Disrupting Displacement Financing in Oakland and Beyond

CALIFORNIA REINVESTMENT COALITION

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The California Reinvestment Coalition builds an inclusive and fair economy that meets the needs of communities of color and low-income communities by ensuring that banks and other corporations invest and conduct business in our communities in a just and equitable manner.

Anti-Eviction Mapping Project

The Anti-Eviction Mapping Project is a data-visualization, data analysis, and digital storytelling collective documenting dispossession and resistance upon gentrifying landscapes.

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EXECUTIVE SUMMARY

Oakland is ground zero for gentrification and displacement in the Bay Area; the lack of affordable housing has pushed out communities who have made Oakland their home for generations, most notably communities of color. This displacement is being enabled by banks and other financial institutions, which serve as co-conspirators with serial evictors in this crisis. The financing provided by banks is used by these serial evictors and other borrower landlords to purchase property, increase rents to untenable levels by ignoring tenant protections or using loopholes in local and state policy, and evict tenants. Such financing also harms small businesses, which lack some of the protections afforded to residents.

The California Reinvestment Coalition (CRC) and the Anti-Eviction Mapping Project (AEMP) identified the banks and financial institutions enabling this displacement crisis. The data points to First Republic Bank as the worst actor by far. First Republic has been the most frequent financier of serial evictors, identified by local nonprofits, like Neil Sullivan, Michael Marr, and JDW Enterprises, Inc. These property owners are responsible for filing over 500 petitions with Oakland's Rent Board to terminate tenancies and remove units from rent control. Several other banks and financial institutions were identified as co-conspirators. A full list can be found on page 9.

Displacement financing by banks runs counter to their obligation to help meet low- and middle-income (LMI) community credit needs under the Community Reinvestment Act (CRA). In many cases, bank lenders know when a borrower landlord's business model is to raise rents and evict tenants. We are concerned that loans are underwritten based expressly on this business model.

CRC, AEMP, and other community groups have developed an Anti-Displacement Code of Conduct for banks and financial institutions. It highlights what banks should do to cease displacement financing while reinvesting in communities to ensure that homeowners, tenants, and small businesses are able to remain and build wealth in neighborhoods throughout California.

This report makes a number of recommendations to banks on how to stop displacement financing and reinvest in communities, as well as recommendations for federal, state, and local governments that will support existing homeowners, tenants, small businesses, and neighborhoods. These governmental-level recommendations include:

- Oakland: Enforce the Rent Adjustment Program, collect better data, and provide greater resident and small business protections.
- California: Repeal Costa-Hawkins, pass a strong state Affirmatively Furthering Fair Housing (AFFH) bill, and influence Opportunity Zone investments for the benefit of communities.

- Federal: Strengthen the Community Reinvestment Act so that CRA reviews downgrade banks that finance displacement, and implement the Department of Housing and Urban Development's AFFH rule.

DISPLACEMENT IN THE BAY AREA

Oakland has the fastest pace for gentrification and displacement in the Bay Area.[1] Homelessness increased 36% in Alameda County from 2016 to 2017 as renters need to earn $48.71 per hour - or nearly four times the minimum wage - to be able to afford the median asking rent of $2,553.[2]

The displacement of people of color and low-income residents in Oakland is well documented. Hardest hit by rising rent and the high cost of buying a home are African Americans, Latinos, and Asian Americans. African Americans in Oakland and San Francisco have the fewest affordable options to buy a home in the entire country.[3]

Housing prices have been found to be rising fastest in Oakland, where cost has been a major driver of people leaving the city; **since 2000, Oakland has lost 30% of its Black population.[4] In 2012, a study found that 62.5% of African American households and 58% of Latino households in Oakland were housing cost-burdened, as compared to 42.7% of white households.[5]**

Displacement takes many forms, impacting homeowners, small business owners, and tenants living in both multi-family buildings and single-family homes. During the last decade, large-scale foreclosures in Oakland led to the direct displacement of many Oakland homeowners. This increased the renter population, and many single-family homes were converted into rental housing at a scale not seen before. Tenants renting these single-family homes generally have fewer protections than those living in multi-family buildings.

Oakland's Rent Adjustment Program (RAP), in effect since 1980, is meant to address concerns between property owners and tenants, and to address unjust or illegal rent increases. Under the program, renters may challenge a rent increase if they believe it is more than an allowable amount that is annually set by the city. The City also has put in place Just Cause protections for most

[1] Kathleen Maclay, "Urban Displacement Project expands, updates its Northern California maps," November 16, 2017.
[2] California Housing Partnership, "Alameda County's Housing Emergency and Proposed Solutions," April 2018.
[3] Lisa Fernandez, "Black households in San Francisco, Oakland have fewest home-buying options in U.S.: Zillow," citing a study by Zillow finding that African Americans could afford just 5% of the region's home listings in 2017.
[4] KQED, "How Many are Being Displaced Due to Gentrification," February 9, 2017, https://www.kqed.org/news/11307279/how-many-are-being-displaced-by-gentrification-in-oakland
[5] PolicyLink, "Oakland's Displacement Crisis: As Told by the Numbers," http://www.policylink.org/sites/default/files/PolicyLink%20Oakland%27s%20Displacement%20Crisis%20by%20the%20numbers.pdf

tenants. These prevent landlords from evicting tenants for other than delineated, legitimate reasons.

In the last few years, escalating housing prices have created large financial incentives for landlords in Oakland to raise rents and evict tenants from both single-family homes and multi-family buildings. These incentives push landlords to evict tenants through legal no fault evictions and loopholes in the Rent Adjustment Program, as well as through harassment and extralegal conduct. Landlords have even taken units out from under the Rent Adjustment Program in order to raise rents in favor of newer, more affluent tenants.

A symbiotic and co-conspiratorial relationship has developed between problematic property owners who are fomenting displacement and the banks that fund them. Community and tenant advocates report that the business model of certain building owners is to dramatically raise rents or remove units from the community's affordable housing stock, and that banks know this to be the case. In other instances, banks and other lenders may press property owners to raise rents on tenants in order to ensure repayment of the loan.

