

DOWNTOWN DISPLACEMENT REPORT - DRAFT
2019



DEVELOPMENT AND RESOURCE MANAGEMENT
LONG RANGE PLANNING DIVISION

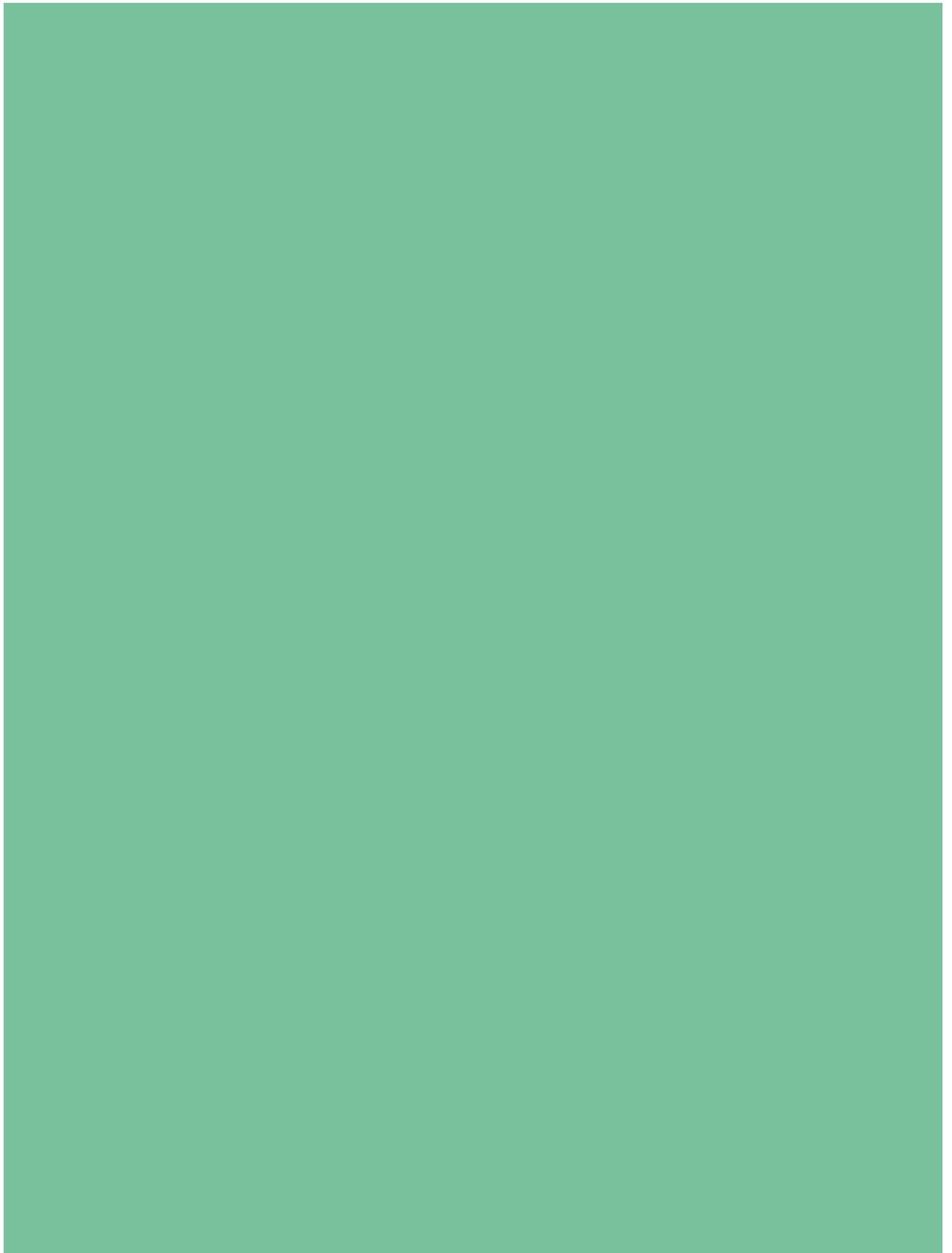


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EXECUTIVE SUMMARY

The City of Fresno has recently completed a series of planning efforts that are geared toward the revitalization of the Downtown core and the neighborhoods surrounding Downtown. Since these plans were adopted several projects, including the reopening of Fulton Street and the awarding of state Transformative Climate Communities funds for Downtown Fresno neighborhoods, have occurred. The City has heard and responded to numerous concerns that increased development in Downtown may result in the displacement of existing low income households and small businesses. Although property owners often experience a benefit of increased investment and development in the form of increased property values, renters (both residential and commercial) can experience a negative impact in the form of increased rents. This report, using an expansive definition of Downtown (i.e. the downtown core and surrounding neighborhoods together), examines indicators of potential displacement in Downtown and Fresno outside of Downtown. This report will inform the Anti-Displacement Task Force and interested members of the public.

This report looks at the potential for displacement within Downtown. Although early scholarly work presented downtown decline as a natural or inevitable process, drivers of neighborhood decline are now known to not be “natural” but instead a complicated mix of government policy and investment, changes in the economy, demographic and migration shifts and the lingering effects of past discriminatory actions. This report looks at mid-century decline of Fresno’s greater Downtown within this framework. From there the report examines known indicators of displacement including rental rates, vacancy rates, and rent burden for residential displacement and lease rates and retail vacancy for commercial displacement and contrasts Downtown with Fresno outside of Downtown. Quantitative sources include U.S. decennial census data, American Community Survey data, and private commercial real estate data.

While revitalization brings many benefits, there are reasons to be concerned about the negative effect that increased investment and development might have on vulnerable populations in Downtown. Downtown median household income is a little over half that of the median household income outside of Downtown. Seven out of ten residential units in Downtown are renter occupied and 3 out of 5 households in Downtown are rent burdened (spending 30% or more of their gross monthly income on housing). Rental vacancy rates Downtown have fallen to 5.8%; this number is slightly higher to the 4.3% rental vacancy rate outside of Downtown. Although residential rents in Downtown are going up, they are increasing more slowly Downtown and are overall less than for Fresno outside of Downtown. At the moment Downtown is not experiencing substantial and sustained increases in rent that would signify that displacement is occurring.

The Downtown retail market has recently gone from a high level of vacancy (11.9%) to a healthy vacancy rate (5.6%). At the same time quoted rental rates have gone up and down, now resting at around \$0.81 a square foot. With healthy vacancy rate and a low asking rent at the moment the Downtown retail market does not appear to be experiencing a high level of demand that would be an indicator for displacement.

Because many of the current residents of Downtown would be susceptible to displacement, this is the optimal time to explore policies and programs that could ensure that as revitalization efforts continue in Downtown existing residents and small businesses are able to remain and take advantage of the benefits, if they choose.

BACKGROUND

This report is the first annual report on Downtown displacement prevention. The purpose of this report is to gather data on statistics related to displacement in Downtown to inform the Anti-Displacement Task Force. Recommendations from the Anti-Displacement Task Force could be used as anti-displacement strategies for Transformative Climate Communities projects.

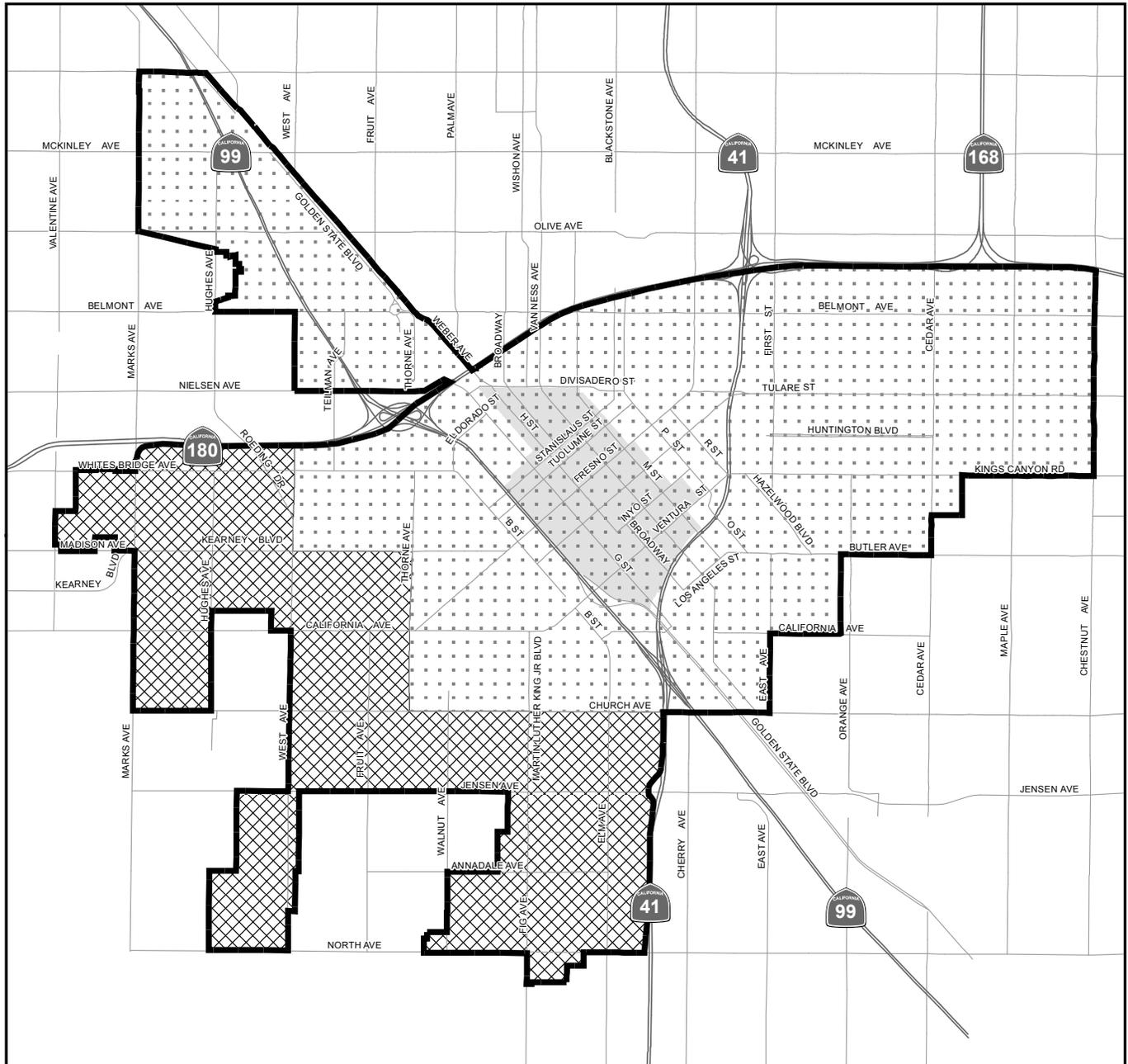
The Anti-Displacement Task Force was proposed in the Downtown Neighborhoods Community Plan (2016), referenced in the Southwest Specific Plan (2017), and developed as a Housing Element implementation program (2017). The Downtown Neighborhoods Community Plan (DNCP) is a plan for the revitalization of Downtown and the neighborhoods immediately surrounding Downtown. The DNCP recognizes that revitalizing a distressed area has the potential to displace vulnerable residents and small business owners located in the plan area. In an effort to ensure that current Downtown residents and businesses have opportunities to remain in a revitalized Downtown the DNCP established several policies which together form the basis for the Anti-Displacement Task Force. The Southwest Fresno Specific Plan (SWFSP) sets out goals and policies for the development of southwest Fresno just west of the DNCP boundaries. The SWFSP is informed by a desire for equitable development and identifies the development of an anti-displacement strategy and programs as a priority implementation measure. The Housing Element is a chapter of the General Plan, and provides a coordinated and comprehensive strategy for promoting the production of safe, decent and affordable housing for all community residents. The Housing Element implementation program took the policy recommendations from the DNCP and developed an implementation outline and timeline for the annual report on displacement and the Downtown Displacement Task Force. See Appendix A for more information on the policies from these plans.

