



# **Making Economic Development Work for Oakland's Communities: Values, Outcomes and Tools**

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The mission of Urban Strategies Council is to work with community partners to eliminate persistent poverty by building vibrant, healthy communities. No set of activities is more important to our mission than working with residents of low-income neighborhoods to ensure they have access to economic opportunities. Key to creating economic opportunities for low-income residents is ***making economic development work for Oakland's communities***: this means using economic development tools guided by a set of values that make it the priority to achieve outcomes that benefit these residents. The Board of Directors and staff of the Urban Strategies Council have adopted the following as a statement of values and outcomes that will guide our efforts to use the economic development tools described in this document.

## **INTRODUCTION**

Oakland, a city at the crossroads of the Bay Area, is at a crossroads of its own today. In the last decade, building market-rate housing in Oakland has become a very profitable undertaking as investors and developers capitalize on the regional housing shortage. This investment and development in Oakland CAN and SHOULD benefit Oakland's Flatlands residents, but the benefits of new investment are not being fairly realized by all of Oakland's residents. One of the most glaring examples of this is the exodus of Oakland's residents in search of affordable housing. Another is the rising gap between rich and poor in our city and the East Bay as a whole.

## **VALUES**

In our view, economic development and land-use decisions should be made based on community values. We value Oakland's people—their history, communities and neighborhoods— first and foremost. While the market is interested in the value of Oakland's real estate, we are interested in the value of its people, many of whom have been locked out of the region's prosperity. We think that economic development and growth can be very positive for Oakland *if it provides concrete opportunities and benefits for Oakland's people*.

## **OUTCOMES**

It takes a united community with a shared vision to ensure that Oakland's people benefit from economic development, redevelopment and reinvestment. It also requires that we stay focused on the **outcomes** for our communities and neighborhoods. Here are some of the outcomes we think are important to focus on and to measure.

### **Housing Outcomes**

- Increase homeownership opportunities for households earning less than \$45,000 a year.
- Create more rental housing opportunities for households that earn below \$30,000 a year.
- Protect tenants against unfair evictions, rent increases and unsafe housing conditions.
- Create truly mixed-income housing developments with housing for ALL income levels.

### **Employment Outcomes**

- Attract employers in sectors which pay higher wages to non-college educated workers.
- Attract entry level jobs in sectors that offer opportunities for career advancement.
- Advance the right of workers to join and form unions.
- Employ a higher percentage of Oakland residents in construction.
- Connect Oakland residents who are in workforce development programs to specific employers with actual jobs openings.

### **Small Business Outcomes**

- Preserve locally-owned businesses as commercial corridors are redeveloped.
- Create new business ownership opportunities for residents from the neighborhoods where development is occurring
- Use local and minority-owned businesses in the planning and construction of projects in Oakland.



Other important outcome areas include improving our urban environment and the creation of community space and facilities. We will focus on these issues in an upcoming paper.

## **TOOLS TO MAKE ECONOMIC DEVELOPMENT WORK FOR OAKLAND'S COMMUNITIES**

There are a number of economic development tools that communities can use to make sure that reinvestment in communities like ours benefits more people. The tools presented here focus mostly, but not exclusively, on jobs and housing. A few words of caution: Communities need to establish their priorities carefully, since these tools often involve trade-offs with other desired outcomes. For example, increasing retail services may provide more sales tax revenue and local shopping opportunities, but the retail sector usually offers low-paying jobs. Also, the best policies and programs fail if they are not designed carefully, implemented well and monitored closely. The key to success in using any of these tools is a common vision and a well-organized community making sure that their interests are represented faithfully.

### **Redevelopment**

Redevelopment is a powerful tool which captures some of the property tax revenues from an area and diverts them to economic development activities. One-third of Oakland's real estate and one-half of its people are in redevelopment areas. Oakland will raise \$75 million in redevelopment revenues this year. Redevelopment mostly creates an economic development revenue stream to the City which may or may not result in benefits to the community, depending on how it is used.

#### Opportunities

- Redevelopment creates revenue which must be invested into the Redevelopment Project Area.
- Oakland requires that 25% of Redevelopment revenues be used to build housing that is affordable to low and moderate income people.

#### Challenges

- Redevelopment reduces the revenues to the City's General Fund and diverts them into the Redevelopment Agency
- Community oversight of redevelopment is limited.