Banks, Wall Street firms, and other financial institutions are financing the purchasing of properties by serial evictors and thereby facilitating displacement. Without this funding, speculators and problematic borrower landlords would be unable to acquire property, or to do so at scale. As borrower landlords and their bank lenders work together, they convert affordable housing into housing that working-class families can no longer afford.

"(The landlord's) business model is based on displacing long-term Oakland residents and replacing them with young newcomers to the area. He is explicit, intentional, and unapologetic about this modus operandi."

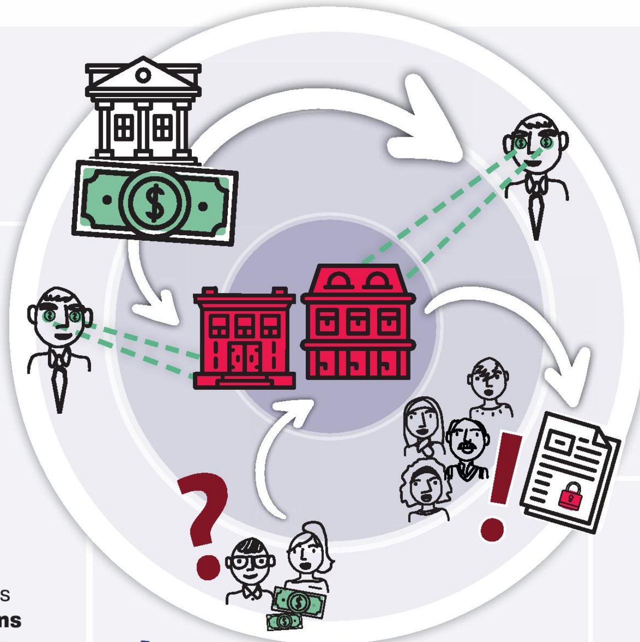
Laura Lane, attorney with the East Bay Community Law Center.[6]

[6] Darwin BondGraham, "'Lighting Rod' Developer Removed from Conference Panel Following Concerns from Oakland Mayor and Tenant Activists," East Bay Express, September 20, 2017.

Displacement Financing

An example of how Displacement Financing works:

Speculator: Someone who speculates on the future worth of a building, often after the property is vacated of its current residents. Speculators see housing as a financial asset to be purchased for maximum profit, not as a person's home.



1.

Banks lend money to a speculator.

2.

The speculator buys a multi-unit building. **The speculator then raises the rent**, often beyond what the current tenants can pay.

The bank may have underwritten the loan based on these higher rents.

3.

When current tenants—who are often low and moderate income people of color—can't afford the new rate, **the speculator moves to evict** them.

4.

Then, **the speculator rents to new tenants** at a price that only the wealthy can afford.

5.

Finally, the speculator leverages the existing property to take out another loan from the bank, then buys a new property and starts the process again. This becomes the speculator's business model, **the bank turns a profit by financing a serial evictor**, and long-term community members are displaced.

More about Displacement Financing:

Illegal evictions:

In some cases, the speculator may try to evict the tenants using loopholes, harrassment or other illegal means, especially in cities where there are rent control and just cause eviction protections. Speculators may also try to take the units out from under rent control.

Single family homes:

Displacement financing also occurs when banks lend to speculators and serial evictors purchasing foreclosed (REO) single family homes. Big Banks and Wall Street also fuel large-scale displacement by pooling and securitizing bundles of loans on single and multifamily properties.

• Made in partnership with the Anti-Eviction Mapping Project **antievictionmap.com** and the California Reinvestment Coaltiion
• Images from the Noun Project **thenounproject.com** contributor Prettycons

Displacement financing hurts communities and has long-term repercussions for the financial and economic well-being of residents and families. Evictions can damage personal credit, making it hard to secure new housing and employment. Tenants receiving eviction notices may lose income if they miss work to appear in court or respond to petitions and notices, even if there is no fault on the part of the tenant. In addition, forced relocation can drain tenants' savings, putting homeownership and asset accumulation further out of reach. Such strain can make it difficult for displaced tenants to obtain and maintain bank accounts or qualify for consumer, mortgage, or small business loans.

METHODOLOGY AND KEY FINDINGS

The California Reinvestment Coalition (CRC) is a statewide network of more than 300 member organizations that work to build a more just and sustainable economy. CRC members include affordable housing developers, community development financial institutions (CDFIs), small business lenders and technical assistance providers, tenants' rights organizations, legal service providers, and other community-based organizations. In 2016, CRC completed a strategic planning process that identified the involuntary displacement of tenants, homeowners, and small businesses from local communities as one of the strongest areas of concern for our members.

In 2017, with support from the San Francisco Foundation, CRC and the Anti-Eviction Mapping Project (AEMP) began a project to identify displacement patterns in the city of Oakland and the East Bay, research the financing behind displacement, and devise policy solutions and corporate campaigns where neighborhood groups could stem the tide of displacement.

CRC and AEMP requested public data from the Oakland Rent Board to document the extent to which property owners were moving to terminate tenancies, increase rents, or remove units from Oakland's Rent Adjustment Program. The data suggest an upwards trend in rent increases, challenges by tenants to proposed rent increases, eviction proceedings begun, and removal of buildings from rent control protections. Key findings of this analysis include:

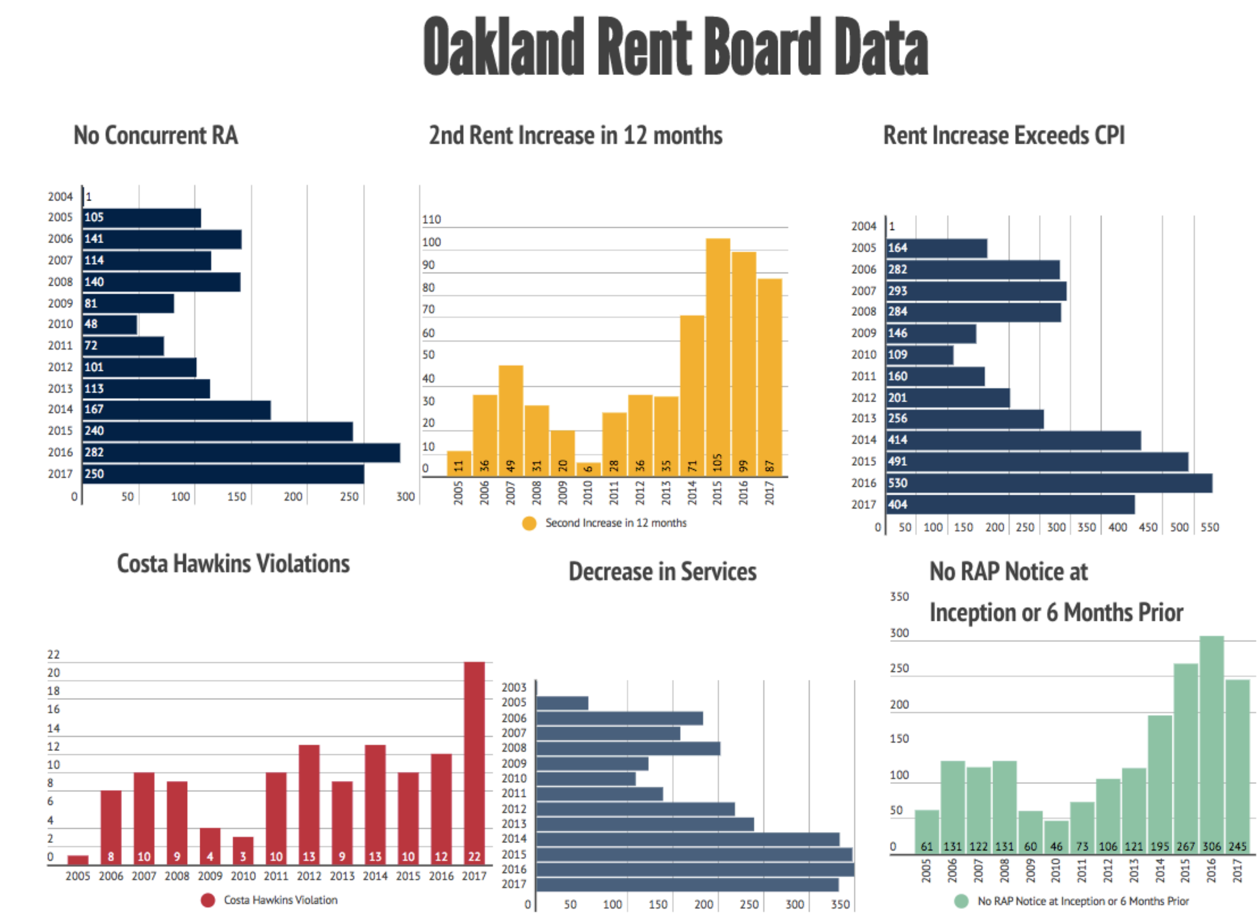
Tenant challenges to rent increases quintuple in 6 years.

Petitions filed by tenants to challenge rent increases or protest reduction in services provided by landlords increased dramatically every year from 2000 (383 petitions filed) to a peak in 2016 (1,957 petitions), before settling in 2017 (1,041 petitions). These numbers only represent the tip of the iceberg, as tenants often do not avail themselves of the petition process. In 2016, the average rent for a 1-bedroom apartment in Oakland was $2,488, up $549 (28%) from 2014, **and the average rent for a 2-bedroom apartment was $3,284, up $931 (39%) from 2014**.[7]

Eviction proceedings grow.

Petitions filed with the Oakland Rent Board to terminate tenancies have grown in number. Prior AEMP analysis found **49,243 termination notices were filed with the Oakland Rent Board over 7 years**.[8] Prior analysis of Alameda County court records by AEMP and Tenants Together found **32,402 Unlawful Detainers actions in Oakland over the 11-year period from 2005 to 2015**.

Figure 1: Reasons landlord petitions to increase rents in Oakland were denied by the Rent Board



Buildings removed from rent control protections forever.