In order to meet the objectives of all three plans, this report uses an expansive definition of Downtown which includes the plan areas for the DNCP and the SWFSP. Information for this report was gathered from U.S. Decennial Census data, American Community Survey data, and private commercial real estate data, for more information on the methodology of the report please see Appendix B.

The Anti-Displacement Task Force was established by City Council Resolution 2018-277 on November 29, 2018. The Anti-Displacement Task Force is the Downtown Displacement Task Force called for by the Housing Element, At City Council direction, the scope of the Task Force includes the analysis of data and recommendation of solutions related to all causes and areas of displacement beyond those called for in the Housing Element as long as the Housing Element program requirements are satisfied. The City will consider review of displacement in other areas of the city upon recommendations by the Task Force and others.

DOWNTOWN MAP

DEVELOPMENT AND RESOURCE MANAGEMENT DEPARTMENT



Legend

-  Downtown, as defined in Displacement Report
-  Downtown Neighborhoods Community Plan
-  Fulton Corridor Specific Plan
-  Southwest Fresno Specific Plan

WHAT IS DISPLACEMENT?

Scholars of displacement generally define displacement as occurring when a household is forced to move by conditions that affect the dwelling or immediate surroundings, and that are:

- 1) beyond the household's reasonable ability to control or prevent;
- 2) occur despite the household having met all previously imposed conditions of occupancy;
- 3) make continued occupancy by that household impossible, hazardous, or unaffordable.¹

The classic example of direct displacement is when residents are forced to move because a new development is replacing their housing units. Direct displacement can happen from government action or private action. In Fresno examples of direct displacement due to government action include the construction of Highway 99 starting in 1957, State Route 41 (c.1973-1997), and State Route 180 (c.1995), as well as the Urban Renewal projects of the 1960s. The northward expansion of Community Regional Hospital in the late 1990s is an example of direct displacement due to private action. It's important to note that forced displacement can occur for reasons that are more subtle than the elimination of existing housing; low income households who experience large rent increases and "choose" to move are considered equally displaced.

Displacement can occur because a neighborhood is experiencing disinvestment or reinvestment. Disinvestment-related displacement describes when the value of a property does not justify investing in its maintenance, leading to decay and abandonment. Reinvestment-related displacement refers the process in which investments in a neighborhood result in increased rent to a point where it's profitable for land owners to sell or raise the rent and tenants are forced to leave. Although early scholarly work presented downtown decline as a natural or inevitable process, drivers of neighborhood decline are now known to not be "natural" but instead a complicated mix of government policy and investment, changes in the economy, demographic and migration shifts and discriminatory actions.

Displacement can be cyclical: urban neighborhoods that have experienced disinvestment displacement may later appear attractive to reinvestment/revitalization, leading to another round of displacement. In order to put the current concerns regarding the potential for displacement in Downtown in context, it's useful to look at the history of Fresno's Downtown and how the area became ripe for revitalization.

THE DEVELOPMENT OF DOWNTOWN

Fresno began as a railroad town around the Central Pacific Railroad Depot in 1872. The first commercial district was located along H Street and the railroad tracks. Spurred by the presence of the railroads and expanding agricultural opportunities, the town grew quickly and, in 1885, was incorporated into a city. Many of the immigrants that were first attracted to Fresno were ethnic minorities, who settled over time in neighborhoods such as Chinatown, Armenian Town, German Town, and Italian Town. Chinatown, German Town and Italian Town were located within the City's original grid on the west side of the railroad tracks.² This did not happen by happenstance; in 1874 a number of white property owners in Fresno met and agreed to not sell or lease land to "undesirable" communities east of the railroad tracks.³

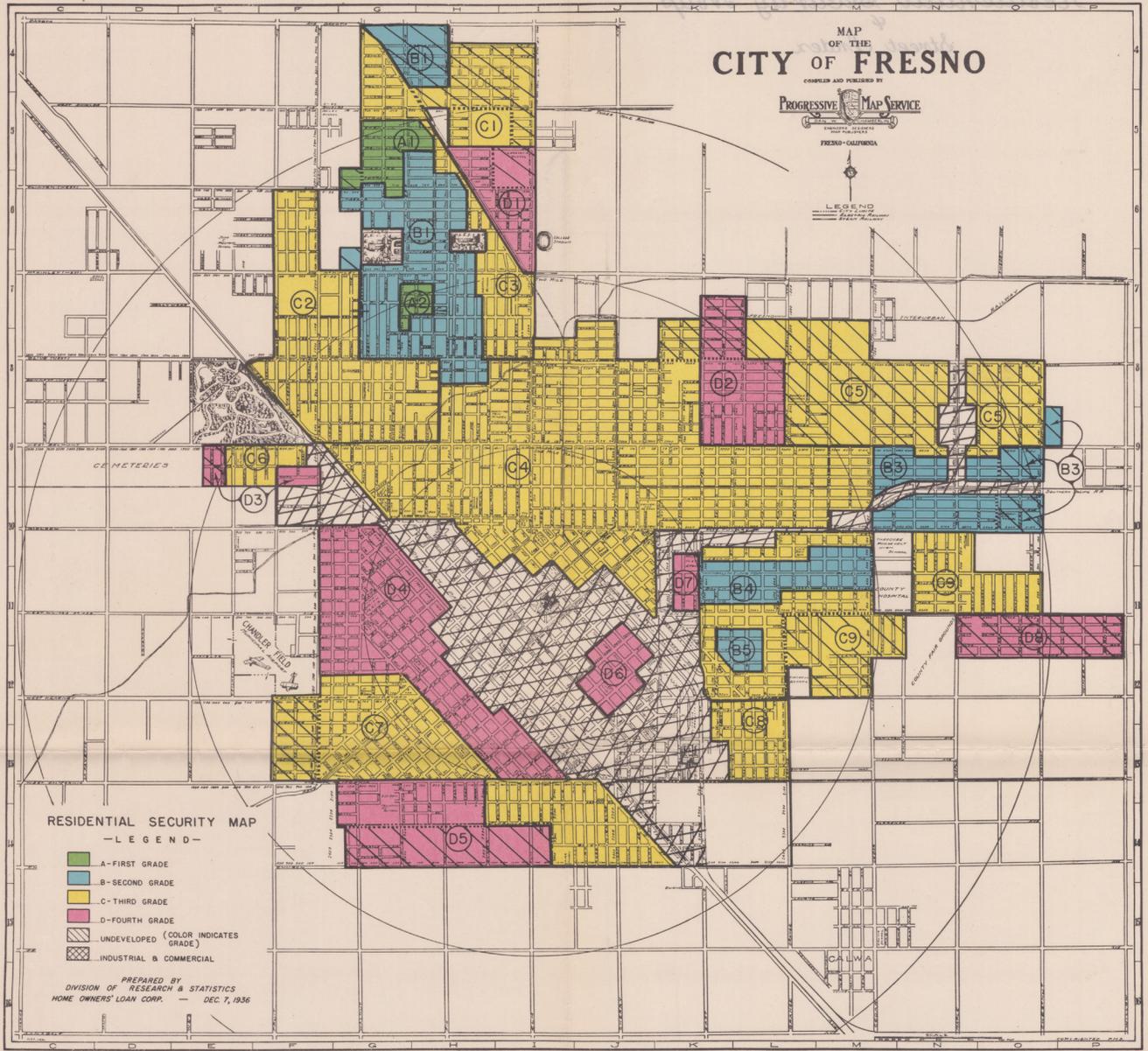
Fresno continued to expand rapidly after the turn of the century, and between 1913 and 1929, eleven high-rise buildings rose to create a distinct Fresno skyline. The pace of Downtown growth slowed during the Great Depression, although several notable Public Works Administration (PWA) buildings and some housing was built.

In 1936 Fresno was surveyed by the Home Owner's Loan Corporation (HOLC) an agency developed through the New Deal. HOLC recruited mortgage lenders, developers and real estate appraisers to create maps that color coded credit worthiness and risk on the neighborhood level from Green (A or "Best") to Red (D or "Hazardous"). These maps and associated documentation helped set the rules for nearly a century of real estate practices. With its parent bureau, the Federal Home Loan Bank Board, HOLC proved critical to protecting and expanding home ownership, standardizing lending practices and encouraging residential and commercial real estate investment in a distressed economy. At the same time these agencies also helped codify and expand practices of racial and class segregation.

FRESNO CITY STREET MAP

POINTS OF INTEREST IN AND NEAR FRESNO

FRESNO, in the exact geographical center of California, is one of the most conveniently located convention cities of the State and the key city for tourists to see three National Parks, the Kings River Canyon wonderland and numerous mountain-lake resorts. Fresno has 52,513 population in its city limits of 8 1/2 square miles and 85,000 in its metropolitan area of 25 square miles. Paved and ciled roads radiate from Fresno in every direction. The city is served by the Southern Pacific and Santa Fe railroads and the Pacific Greyhound Lines. Airplanes for Fresno County has 706,000 acres of farm and fruit land under irrigation. Fresno is a city of attractive homes and gardens. The Fresno State College with an enrollment exceeding 2,000 is California's sixth largest educational institution. There are four high schools and twenty-two elementary schools. Fresno has 22 hotels six theatres several restaurants 83 churches, three episcopacy clubs and splendid parks and playgrounds. Points of interest are: Reading Park, 197 acres with 800 varieties of trees and shrubs; Kearney boulevard, nine miles of palms-Kearney Park; Fresno State College; Fresno High School and Roosevelt High School; the Sun-Maid Raisin Plant, largest dried fruit packing plant in the world. Distances from Fresno to County and Valley attractions are: Great Park, 64 miles; Huntington Lake, 72 miles; Shaver Lake, 81 miles; Sequoia Park, 96 miles; Yosemite, 99 miles; Kings River Canyon, 70 miles; Bass Lake, 50 miles; Ewellman Hills, known as the world's richest oil field, 59 miles.



Home Owner Loan Corporation Map - Fresno (1936).

