC or ABAG could take to respond to *multiple strategies and actions* listed in the Action Plan. Implementing these initiatives will require coordinated effort and strong collaboration among regional and local leaders and stakeholders over the long-term. These initiatives, if implemented, may address critical challenges facing the Bay Area related to housing affordability and quality jobs.

A. Funding for Affordable Housing (Local and Regional)

Support new sources of revenue to back-fill lost revenue from state and federal sources (such as elimination of tax-increment financing) while also expanding the overall amount of funds available for affordable housing production and preservation may include:

- A county-level or sub-regional **commercial linkage fee** on new office and commercial development (new office space for additional workers will increase demand for more housing). Fees collected by one jurisdiction may be transferred to a neighboring jurisdiction to build a portion of new units (which otherwise would not be built) through a regional or sub-regional **revenue- or cost-sharing mechanism**.
- Right-of-first-refusal for sale of *under-utilized* publicly-owned land for affordable housing, consistent with AB2135, which addresses publicly-owned *surplus land*.

B. Funding for Affordable Housing (State and Federal)

Establish a region-wide, coordinated legislative platform – led by local policymakers – aimed at restoring and expanding state and federal funding for affordable housing, including:

- Adopting a new ***tax-increment financing mechanism*** to facilitate housing production in weaker markets (or further modifying Enhanced Infrastructure Financing Districts);
- Expanding and fully utilizing ***low-income housing tax credits*** (state and federal); and
- Expanding and prioritizing Affordable Housing and Sustainable Communities (***cap and trade funding***) for affordable housing production and preservation in Priority Development Areas.

C. Investment in Industrial Lands and Goods Movement to Grow Middle-Wage Jobs

Middle-wage job growth in key sectors such as advanced manufacturing, warehousing, logistics and goods movement – which already account for a large proportion of well-paying jobs in the region – may be supported by:

- Designating a regional ***Economic Development District (EDD)***, a federally recognized entity with access to federal grants from the U.S. Department of Commerce, to support implementation of sub-regional plans; and
- Defining potential ***Priority Industrial Areas (PIAs)***, based on sub-regional plans, along with an associated implementation program, in the next Plan Bay Area update.

Next Steps

Based on Joint Committee feedback, staff will update the list of potential initiatives and compile a list of existing and new activities from the Action Plan that are relevant to regional agencies. Staff will seek approval of specific strategies for MTC / ABAG action at a Joint Committee meeting of the MTC Planning and ABAG Administrative Committees in fall 2015.