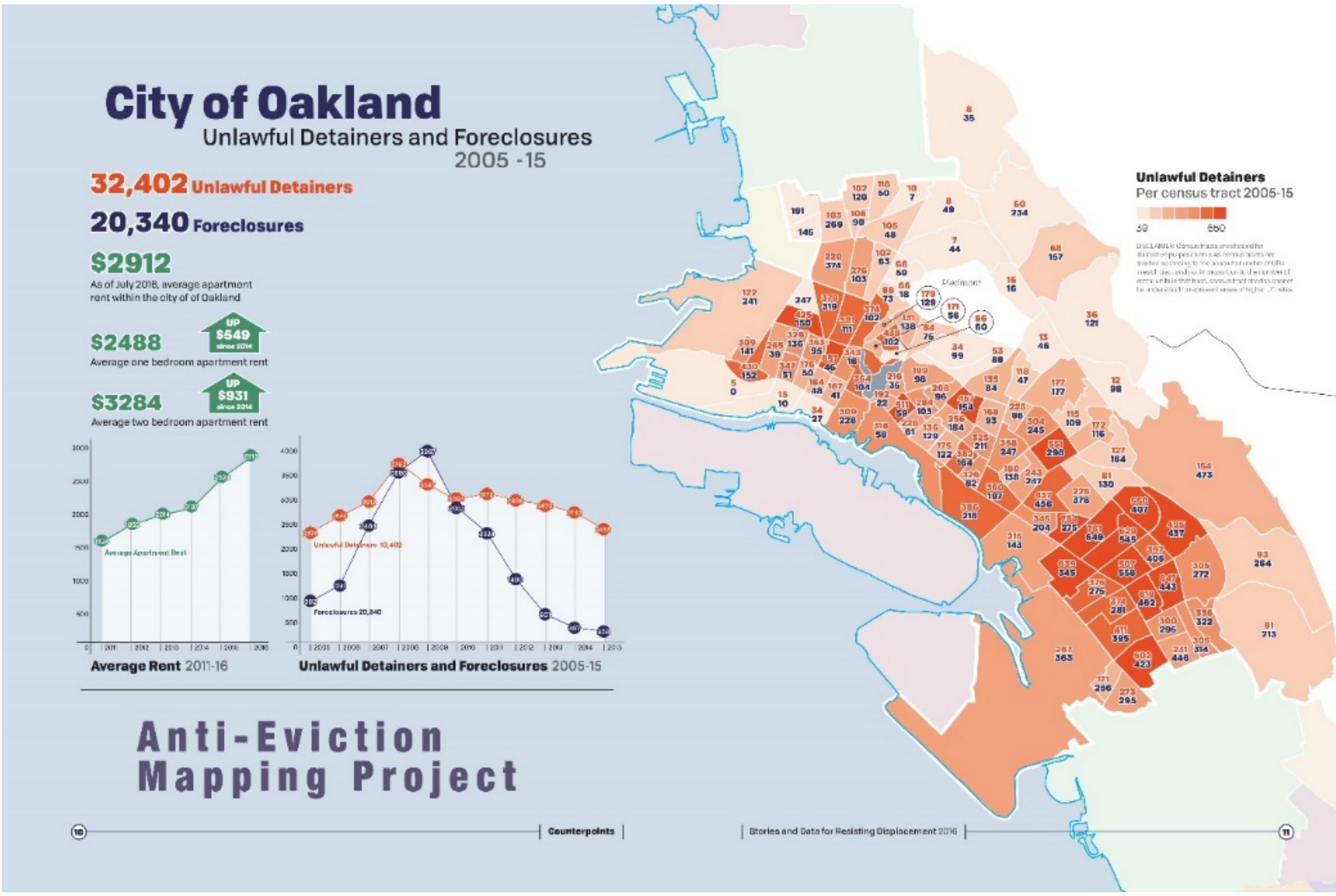
Rent Board data suggest that 546 petitions to remove apartment building from the RAP Rent Control program have been granted exemptions, and that these exemptions have increased the last two years as displacement pressures have increased. That means tenants in hundreds of

[7] Anti-Eviction Mapping Project and Tenants Together, "Alameda County Eviction Report: Counterpoints: Stories and Data for Resisting Displacement 2016, http://bit.ly/EvictionReport

[8] For more information, visit: http://bit.ly/AEMP1

units have lost Rent Control protection, and that those buildings likely will never again be affordable to working families in Oakland. **Over 130 buildings were removed from rent control in Oakland over the last six years thanks to state law Costa Hawkins restrictions.**[9]

Map 1: AEMP analysis of foreclosures and evictions in Oakland: 2005-2015



[9] The Costa Hawkins Rental Housing Act of 1995 restricts the ability of local jurisdictions to impose rent controls on units that become vacant, on buildings built after 1995, and on single-family dwellings.

Several banks and financial institutions identified as funders of displacement.
CRC and AEMP interviewed a number of front-line organizations working with residents and businesses facing displacement in Oakland; these groups identified problematic property owners, serial evictors, and displacement trends. AEMP then conducted research to uncover the sources of funding of these property owners.

A number of banks, firms, and institutions were found to have funded property owners identified as problematic or serial evictors by nonprofit groups. They include:

- First Republic
- JP Morgan Chase
- First Foundation
- Luther Burbank Savings
- Opus
- Mechanics Bank
- California Republic Bank (Mechanics)
- Pacific Western Bank
- Umpqua
- East West Bank
- Wells Fargo
- Goldman Sachs
- Comerica
- Bank of Marin
- EverBank (TIAA Bank)
- Sterling Bank and Trust
- Cathay Bank
- EverTrust Bank
- Bank of Guam
- Bank of the Orient
- Summit
- Priority Financial Network
- Home Point
- McKinley Debt Fund
- CBRE Capital Markets
- Lone Oak Fund
- Genesis Capital
- Red Tower Capital
- Crown Capital
- Rubicon Mortgage and Cason
- Civic Financial
- Nationwide Life Insurance
- Standard Insurance Company
- Berkadia
- Wing Lung Bank

"Evictions thus provide a window onto the urban land question, specifically who owns land and on what terms, who profits from land and on what terms, and how the ownership, use, and financialization of land is governed and regulated by the state."

Ananya Roy, Professor of Urban Planning, Social Welfare and Geography, Director of The Institute on Inequality and Democracy, UCLA Luskin School of Public Affairs

THE FINANCING OF DISPLACEMENT

While various aspects of the current displacement crisis have been studied, little attention has been paid to displacement financing. **Yet, much of the displacement that has occurred in Oakland and the East Bay is a direct result of bank, Wall Street, and government-backed lending.** Most speculators and even all-cash investors would be unable to secure properties, raise rents and evict tenants without cheap financing provided by banks and other lenders. Otherwise, they would have to independently come up with cash for all transactions or turn to private equity.

While the intention of lenders that finance displacement may be unclear, the profound and devastating impact on the community is not. Financing problematic borrower landlords raises safety and soundness, credit, litigation, and reputational risks for banks. Banks do not have to fund every loan request they receive. And if loans are nevertheless originated to serial evictors, **banks must do a better job in working with property owners to ensure they adhere to loan terms and act as responsible community partners**.

"We don't pretend that these answers are perfect, but as we looked at the things we thought we could influence, we felt that, working with our clients, we could make a difference. Banks serve a societal purpose — we believe our investors want us to do this and be responsible corporate citizens."