The Fresno HOLC 1936 map and accompanying report evaluates neighborhoods according to the age and condition of existing buildings, vacancy and rent costs within the neighborhood, and the ethnic, racial and economic status of the residents. The HOLC map evaluates neighborhoods with older housing stock as less desirable than newer areas, a practice that prioritizes expansion over investment in existing neighborhoods. Neighborhoods with racially restrictive covenants, like Huntington Boulevard and Sierra Vista, received higher ratings than neighborhoods without them.⁴ All of the land west of the commercial downtown and Southern Pacific Railroad line, which the report identified as the most racially and ethnically diverse neighborhoods in Fresno, was found to be “Definitely Declining” or “Hazardous,” while land north of Downtown included a fair amount of land identified as “Still Desirable” and the only two areas in the city labeled “Best.” Armenian Town, surrounded by Downtown core commercial and industrial development, was also labeled as “Hazardous” and the accompanying report notes that the population was 85% Armenian and had a mixture of residential buildings and small shops and grocery stores, coming to the conclusion that “It is definitely a hazardous area for mortgage lending.”⁵ These designations would significantly impact development trends, promoting investment in northward expansion (and to a lesser degree eastward expansion) over westward or southern expansion.

Following World War II, the passage of the G.I. Bill enabled returning veterans to purchase homes and establish businesses, prompting another period of rapid expansion. The completion of the Mayfair subdivision in 1947, north of Downtown, included Fresno’s first suburban shopping center and ushered in an era of development at the suburban fringe. However, this expansion was not equally available to all Fresnoans. The African-American population in Fresno grew significantly after World War II from around 2,000 people in 1940 to over 10,000 by 1960; many emigrants were former servicemen or former defense workers from the Bay Area.⁶ African-American veterans were not able to take advantage of many G.I. Bill benefits like home and business loans because banks, using tools like HOLC maps, would not make loans for mortgages in neighborhoods that were seen as “Hazardous.”⁷ At the same time racial segregation practices prevented them from buying in new subdivisions like Mayfair which had a covenant that explicitly excluded “Asiatics or Negroes” from living in the neighborhood.

Between 1940 and 1950, the City's population grew by 30,000, with much of the growth accommodated in auto-oriented new suburbs to the north. In 1957 California Department of Highways developed a plan to construct a freeway loop around Downtown, redirecting traffic around the City's core rather than through it.⁸ This plan was enacted in stages from 1957-1997. The construction of the freeway loop system has had a devastating impact on Downtown Fresno and its surrounding neighborhoods. Formerly unified neighborhoods were cut in two by freeways without surface crossings. Facilitated by the freeways, the City continued to stretch onto inexpensive land to the north and east, aiding the flight of people and businesses away from the center of the city.

In the 1960s single-use zoning was put in effect in the Downtown area, resulting in the replacement of much of Downtown's original building stock with buildings that are detrimental to a walkable, mixed-use, vibrant environment. Federally funded urban renewal projects in Fresno also had a significant impact on Downtown; the West Area I and II Projects (1961-1970) removed housing between the railroad and the new Highway 99 to develop an industrial park and the South Angus Street Project (1958-1970), which removed a significant number of single-family houses near Holmes Park. By the late 1960s, an estimated 454 families had been displaced by urban renewal projects in Fresno, 30% of which were families of color.⁹

The economic downturn of the 1970s and 1980s exacerbated the decline of Downtown. Retail shops, commercial businesses, and institutions of all kinds joined the suburban exodus, aided by the construction of State Route 41. During this period Downtown experienced significant disinvestment and neglect.

However, over the last decade, public sentiment and optimism about Downtown Fresno has increased. A number of new mixed use projects (buildings that are part residential and part commercial) have developed in Downtown and proven popular. A new Development Code was put into effect which streamlines approvals for high quality mixed use downtown development. The struggling Fulton Mall received a \$20 million makeover as a completed street and Bus Rapid Transit was introduced. Finally, the future development of the High Speed Rail station on H St. between Fresno St. and Tulare St. has the potential to dramatically accelerate investment in Downtown.

DATA

The data gathered in this report is intended to establish baseline conditions which will be used to compare to future conditions as the downtown area develops. For more information on the methodology used for the data in this report see Appendix B.

RESIDENTIAL DATA

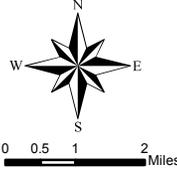
Fresno has expanded significantly since the middle of the 20th century, and the majority of the expansion has been through annexation (see Annexation map page 14). In 1960 housing units in Downtown accounted for a little over 43% of all housing units in Fresno, in 2017 Downtown's share had dropped to 14%.

As with many large California cities over the past fifty years Fresno has moved from a majority of people owning their homes to a majority of people renting; and this trend is more significant Downtown.¹⁰ Downtown has always had a higher percentage of renters, however Downtown has gone from 44% renters in 1960 to 67% renters in 2017. During the housing bubble that preceded the 2008 recession, the percent of renter occupied units dropped for Fresnoans outside of Downtown but increased for Downtown residents. Revitalization occurring in an area with an existing high population of renters increases the potential for displacement. Unlike homeowners, renters will not experience any direct financial benefit of revitalization in the form of increased property values. This does not mean that revitalization will inherently push existing residents out, only that there is a significant population of people within Downtown that are vulnerable to displacement if residential demand increases, particularly if new residents are high income and there is not enough new housing constructed to accommodate them.

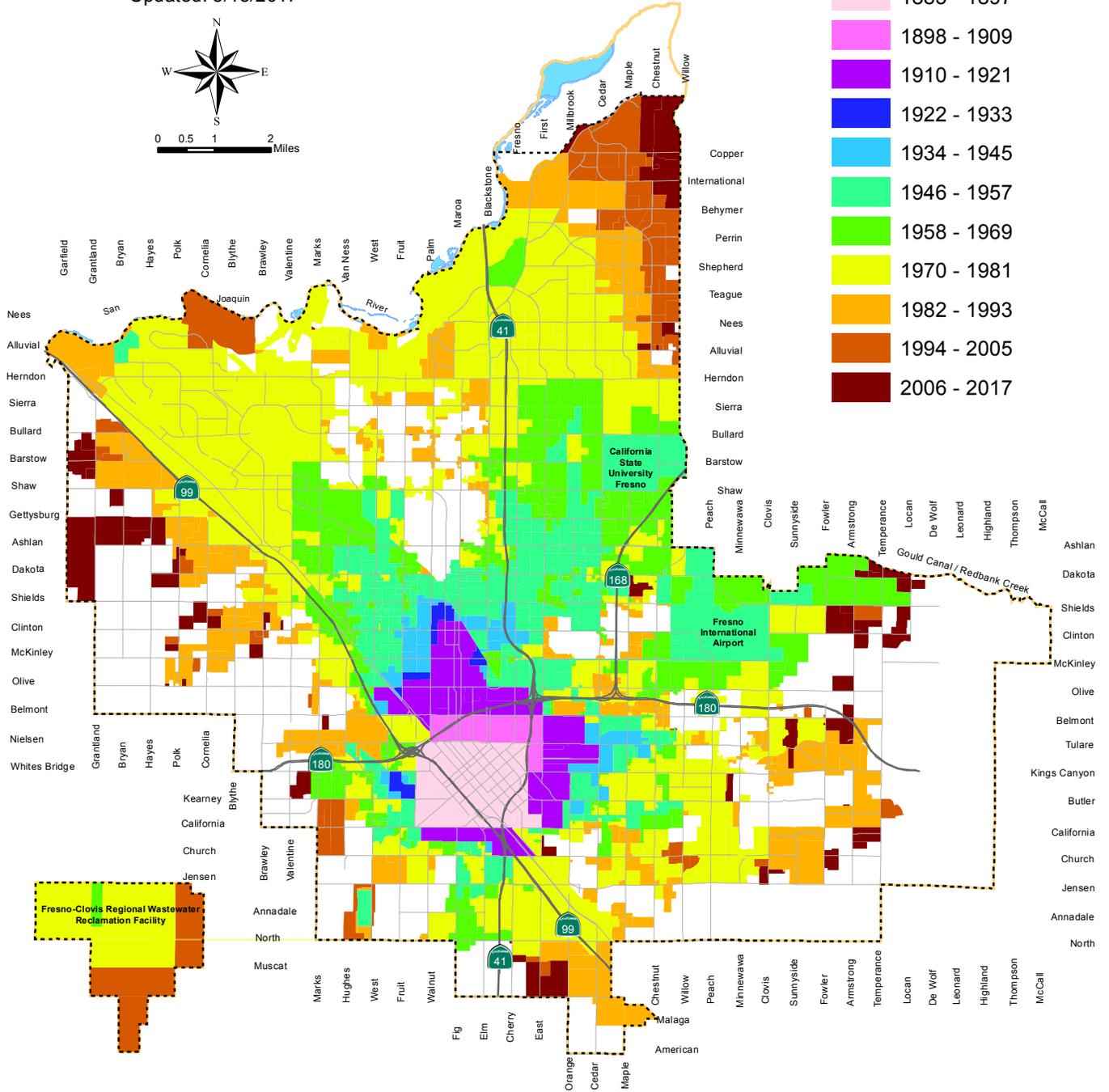
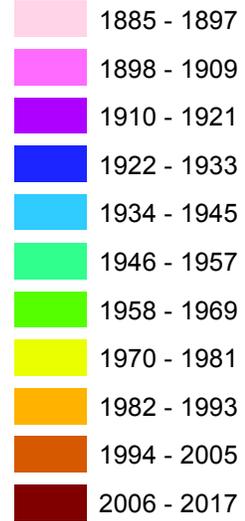