### **Community Benefits Agreements (CBAs)**

A CBA is an agreement negotiated between a developer and a community coalition that is included in the final agreements between the City and the developer. The developer agrees to community-defined benefits, (such as affordable housing, local hiring, and small business opportunities) and the community coalition agrees to support the project when it comes before public agencies for approval. CBAs have been negotiated at the Staples Center in Los Angeles, the Hunter's Point Shipyard in San Francisco and other places.

#### Opportunities

- The community defines its own benefits from the project.

#### Challenges

- It takes a well-organized, united community effort and only affects one project.

### **Community Land Trusts (CLTs)**

Under the CLT model, a nonprofit, community-based organization acquires parcels of land and retains them permanently. The houses/improvements that sit on the land are sold to individuals for their exclusive use, and the buyer leases the land under the house from the CLT through a long-term ground lease. When homeowners decide to sell, the CLT repurchases the houses and resells them to new homeowners at affordable prices. Thus, the CLT model enables communities to retain a stock of permanently affordable homeownership opportunities. Although most often



used to provide for affordable home-ownership, anything can be built on CLT land, including small business sites, rental housing and community facilities.

#### Opportunities

- CLTs take land off the market and put that land to long-term community uses.
- The housing built on the land provides opportunities for not just the first family to purchase but several families in succession.
- CLTs enable families earning less than \$50,000 to purchase homes and build some equity.

#### Challenges

- CLTs take a large investment up front to acquire the land.
- CLTs need a strong governing body that is representative of the community to work.
- Home purchasers do not obtain the increase in value of the land.

### **Inclusionary Zoning**

Inclusionary zoning requires developers to make a percentage of housing units in new residential developments affordable to low and moderate-income households. Developers usually get some benefits in return, such as “density bonuses” (the right to build more units per acre than current zoning would allow) that reduce construction costs. Most cities in the Bay Area have these ordinances, Oakland does not.

#### Opportunities

- Guarantees that housing gets produced for all income levels, not the very few who can afford market-rate housing.
- Developers know that they will have to build some affordable housing and can build the cost into their business plan.

#### Challenges

- If the policy is not designed carefully, it may become the **maximum** that developers do to ensure that their projects benefit the community, rather than the **minimum**.

### **Targeted Use of Public Resources to Attract and Keep Good Paying Jobs**

This is really a set of tools that involve using City resources to attract and retain good-paying jobs, rather than to produce unaffordable, market-rate housing, as we do now. These include retaining industrially zoned land and providing subsidies to businesses providing good-paying jobs for Oakland residents. Cities like San Francisco have policies that preserve industrially zoned land. Chicago and other cities focus the use public subsidies on companies that provide good-paying jobs for Chicago residents.

This set of tools helps address the fact that most of the jobs being created for people without college degrees are in the retail and service sectors. For the most part, these jobs do not pay enough to lift families out of poverty. Jobs in the light manufacturing, “green” manufacturing and “production, distribution and repair” sectors that do provide real opportunities are on land that is rapidly being converted to residential uses.

#### Opportunities

- Increased employment opportunities and income for Oakland residents help create community stability and stimulate the local economy.

#### Challenges

- Reduces property tax revenues and growth somewhat, since land value is currently highest for housing



### **Stronger Requirements to Train and Hire Oakland Residents**

These tools would require the City, the Port, developers, contractors and the Building Trades unions to collaboratively expand construction training opportunities for Oakland residents and to utilize those trainees to the maximum extent possible to fill new positions in local construction. Public and private funds would be used to create programs that provide “hands-on” construction training and intensive case management to address the diverse barriers to successful construction employment that residents face. City and Port agencies which monitor and enforce these policies would be fully staffed and the monitoring and enforcement components would be strengthened. Specific local hiring and training language would be included in City and Port development agreements and in the Building Trades’ Project Labor Agreements.

These tools allow us to use the construction boom to create more opportunities for residents to enter the construction trades.

#### Opportunities

- Creates a pipeline to actual construction job placements.

#### Challenges

- Success requires a well-designed, well-monitored system of incentives and penalties (“carrots and sticks”).

### **Card-Check Neutrality Requirements**

Retail and service sector jobs can be made better by including “card check neutrality” agreements in development agreements made with the City for large retail and service sector employers. Card-check neutrality means that employers agree to recognize an employee union when more than half of their employees petition to form or join a union, without requiring that an election be administered by the National Labor Relations Board.

#### Opportunities

- Unionized service sector jobs pay more and provide more benefits to workers than non-unionized service sector jobs.

#### Challenges

- Card-check neutrality agreements may be difficult to win in the face of opposition by large retail employers that the City would like to attract.