Michael L. Corbatt, CEO, Citibank, on the bank's plans to restrict financing of gun sales.[10]

[10] Tiffany Hsu, "Citigroup Sets Restrictions on Gun Sales by Business Partners," New York Times, March 22, 2018

Displacement financing by banks runs counter to the affirmative obligation of banks to help meet low- and middle-income (LMI) community credit needs under the Community Reinvestment Act (CRA). A federal law passed in 1977 to address redlining, or discrimination in lending based on race, CRA ensures that banks help meet the credit needs of all communities where they take deposits, including LMI neighborhoods. In financing displacement, banks exacerbate the credit needs of the LMI communities they are meant to serve. Ironically, displaced families may very well end up requiring the kinds of emergency services, credit counseling, financial capability, and related services that banks support through their CRA activities.

Large Multi-Family Lenders

Originating multi-family loans is not problematic, per se. In fact, banks and other lenders can be part of the solution to displacement by financing affordable housing development acquisition and preservation. But when banks and other lenders underwrite loans knowing that displacement of existing tenants is likely to occur, then these lenders are harming LMI residents and communities.[11] Generally, banks and other financial institutions do not have adequate policies in place to minimize the risks of originating displacement mortgages, nor do they have adequate reinvestment practices to mitigate the impacts of displacement on communities.

Table 1: Top 10 multi-family lenders in Oakland in 2017, based on loans originated and secured by properties with 5 or more units

Bank	# of Loans
JPMorgan Chase	81 loans
First Republic Bank	67 loans
Luther Burbank Savings	17 loans
Opus Bank	10 loans
Umpqua Bank	7 loans
East West Bank	7 loans
Wells Fargo Bank	6 loans
US Bank, NA	6 loans
Citibank, NA	5 loans
First Foundation Bank; Fremont Bank; Sterling Bank & Trust, FSB; Velocity Commercial Capital	4 loans each

[11] Banks can finance problematic property owners in a variety of ways. As one example, JPMorgan Chase issued a nearly $1 billion commercial mortgage security which financed properties owned by Veritas and other companies. Veritas, a large landlord and owner of property, recently came under criticism in San Francisco for complaints by tenants about rising rents amidst poor and dangerous living conditions. For more on the connection between JPMorgan Chase and Veritas, visit: https://www.antievictionmap.com/veritas/ and https://48hills.org/2018/01/veritas-landlord-problems/

An Anti-Displacement Code of Conduct

In response to these concerns about displacement financing, CRC, AEMP, and community groups in Oakland and throughout California developed an Anti-Displacement Code of Conduct[12] for banks and others real estate lenders to adopt.

Landlord Borrowers Take Advantage of Loopholes

The Hardy family is being evicted from the triplex in Oakland that they've lived in for 45 years. "My mom and uncles grew up here," said Raynett Nottie, a third-generation renter in this home. The owner is seeking exemptions from Oakland's rent control protections in order to double the rent of Raynett's unit and almost triple her grandmother's rent. The former owner put the house on the market in July 2017 without telling the Hardy family.

"The home was never offered to us by the prior owner. By the time my family and I were informed, it was too late for us to look into loans to buy the house. When the new owner bought the house, he came to visit and said he didn't want to evict us. He wanted us to sign new leases. But the leases called for the rents to double and triple. He said, 'I just want my mortgage paid.' He took out a loan that is bigger than the price of the house. Maybe to fix the place. But the house is not in bad condition. It's not our fault that our rent does not cover your mortgage. He wants to remodel and flip, or rent out the property at market rate. In Oakland right now, he can get a lot more for the units."

[12] The Anti-Displacement Code of Conduct can be found at http://bit.ly/CRCCodeofConduct. To sign on to the Code of Conduct, please visit: http://bit.ly/SignCoC.

Oakland's rent control and Just Cause ordinances allow for certain exemptions from coverage. Whenever landlords invoke these loopholes, there is a dual impact – tenant occupants may be displaced, and units that were affordable to working-class families may be forever removed from the city's affordable housing stock. In Oakland, property owners can seek to remove tenants or buildings from protections through:

- Owner move-in evictions.
- Substantial rehabilitation of a building.
- Vacating other units in a duplex or triplex that the owner is living in.
- Converting units to condominiums.
- Ellis Act evictions where the landlord seeks to get out of the business of being a landlord.

Tenant advocates express concern that owners invoke these loopholes and exemptions while circumventing the necessary legal requirements, such as actually conducting substantial rehabilitation or moving into the building in question. The Ellis Act is often used to convert buildings into condominiums or tenancies in common.[13] Even when the rules are followed, such legal exemptions result in the displacement of innocent tenants from the community and a loss of affordable units. Banks and other lenders cannot turn a blind eye to these dynamics when they know that borrower landlords plan to remove tenants or affordable housing stock. These actions are in contrast to bank obligations under the Community Reinvestment Act, and may violate loan agreement provisions.

For example, JDW Enterprises Inc. reportedly filed petitions to exempt 13 apartment complexes and 35 units from Oakland's Rent Adjustment Program ordinance.[14] At a recent Oakland Rent Board meeting, tenants asked for help in getting rid of the substantial rehabilitation exception.

"If my residence were to be stripped of rent control through substantial rehabilitation, I would have to leave Oakland," said Grant Rich, an after-school program worker in Oakland whose landlord is seeking to invoke the exemption. Jenny Nigro, a social worker assisting seniors with mental health issues said, ***"Without rent control, I would not be able to live in this community."***[15]

[13] The Ellis Act can be found at California Government Code, Chapter 12.75. For more information on the Ellis Act and its impact on tenants, visit: http://www.antievictionmappingproject.net/ellis.html

[14] Darwin BondGraham, "Some Oakland Landlords Are Using a Legal Loophole to Exempt Housing from Rent Control," East Bay Express, September 13, 2007.

[15] Darwin BondGraham, "Landlords and Tenants Continue to Fight Over Rent Control 'Loophole' Despite Moratorium," East Bay Express, April 27, 2018.