City of Fresno Annexation History

Updated: 8/18/2017



Annexations



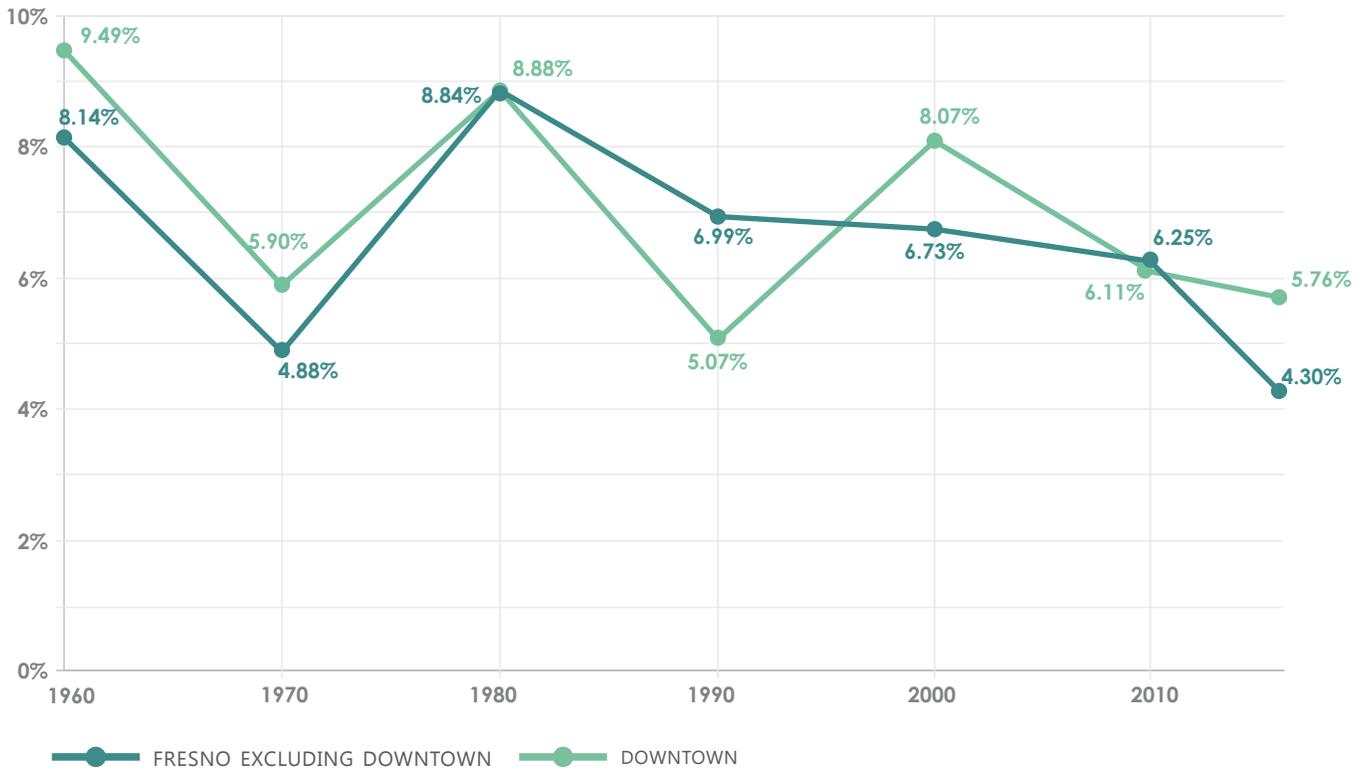
Legend

- Sphere of Influence
- Planning Area

RESIDENTIAL VACANCY

The residential vacancy rate is an indicator which measures the percentage of total housing units that are vacant. This number is calculated separately for housing units for sale and those for rent, known as the homeowner vacancy rate and the rental vacancy rate, respectively. A healthy rental vacancy rate is considered to be between 7 and 8 percent; a vacancy rate between 8 and 12 percent or between 4 and 7 percent is not ideal but not concerning, and a vacancy rate above 12% or below 4% is concerning. A healthy homeowner vacancy rate is much lower, between 1.3% and 2%.¹¹

RENTAL VACANCY RATE 1960-2017



Source: Source: US Census 1960-2000 (IPUMS NHGIS, University of Minnesota, www.nhgis.org), American Community Survey Data, 2006-2010 American Community Survey and 2013-2017 American Community Survey 5 year estimates

The homeowner vacancy rate for Downtown has been higher than the rest of Fresno since 2000, when Downtown’s homeowner vacancy rate spiked dramatically from a healthy 2% in 1990 to 5.3% in 2000. During the same time period the rest of Fresno went from 1.9% to 2.3%. Since 2000, the homeowner vacancy rate has declined, and in 2017 was 1.8%.

HOMEOWNER VACANCY RATE 1960-2017



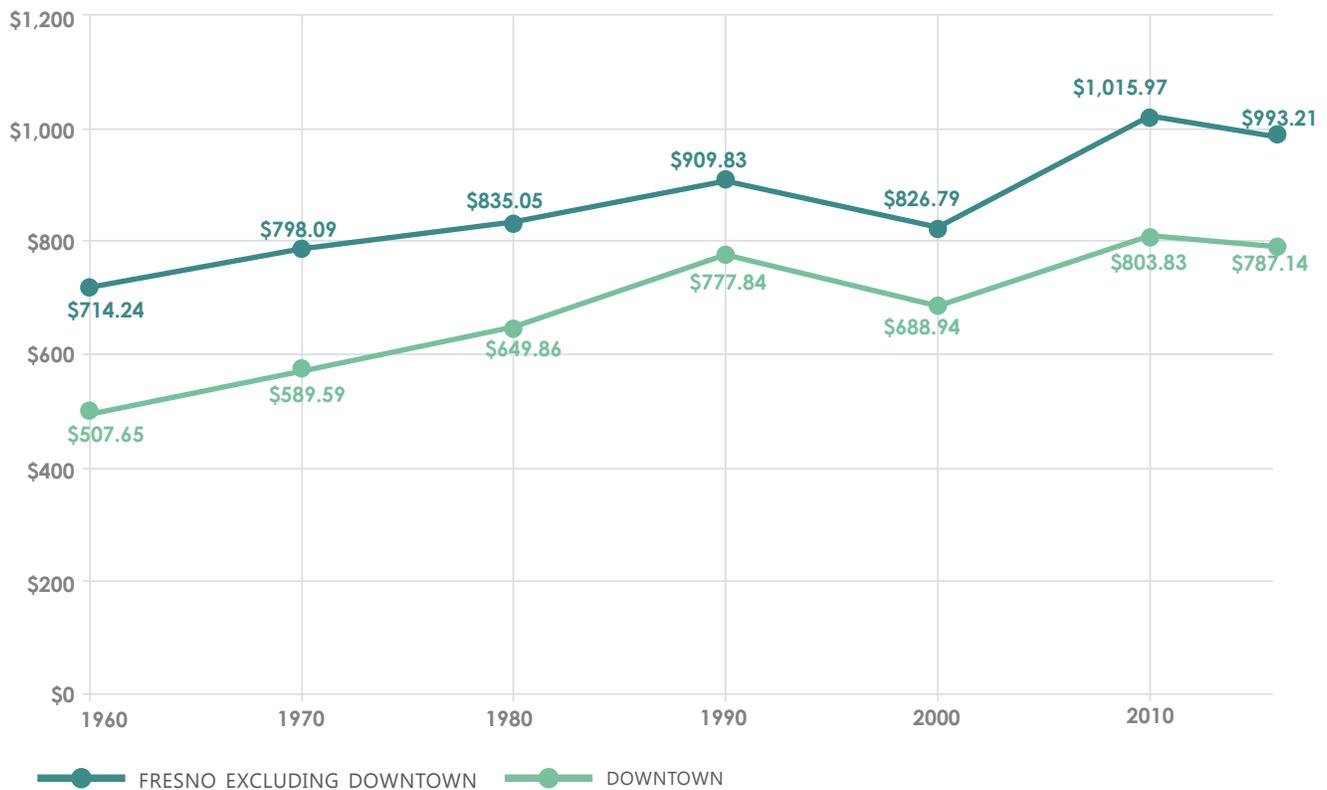
Source: Source: US Census 1960-2000 (IPUMS NHGIS, University of Minnesota, www.nhgis.org), 2006-2010 American Community Survey and 2013-2017 American Community Survey 5 year estimates

Given the high percentage of renters within Downtown, the rental vacancy rate is a significant indicator. Fresno outside of Downtown has been experiencing a decline in rental vacancy since 1980 and was 4.3% in 2017. The Downtown rental vacancy has had a slightly different trajectory, starting with a dramatic drop from 1980 to 1990 and then a significant increase from 1990 to 2000. Since 2000 the Downtown vacancy rate has been steadily decreasing and was 5.8% in 2017— although slightly higher than the 2017 rate for Fresno outside of Downtown and not officially “low,” the trend in Downtown vacancy is noteworthy.

MEDIAN GROSS RENT

Gross rent statistics provides information on the monthly housing cost for renters. Gross rent is the contract rent (the monthly rent agreed to) plus average monthly cost of utilities. Gross rent is used as an indicator as a way to eliminate differences in how utilities are incorporated into contract rent. The median gross rent value is the middle point of the data; half of households pay more than the median gross rent and half pay less.

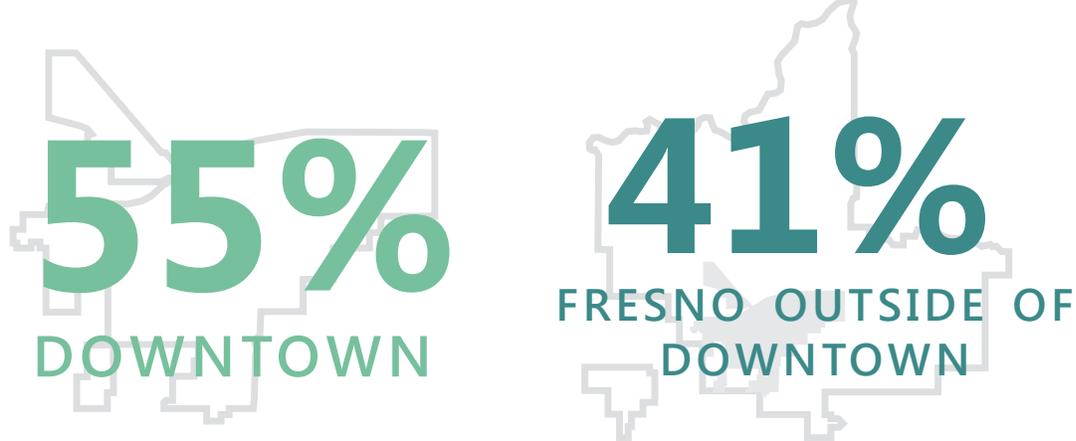
ESTIMATED MEDIAN GROSS RENT 1960-2017



Source: US Census 1960-2000 (courtesy of IPUMS NHGIS, University of Minnesota, www.nhgis.org), American Community Survey Data, 2010 and 2017, inflation calculated using BLS CPI Inflation Calculator

Rents are more expensive across the rest of Fresno than in Downtown, although rents in both areas have increased. As a general trend across the last 50 years, rents have increased more in Downtown than in Fresno outside of Downtown and this remains true when adjusting for inflation. The more recent trend is that Fresno's residential rental market experienced a drop from 2010 to 2017, in the same time period rent remained relatively flat Downtown.

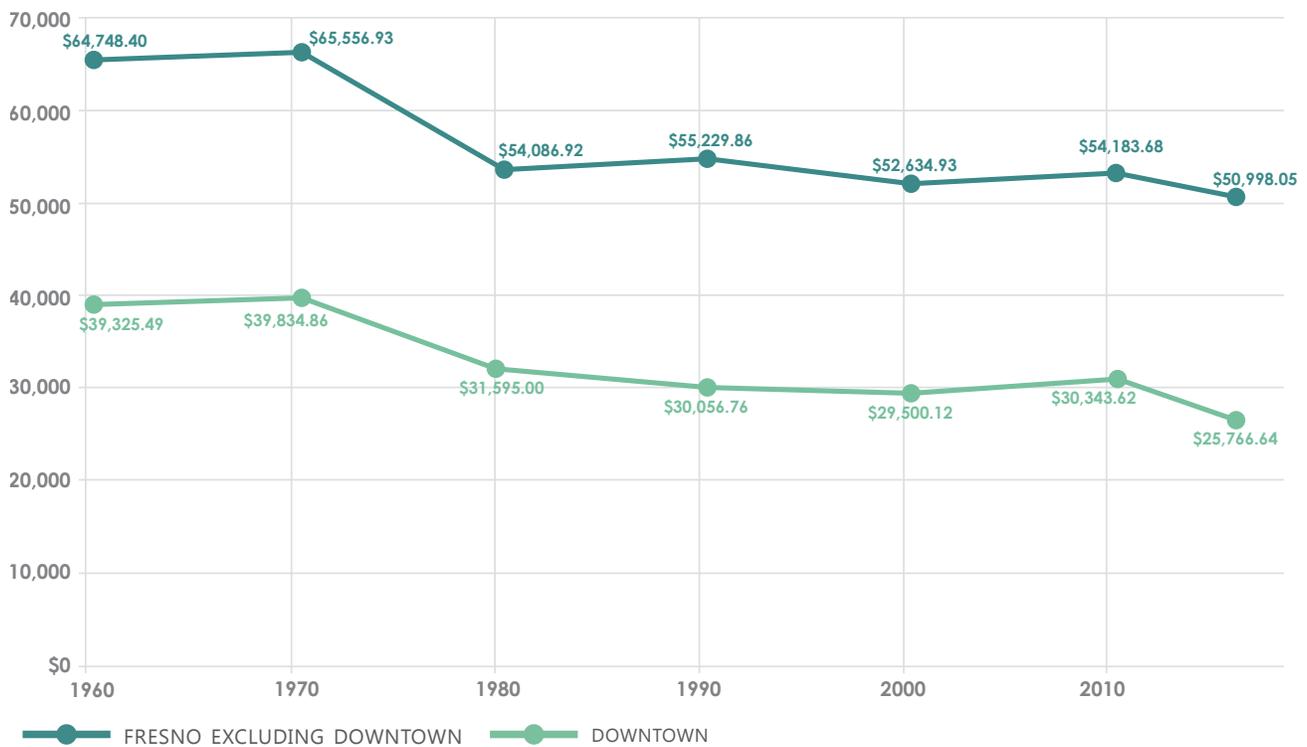
ADJUSTED FOR INFLATION MEDIAN GROSS RENT HAS INCREASED



MEDIAN HOUSEHOLD INCOME

Household income is the amount of income of the householder and all other individuals 15 years old and over in the household earned in the past 12 months. Median household income is the middle value of the data; half of households make more than the median household income, and half make less.