The Banks and Firms Financing Displacement in Oakland

First Republic Bank

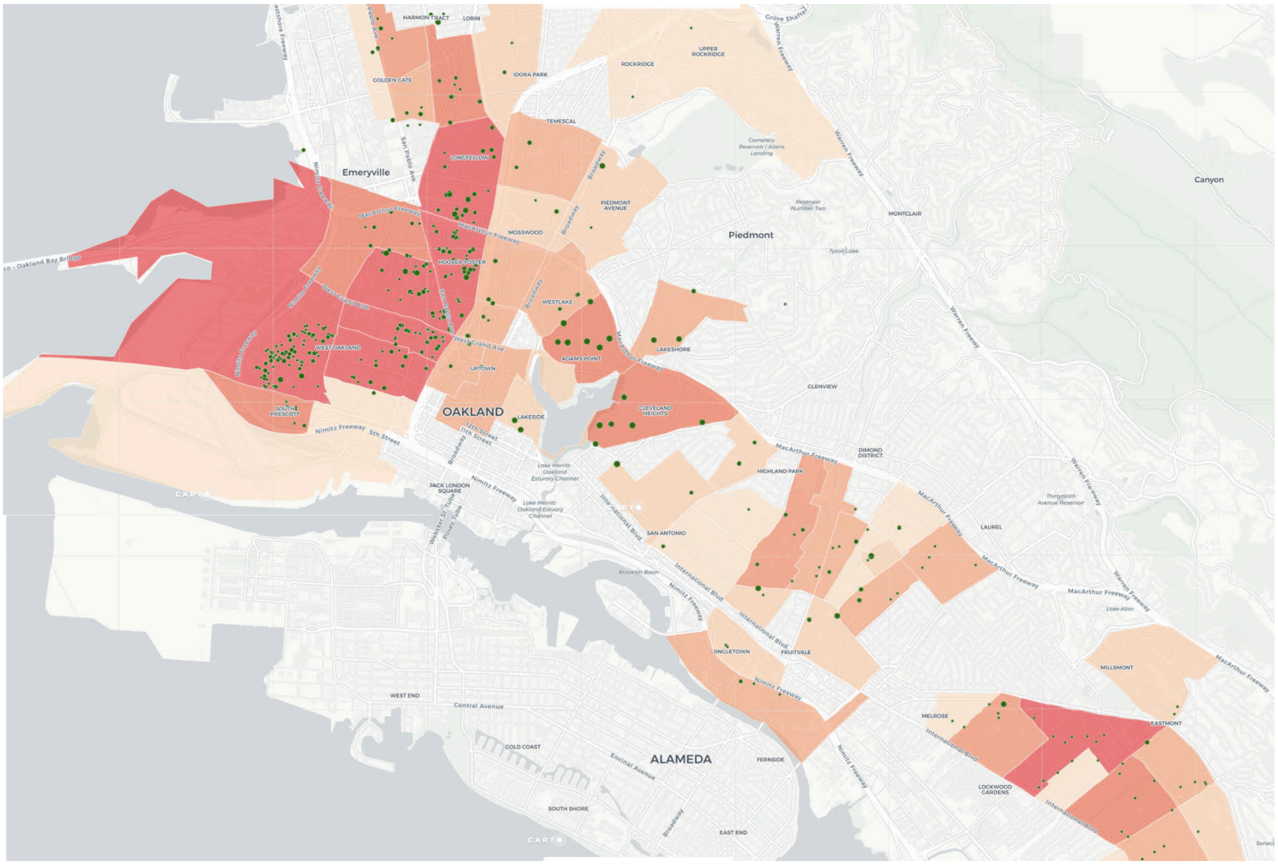
Analysis of available data by frontline tenant protection groups in Oakland found that the lender with the most deals with serial evicting property owners was **First Republic Bank**. Founded in 1985, First Republic Bank markets itself to an upscale client base and specializes in business banking, private banking, and private wealth management. Today, the bank has assets of $90 billion, and ranks 38th among the largest banks in the U.S.[16] From its marketing tagline, "It is a privilege to serve you," to its signature fresh-baked cookies and waterfall fixtures inside its branches, First Republic Bank has become one of the most successful banks to profit from the upward trajectory of wealth among its affluent clients in cities like San Francisco, Los Angeles, New York, and Boston.

AEMP analysis shows that First Republic Bank has originated a few hundred loans to property owners in Oakland who have filed over 500 Rent Board petitions to terminate tenancies and remove a number of units from the City's Rent Adjustment Program over a several year period.[17] Though not the only bank to engage in displacement financing, First Republic Bank appears to be the most active bank financing serial evictor landlords and those that seek to remove units from Rent Control and Just Cause protections, as well as financing REO to Rental schemes.