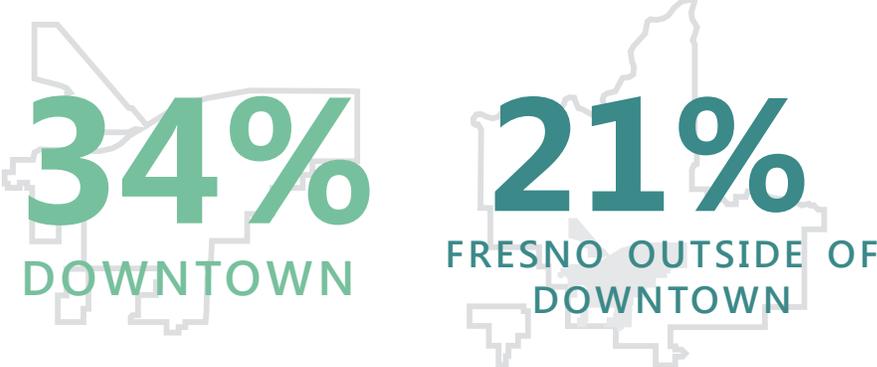
ESTIMATED MEDIAN HOUSEHOLD INCOME 1960-2017



1960-2000 Census Data (IPUMS NHGIS, University of Minnesota, www.nhgis.org) and the 2006-2010 American Community Survey and 2012-2017 American Community Survey 5 year estimates. 1960 and 1970 data only includes Family Income (not total household income)

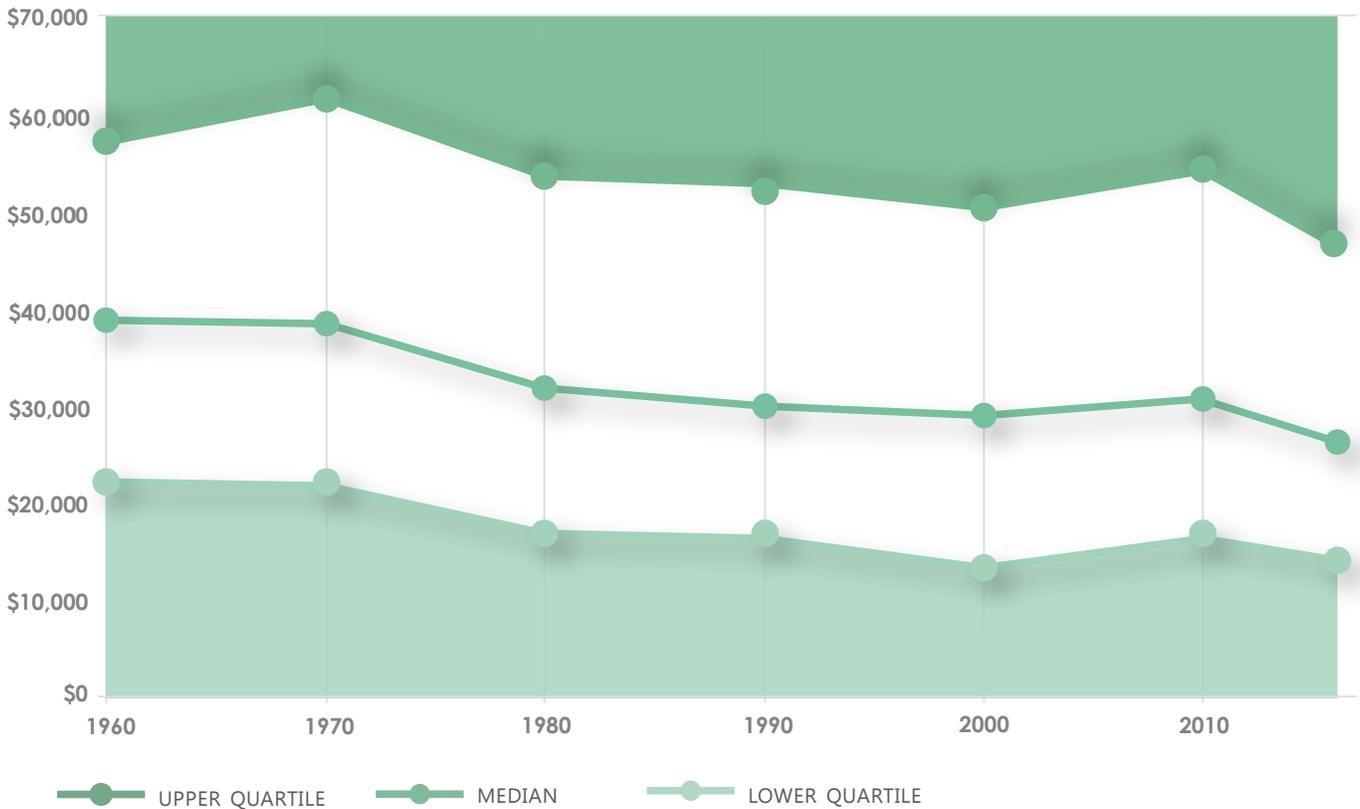
Adjusted for inflation, median household income in Fresno has declined since 1960, with the most significant drops happening 1970-1980 and 2010-2016. During the past 50 years Downtown median household income has always been lower than the rest of Fresno, and the median household income has decreased at a greater rate for Downtown households than non-Downtown households.

ADJUSTED FOR INFLATION MEDIAN HOUSEHOLD INCOME HAS DECREASED



Dividing the data into fourths (quartiles) provides more information as to the distribution of household incomes in Downtown and in Fresno outside of Downtown. The household income of the bottom 25% of households in Downtown Fresno (adjusted for inflation) has steadily declined since 1960. The bottom 25% of households in Fresno outside of Downtown have had their income drop significantly from 1960 to 2017, at the same time the upper 25% of households has generally increased with the exception of 1970- 1980 and 2010-2017.

ESTIMATED DOWNTOWN HOUSEHOLD INCOME DISTRIBUTION, BY QUARTILE 1960-2017



1960-2000 Census Data (IPUMS NHGIS, University of Minnesota, www.nhgis.org) and the 2006-2010 American Community Survey and 2013-2017 American Community Survey 5 year estimates (Courtesy of NHGIS) 1960 and 1970 data only includes Family Income (not total household income)

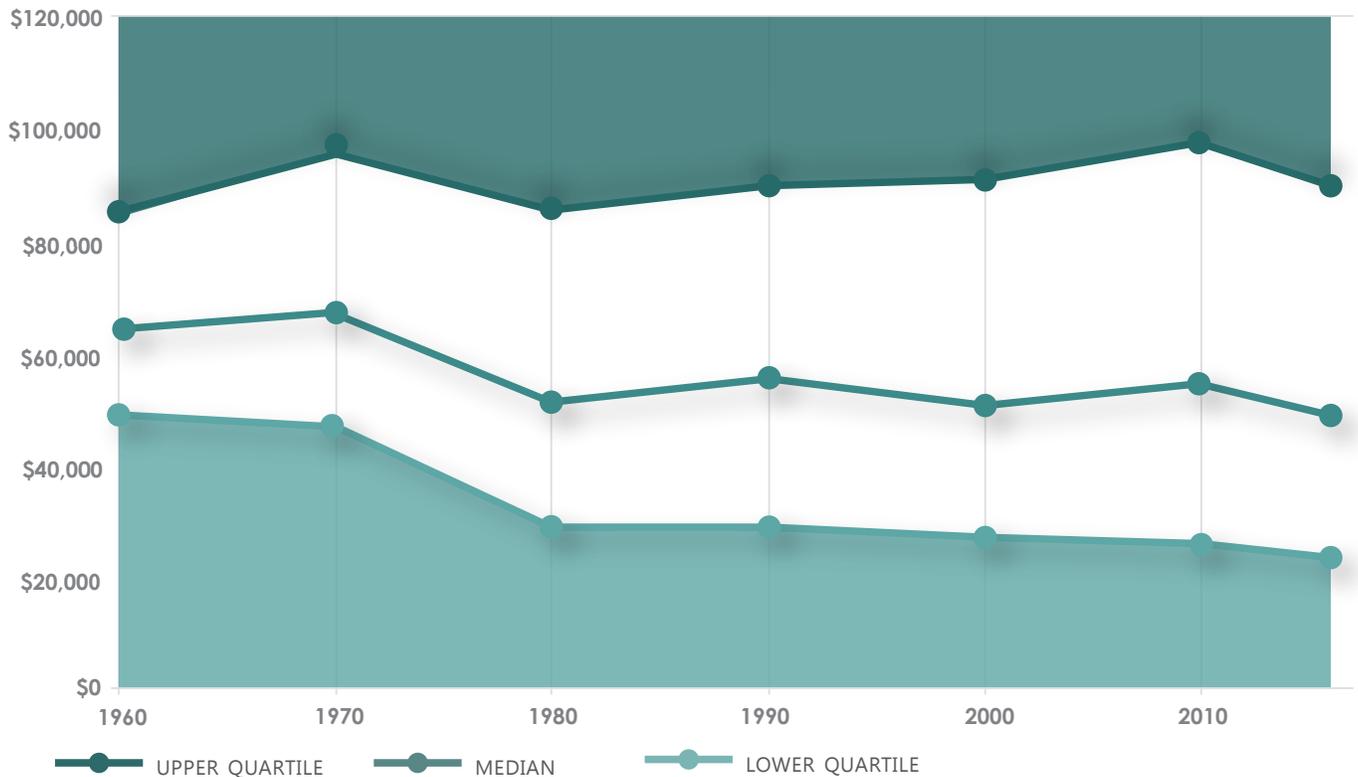
2017 DOWNTOWN HOUSEHOLDS

1/4 MAKE LESS THAN
\$13,644 1/4 MAKE MORE THAN
\$47,682

2017 FRESNO OUTSIDE OF DOWNTOWN HOUSEHOLDS

1/4 MAKE LESS THAN
\$24,535 1/4 MAKE MORE THAN
\$92,458

ESTIMATED (FRESNO OUTSIDE OF DOWNTOWN) HOUSEHOLD INCOME DISTRIBUTION FOR, BY QUARTILE 1960-2017



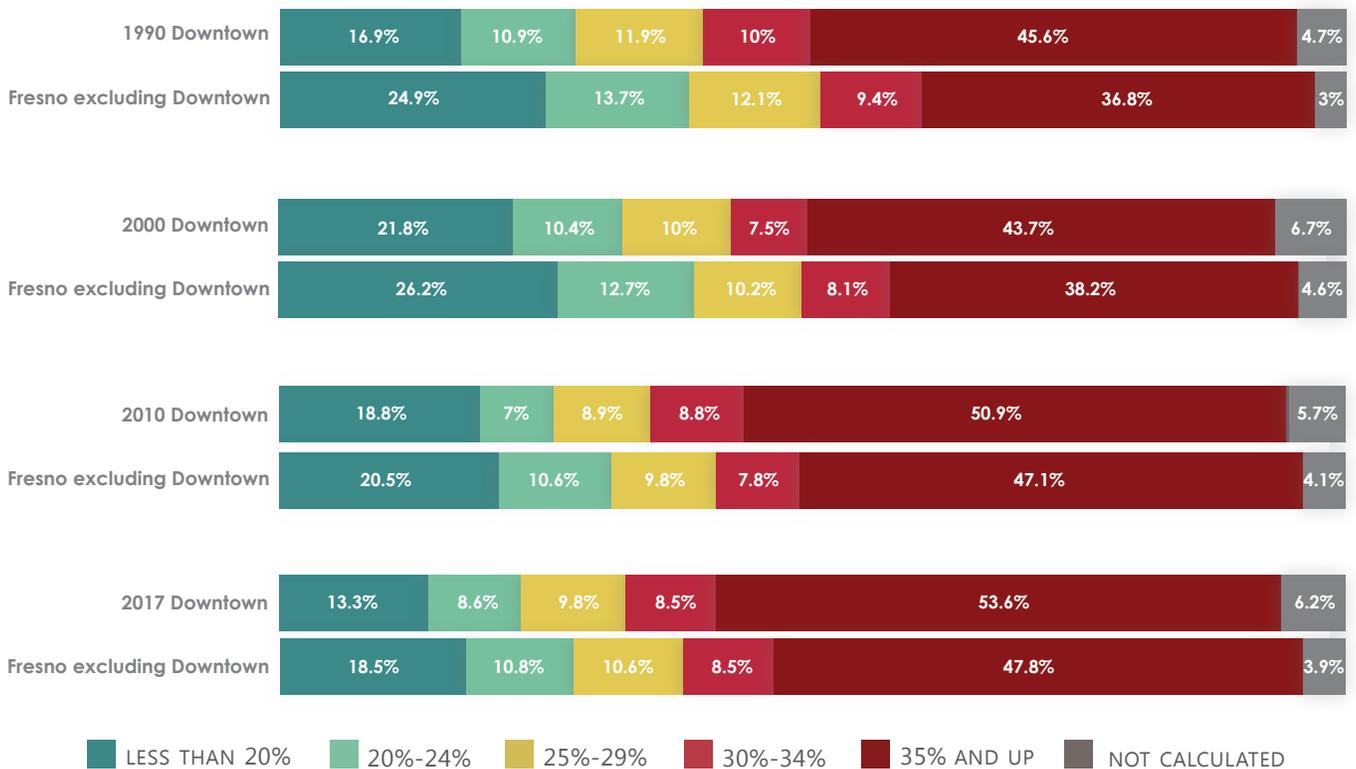
1960-2000 (IPUMS NHGIS, University of Minnesota, www.nhgis.org) Census Data and the 2006-2010 American Community Survey and 2013-2017 American Community Survey 5 year estimates (Courtesy of NHGIS) 1960 and 1970 data only includes Family Income (not total household income)

RENT BURDEN

When a household is spending more than 30% of their monthly income on rent, they are considered to be rent burdened.¹² Comparing gross rent as a percentage of household income is a good metric for evaluating rent burden.

The 50 year trend of increasing rent and decreasing household income has combined to increase the percentage of Fresno households that are rent burdened. In 1990 (the earliest date that comparable statistics are available), 55.6% of Downtown households were rent burdened, compared to 46.2% of households outside of Downtown. In 2017, 62.1% of Downtown households were rent burdened, compared to 56.2% of households outside of Downtown. Rent burden is a significant issue in Downtown Fresno.

GROSS RENT AS A PERCENTAGE OF INCOME 1990-2017 (PERCENTAGE OF TOTAL HOUSEHOLDS)



Source: US Census 1960-2000 (courtesy of IPUMS NHGIS, University of Minnesota, www.nhgis.org), 2006-2010 American Community Survey and 2013-2017 American Community Survey 5 year estimates.

CONVERSION OF AFFORDABLE UNITS

Affordable housing covenants are deed restrictions that require property to remain affordable for a set number of years. At the end of their affordability period, such units may convert to market-rate housing. Every year as part of the Housing Element Annual Progress Report, the City of Fresno reports on the status of any HUD receipt or approval of Notices of Intent and Plans of Action filed by property owners to convert to market-rate units. In the past ten years, although two properties have changed hands (King’s View Estates and the Village at Kings Canyon Apartments) the City has not received notice of any affordable housing units converting to market rate housing.

NAME	ADDRESS	ASSISTED	MARKET	TOTAL	OPT OUT DATE	OWNER	PROGRAM
Bigby Villa	1329 E. Rev Chester Riggins Ave	177	3	180	2038	For Profit	LMSA/ LIHTC
Silvercrest Fresno	1824 Fulton St	158		158	2036	Non Profit	202

Source: HUD Multi-family Assistance and Section 8 Database and California Tax Credit Allocation Committee (TCAC) Database. Accessed November 5, 2018.

The Housing Element identified a list of 15 HUD Federally assisted projects with opt-out dates falling within 2015-2025; seven of these projects had opt-out dates in the years 2015-2018, and one, Bigby Villa (1329 E. Rev Chester Riggins Ave) is located in Downtown. All five of these projects have entered into new agreements to remain affordable. The covenant for the Silvercrest Fresno (located Downtown at 1824 Fulton St) was set to expire in 2019; however, has been recently renewed until 2036.

Currently covenanted affordable housing units within Fresno do not appear to be converting to market rate housing. The City of Fresno will continue to monitor for at-risk affordable housing.

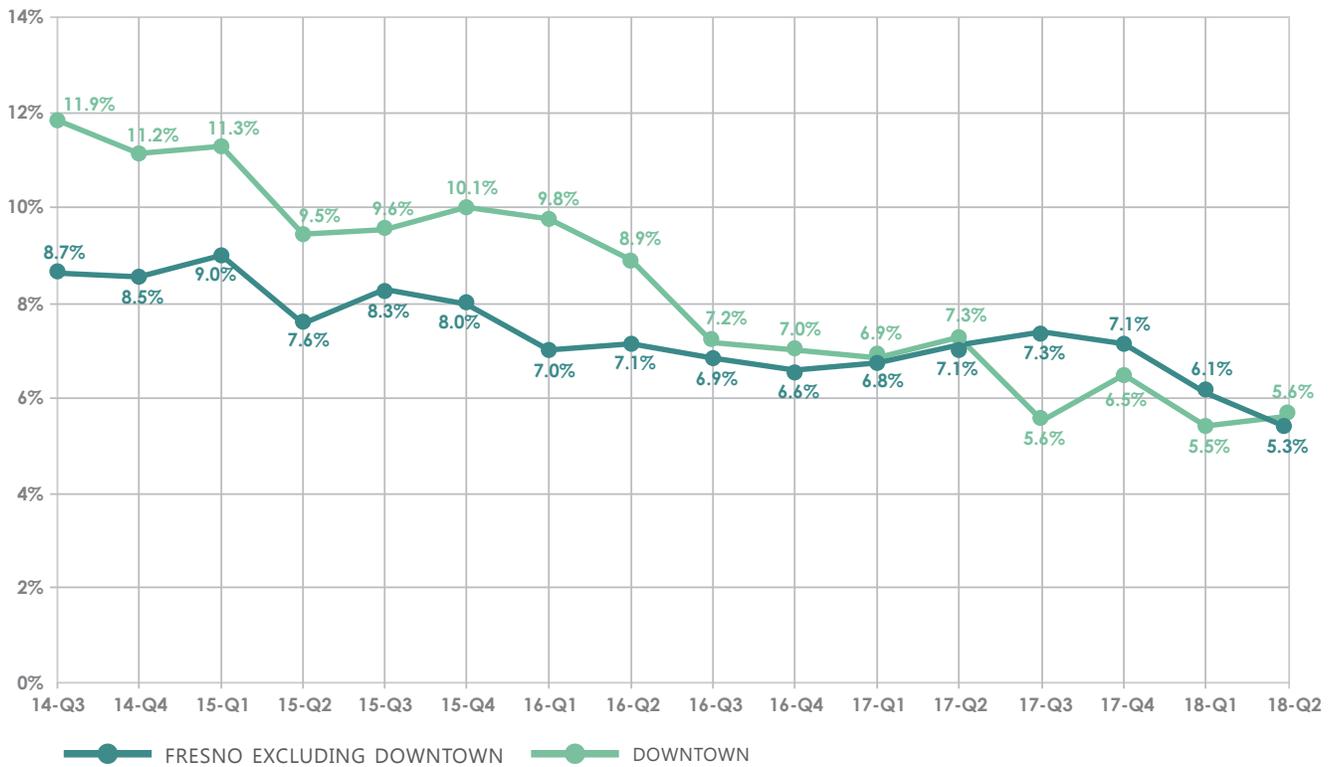
COMMERCIAL DATA

There has also been concern raised about the potential displacement of Downtown merchants. Like residential renters, commercial renters can be negatively impacted by increases in property values in the form of rising rents. However, unlike residents, commercial businesses can also benefit from increased sales. This report compares vacancy rates and lease rates for retail businesses inside Downtown to those outside of Downtown.

VACANCY RATES

The retail vacancy rate is an indicator which measures the percentage of retail square footage that is vacant. A healthy retail vacancy rate is considered to be 5%. A substantially low vacancy rate Downtown would indicate that there is a high demand for businesses to be located Downtown, which in turn would drive up lease rates and potentially displace existing businesses if those businesses were unable to realize higher sales from the higher desirability of the area.