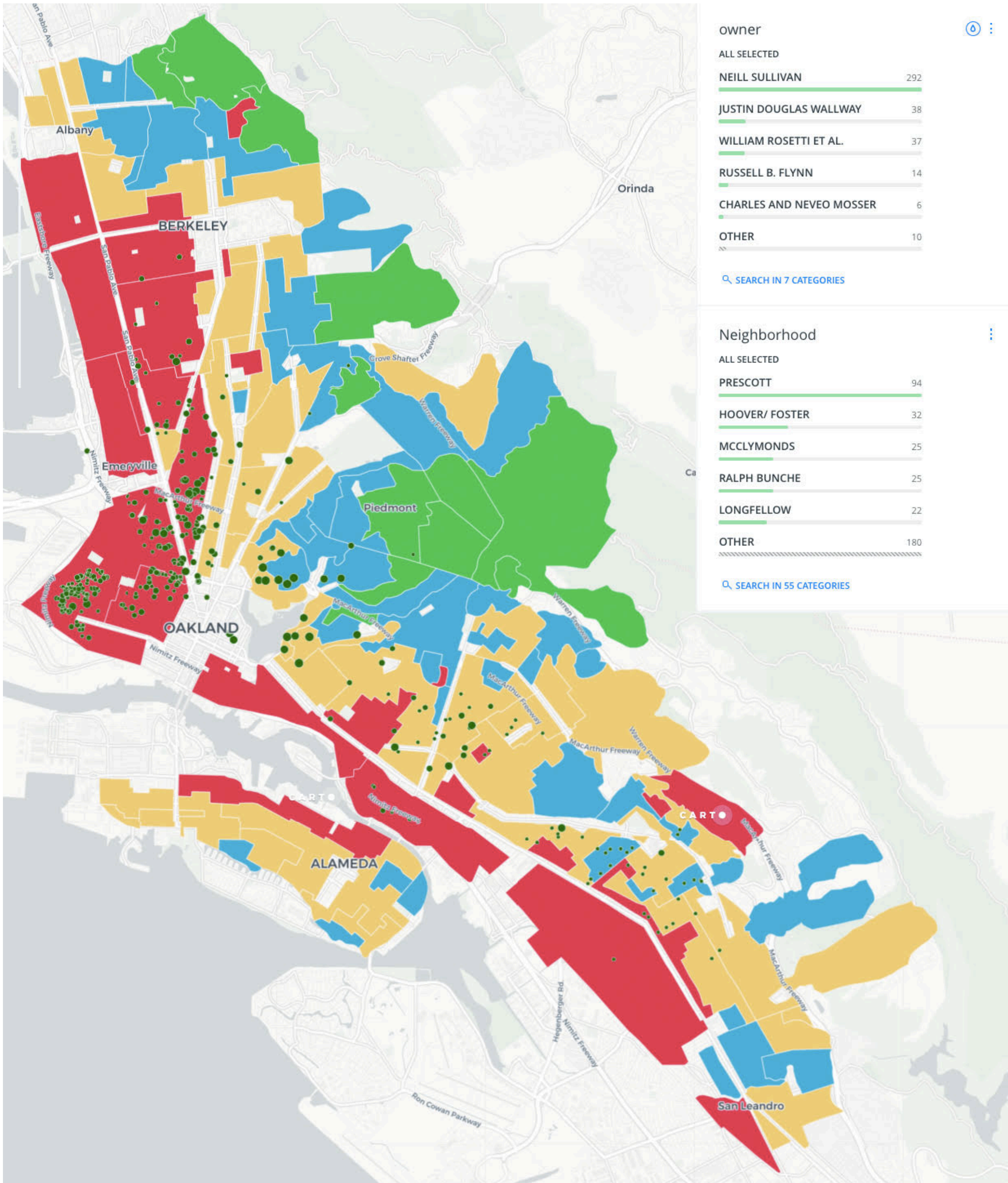
[16] Asset details from https://www.relbanks.com/top-us-banks/assets-2018

[17] The Anti Eviction Mapping Project reviewed Rent Board filings for a period of approximately ten years. Mapped loan data represent current (as of summer 2017) First Republic Bank loans on properties currently owned by property owners of concern as identified by community group partners.

Map 2: First Republic financing of property owners who have been identified as displacement drivers



Map 3: This map overlays the loans from Map 2 onto historical maps of Oakland showing redlining.[18] The Home Owners Loan Corporation color-coded areas to reflect those deemed "desirable" (Grade A: green), "still desirable" (Grade B: blue), "declining" (Grade C: yellow), and "not desirable (Grade D: red)." Much of the displacement being financed by First Republic is in areas coded Grade C and D under former government redlining policies.



[18] For an interactive version, visit: https://antievictionmap.com/displacement-oakland/#/first-republic-bank-oakland/

From the beginning of 2007 to October 2011, Oakland lost 10,508 homeowners to foreclosure. Investors picked up 42% of these properties, 93% of which were in the low-income flatland neighborhoods of Oakland. These communities were the ones most targeted by predatory lenders in the years leading up to the foreclosure crisis.[19]

The problem only worsened: at the end of 2015, over 20,000 foreclosures had occurred in the previous ten years.[20] Investors swooped in to purchase these lender-owned properties, known as Real Estate Owned (REO) properties, on the cheap for the purposes of renting out the acquired homes, often with all-cash offers and often outbidding first-time homebuyers and potential homeowners who had to rely on loans to purchase property. But these investors relied on financing as well, in the form of loans taken out against newly acquired homes or through single-family rental securitization.

Banks are implicated here for funding single-family home loans to investors, instead of keeping their focus on first time homebuyers and other borrowers who plan to live in their homes and be a part of the community. The following is a list of top single family mortgage lenders to investors, borrowers purchasing single family homes, but choosing not to live in those homes and instead to rent them out.

Table 2: Top 10 single-family lenders to investors (non-owner occupants) in Oakland in 2017[21]

Bank	# of Loans
First Republic Bank	118 loans
Wells Fargo	68 loans
Shore Mortgage	64 loans
Quicken Loans	62 loans
Bank of the West	45 loans
Fremont Bank	39 loans
Bank of America	38 loans
JP Morgan Chase Bank, NA	35 loans
Finance of America Mtg LLC	35 loans
Caliber Home Loans, Inc.	34 loans
First Foundation Bank	4 loans