RETAIL VACANCY RATES 2014-2018



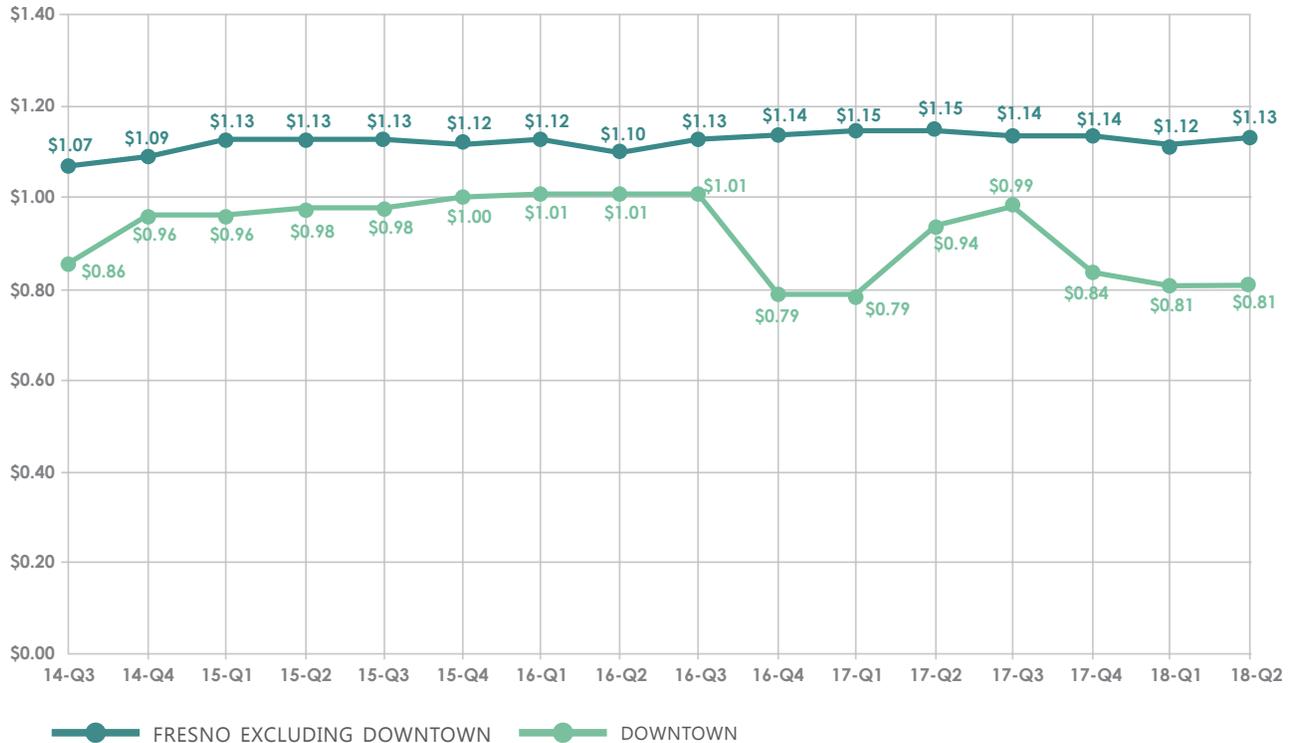
Source: CoStar Group Inc.

Although four years ago the retail vacancy rate for Downtown was significantly higher than the rate for Fresno outside of Downtown, more recently both have dropped to near 5%. Additionally, data collected by the Downtown Fresno Partnership shows that as of the end of 2018, 12% of the ground floor space in the Fulton District is vacant and ready to be leased.¹³ At the moment the retail market in Fresno as a whole appears to be healthy and there is not a higher demand to be located Downtown.

LEASE RATES

The average retail lease rate is an indicator that measures the average quoted cost per square foot. Quoted rental rates may differ from actual rates paid by tenants following negotiation of terms and conditions in a specific lease. A trend of increasing average retail lease rates Downtown would indicate that merchant displacement may be occurring.

QUOTED RETAIL RENTAL RATES (PER SQFT) 2014-2018



Source: CoStar Group Inc.

The average retail rental rate Downtown has been consistently lower than the average retail rental rate outside of Downtown. The recent trends in the retail market Downtown do not at this point suggest that conditions are ripe for displacement, although that might change in the future. Because of the data limitations for commercial statistics, developing other qualitative data tools may be helpful in capturing this information.

CONCLUSIONS

The data gathered in this report is intended to establish baseline conditions which will be used to compare to future conditions as the Downtown area develops.

An examination of the available data indicates that there may be reasons to be concerned about the effect that increased investment and development might have on vulnerable residential populations in Downtown. Downtown median household income is a little over half that of the median household income outside of Downtown. Seven out of ten residential units in Downtown are renter occupied and three out of five households in Downtown are rent burdened. Rental vacancy rates Downtown have fallen to 5.8%; this number is slightly higher than the 4.3% rental vacancy rate outside of Downtown, which indicates that there is a need for more rental housing in Fresno as a whole. Although residential rents Downtown are going up, they are increasing more slowly Downtown and are overall less than for Fresno outside of Downtown. At the moment Downtown is not experiencing substantial and sustained increases in rent that would signify that displacement is occurring.

The Downtown retail market has recently gone from a high level of vacancy (11.9%) to a healthy vacancy rate (5.6%). At the same time quoted rental rates have gone up and down, now resting at around \$0.81 a square foot. With healthy vacancy rate and a low asking rent at the moment the Downtown retail market does not appear to be experiencing a high level of demand that would be an indicator for displacement.

Because many of the current residents of Downtown would be susceptible to displacement this is the optimal time to explore policies and programs that could ensure that as revitalization efforts continue in Downtown that existing residents and small businesses are able to remain and take advantage of the benefits, if they so choose.

ENDNOTES

¹ George W. Grier and Eunice S Grier, *Urban Displacement: A Reconnaissance* (Washington D.C.: United States Department of Housing and Urban Development, 1978),8.

² Armenian immigrants to Fresno originally settled west of the tracks in the 1880s, but were able to later move to what is considered historical Armenian Town west of the tracks and south of downtown in the 1910s. See City of Fresno, South Van Ness Industrial District Historic Survey, Fresno, California, prepared by Karana Hattersley-Drayton and Architecture+History in association with Watson Heritage Consulting and Jody Stock (Fresno: City of Fresno, September 1, 2015), 18.

³ Paul Vandor, *History of Fresno County, with Biographical Sketches of the Leading Men and Women of the County who have been identified with its Growth and Development from the Early Days to the Present* (Los Angeles: Historic Record Company, 1919), 329-330.

⁴ Racially restrictive covenants are deed restrictions which prohibit non-white people from purchasing, leasing or occupying a property. In Fresno the groups of people explicitly excluded by racially restricted covenants included African American, Chinese, Japanese, South Asian, and Armenian residents. Enforcement of these covenants was found to be unconstitutional in 1948 in the U.S. Supreme Court case *Shelley v. Kraemer*, and the covenants themselves were made officially illegal in 1968 with the passage of the Fair Housing Act. For more information about racially restrictive covenants in Fresno see Uziel B. Jimenez, "Fresno's Long Hot Summer of 1967: An Examination of Housing and Employment Discrimination (M.A. Thesis, California State University- Fresno, 2017), 34-38.

⁵ Robert K. Nelson, LaDale Winling, Richard Marciano, Nathan Conolly, et al., "Mapping Inequality," *American Panorama*, ed. Robert K. Nelson and Edward L. Ayers, accessed October 17, 2018, <https://dsl.richmond.edu/panorama/redlining/#loc=13/36.7505/-119.7765&opacity=0.8&city=fresno-ca>

⁶ Jimenez, "Fresno's Long Hot Summer of 1967", 19.

⁷ Smithsonian American Art Museum, "After the War: Blacks and G.I. Bill," accessed October 17, 2018, <http://americanexperience.si.edu/historical-eras/post-war-united-states/pair-untitled-library/>

⁸ Earle Taylor, "The New Look: Fresno Working on Pattern of Highways," *California Highways and Public Works* 35, no. 7-8 (July-August 1957): 10-13.

⁹ Digital Scholarship Lab, "Renewing Inequality," *American Panorama*, edited by Robert K. Nelson and Edward L. Ayers, accessed October 17, 2017, <https://dsl.richmond.edu/panorama/renewal/#view=0/0/1&viz=cartogram&city=fresnoCA&loc=14/36.7398/-119.7825>

¹⁰ Although the majority of California and U.S. households are homeowners, Fresno is not unique in becoming a majority renter city. Looking at U.S. decennial census and American Community Survey data for the top ten largest cities in California (Los Angeles, San Diego, San Jose, San Francisco, Fresno, Sacramento, Long Beach, Oakland, Bakersfield and Anaheim), the number of majority renter cities went from 5 out of 10 in 2000 to 8 out of 10 in 2017. San Jose and Bakersfield remain majority homeowner household cities.

¹¹ Alan Mallach, "The Empty House Next Door: Understanding and Reducing Vacancy and Hyper Vacancy in the United States," (Cambridge: Lincoln Institute of Land Policy, 2018) 11.

¹² The 30% metric has only been in use since the 1980s. From 1968 to 1981 HUD used 25% as the limit for rent burden. This is why census data from 1970 and 1980 include households spending 25%-34% of their income on rent together; at the time that entire cohort would have been considered rent burdened.

¹³ This number does not include vacant spaces that are not leasable, or need extensive renovations; the ground floor area of the Bank or Italy building, Gottschalks building, and 887 Fulton St. See Downtown Fresno Partnership, *Property Inventory Report: Fulton District*, December 2018.

APPENDIX A

DOWNTOWN NEIGHBORHOODS COMMUNITY PLAN (2016) POLICIES

7.12 As Downtown and the downtown neighborhoods grow in population, ensure that existing residents and small businesses have opportunities to remain.

Intent: To avoid the displacement of long time residences and merchants that sometimes occurs as formerly distressed areas are improved.

7.12.1 The Mayor and City Council shall convene a displacement task force to explore ways to provide opportunities for low income residents and merchants to remain in their neighborhoods if displacement is observed due to substantial and sustained increases in rent. The task force should work in conjunction with low income residents, community organizations serving low income residents, experts on displacement, low income business owners and property owners in the plan area.

7.12.2 City staff shall annually gather data on lease rates, vacancy rates, rent burden rental rates, restricted affordable housing covenant expirations and, if applicable, displacement for use by the task force. An annual report on data gathered shall be released for public review and input. Staff should also study neighborhoods in other cities which have experienced displacement to assist the task force in identifying similar displacement patterns within the plan area.

7.12.3 The task force should identify a set of actions that give displaced persons or businesses the opportunity to remain in the area if they wish to do so. Acceptable thresholds should be developed by the task force for factor which may include sustained rent increases, extremely low vacancy rates, a pattern of increased displacement, or other data that may point towards a local housing market that does not promote a diversity of incomes. If data shows that the thresholds are exceeded in a significant and sustained manner, additional policies shall be evaluated for adoption by the City Council, including an affordable housing set aside within new housing projects, requiring affordable housing with the sale or contribution of city-owned property within the plan area, policies to address issues that are causing tenants to move involuntarily, or in-lieu fee for new construction to be set aside for an affordable housing trust fund.

7.12.6 The City shall create and maintain a webpage where it will post information provided by staff to the task force, task force minutes, reports issues by the task force, and other relevant materials.

Program 12A Downtown Displacement Prevention-

The City will implement Policy 7.12.1 of the DNCP which calls for the convening of a displacement task force to explore ways to provide opportunities for low income residents and merchants to remain in their neighborhoods if displacement is observed due to substantial and sustained increases in rent.

The task force should work in conjunction with low income residents, community organizations serving low income residents, experts on displacement, low income business owners, and property owners in the plan area. The intent of the displacement task force is to establish measures and collect data on those measurements that can identify gentrification and/or displacement of residents or businesses in Downtown.

The data gathering measures are intended to establish baseline conditions which will be used to compare to future conditions as the Downtown area develops. The following action items are included in the Plan:

- Convening a displacement task force to explore ways to provide opportunities for low-income residents and merchants to remain in their neighborhoods if displacement is observed. The Task Force shall be convened in 2018, within 3 months of the release of the first annual report on displacement.
- Annually gathering data on lease rates, vacancy rates, rent burden, rental rates, restricted affordable housing covenant expirations, and if applicable, direct displacement for use by the task force. An annual report on data gathered shall be released for public review and input.
- Identifying a set of actions that give displaced persons or businesses the opportunity to remain in the area if they wish to do so within 6 months of the Task Force finding that displacement is occurring, which will be carried out within one year of identifying the actions.
- Seeking funding for mixed income and affordable housing within the plan area, including potential set-asides for affordable housing for tax increment generated within any future Enhanced Infrastructure Financing Districted formed or a future citywide affordable housing trust fund.
- Working with the owners of affordable housing properties to ensure that affordability is maintained over the long term.
- Creating and maintaining a webpage to post information provided by staff to the task force, task force minutes, reports issued by the task force, and other relevant materials.

Responsibility: Development and Resource Management Department, Planning Division

Timeframe/Objective: Annually gather data on lease rates, vacancy rates, rent burden, rental rates, restricted affordable housing covenant expirations, and if applicable, displacement as part of the annual reporting process, starting in 2018. Convene Task Force within 3 months of release of first annual report on displacement in 2018. If displacement is observed, within 6 months identify a set of actions that give displaced persons or businesses the opportunity to remain in the area if desired.

SOUTHWEST FRESNO SPECIFIC PLAN (2017) POLICIES

Goal LU-4 Maintain the use and character of existing residential neighborhoods, while improving the quality of housing and encouraging home ownership, and remediate Southwest Fresno's blighting conditions to improve the community's image, attract private investment, and create a pleasant living environment

Policy LU-4.8 Establish an anti-displacement strategy and an anti-displacement and relocation program to minimize and avoid the displacement of existing residents outside of the plan area caused by new development.

APPENDIX B

METHODOLOGY

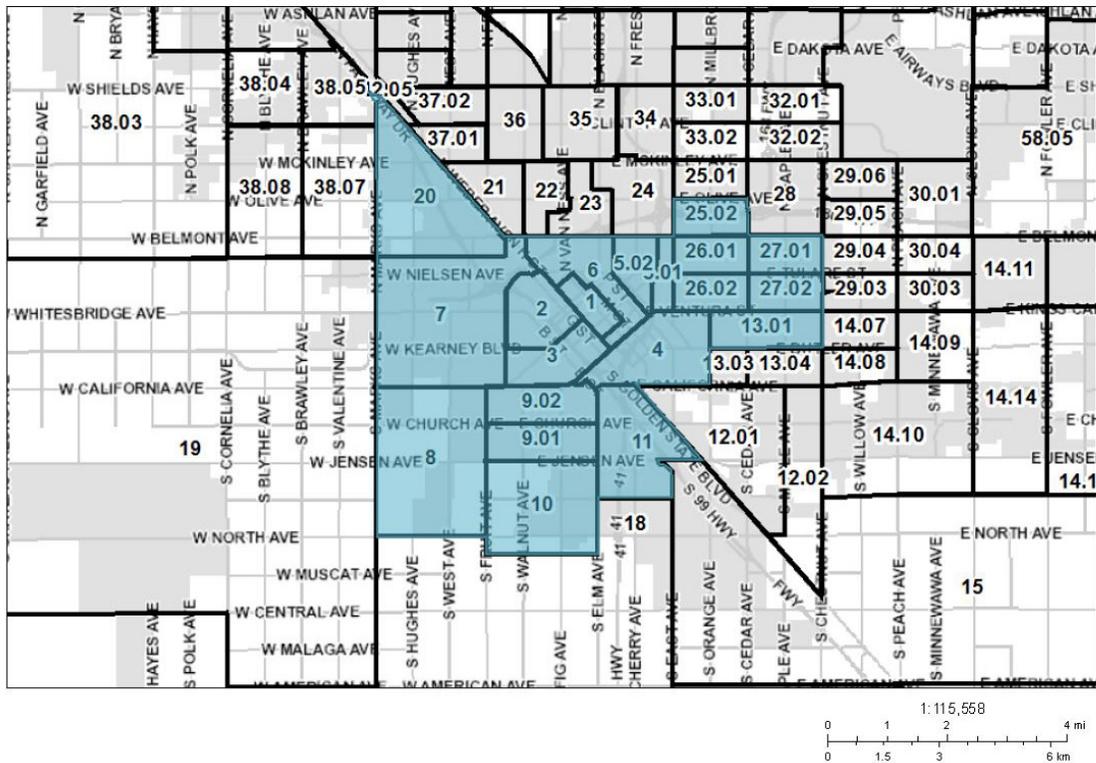
The goal of this report was to gather baseline data related to displacement in Downtown. A series of quantitative indicators were established in Downtown Displacement Prevention program: lease rates, vacancy rates, rent burden, and rental rates. In order to determine if displacement was occurring in Downtown, these indicators were compared to Fresno outside of Downtown.

RESIDENTIAL DATA

Information for residential vacancy rates, rent burden and rental rates came from the census tract and place level data in the U.S. decennial census and American Community Survey five year estimates. Census tract level data was used for defining Downtown and place level data was used for Fresno as a whole.

For Downtown statistics, the Downtown boundary was compared to census tract boundaries and data from the census tracts below was aggregated to approximate Downtown.

Downtown Analysis Boundary



Because of historical census tract splitting, census data from 1960-2000 will also include census tract 25.01, 13.03 and 13.04.

Data for Fresno excluding Downtown is an estimate derived from taking U.S. Census Bureau place level data for Fresno city and subtracting the Downtown totals. The limitation of this estimate is that census tracts can include households that are outside of the Fresno city limits.

CALCULATING MEDIANS AND QUARTILE DATA

Because the U.S. Census Bureau only includes aggregate data in fixed bins (or ranges), median and quartile data for derived geographies cannot be directly determined, only brought to the nearest bin. Therefore medians and quartiles have been estimated using the following formula that assumes a standard distribution of data within the bin:

$$\text{Median} = L + (n/2 - F) / f * w$$

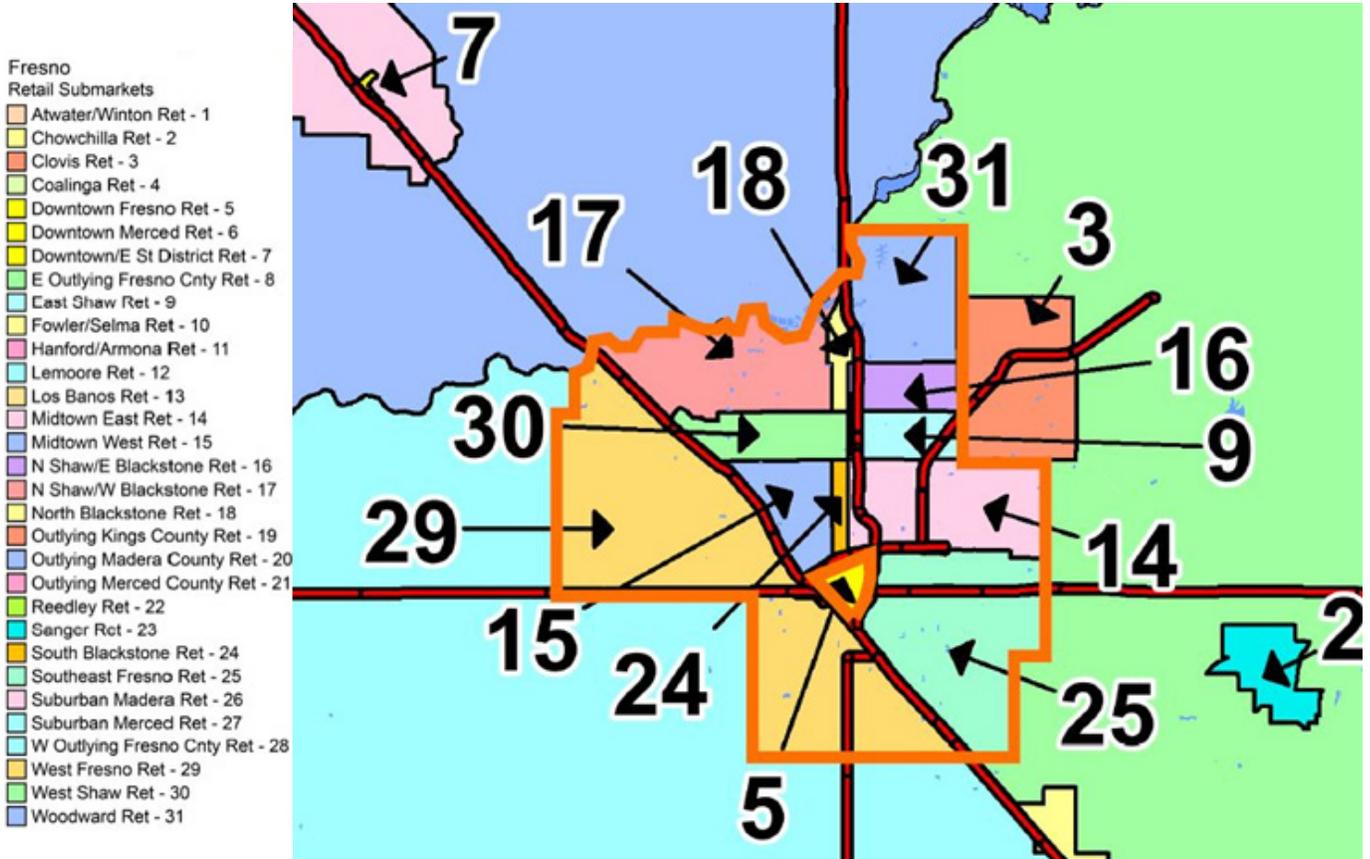
$$\text{Lower Quartile} = L + (n/4 - F) / f * w$$

$$\text{Upper Quartile} = L + (n * 3/4 - F) / f * w$$

Where L is the lower border of the median (or upper or lower quartile) bin, n is the total number of occurrences, F is the cumulative frequency up to the median (or upper or lower quartile) bin, f is the frequency of the median (or upper or lower quartile) bin and w is the width of the median (or upper or lower quartile) bin.

COMMERCIAL DATA

Commercial data was derived from CoStar Retail Statistics for the Fresno retail market from 2014-2018. Fresno Downtown statistics were taken from CoStar's Downtown Fresno Retail Market, which is bounded by SR-180, SR-41 and CA-99. Fresno outside of Downtown uses a combination of retail markets within Fresno (see map). Because CoStar's data is proprietary it is unclear from CoStar's data which retail buildings/square footage is included in a retail market (ie if all retail buildings or a representative sample is included).



Costar Retail Submarket Boundaries (2018).

APPENDIX C

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