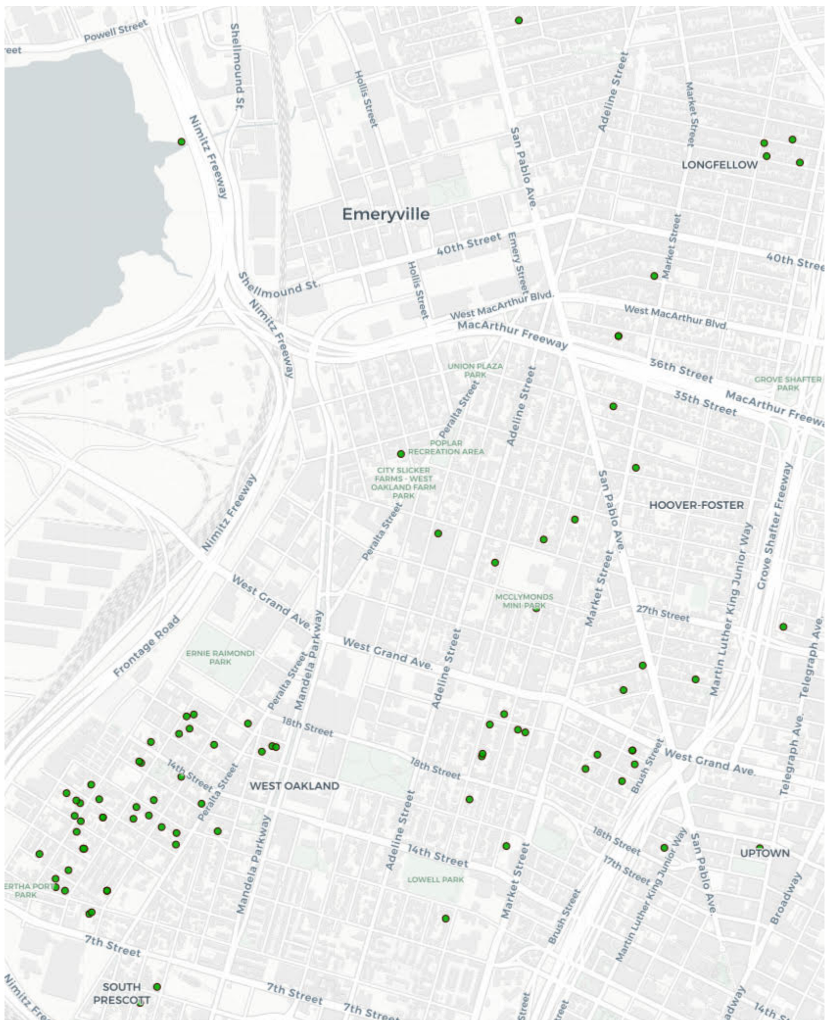
[19] Urban Strategies Council, "Who Owns Your Neighborhood: The Role of Investors in Post-Foreclosure Oakland," June 2012.
[20] For more information, visit: https://www.antievictionmap.com/displacement-oakland#/oakland-evictions-median-rent-increase-and-loss-of-black-population/
[21] This table represents the top single-family (1 to 4 unit buildings) loan originators to investors in Oakland in 2017.

Bad actors[22] funded by First Republic

Neil Sullivan

Since 2009, First Republic Bank originated a few hundred loans to Neil Sullivan, a large purchaser of single-family REOs in West Oakland. Records show that Neil Sullivan filed over 500 termination petitions with the Rent Board.[23] While various lenders originated loans to Mr. Sullivan to purchase REO properties, First Republic Bank appears to be his refinance lender of choice.

Map 4: First Republic Bank financing of REO to Rental investor Neil Sullivan in Oakland



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[22] Bad actor landlords were identified as such by local nonprofit organizations in interviews. For more information on Neil Sullivan, visit https://www.antievictionmap.com/neill-sullivan/ and for additional information on JDW, visit https://www.antievictionmap.com/first-republic/

[23] Anti Eviction Mapping Project estimates that termination notice filings by Neil Sullivan and his affiliated companies well exceed 500 in number, based on Rent Board data available. Note that Rent Board data are missing all filings for the 2.5 year period from late 2008 through May 2011.

Map 5: Overlay of historic Oakland redlining map and First Republic Bank financing of Neil Sullivan

Map 6: A historically redlined neighborhood in West Oakland with significant First Republic-financed Neil Sullivan properties

JDW Enterprises

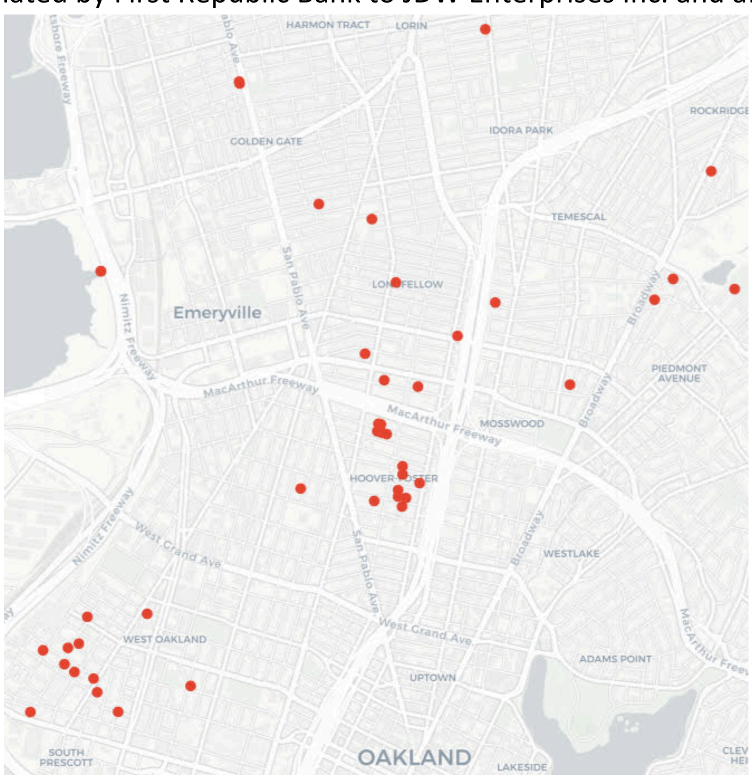
Manuel Briceno and his family have lived in their home since 1988, without issues. That is, until his old landlord sold the home. "They didn't say anything to us. My friend saw [online] that the building was for sale. JDW Enterprises Inc. bought the house. [Justin] wanted to charge us $3,000. We were paying $667, with rent control. We cannot pay that. But he pressured us to pay $3,000."

"We went to the City of Oakland. We won three cases because they had no right to evict us. We are Christian, we are good people. We don't drink. We clean the yard. We try to talk to them, and they ignore us. Justin wanted to give us $10,000 to leave. But I can't do that. I have my family. That's not enough to live. I have another 60-day notice and court date. The case closed, but a week later, I got another notice. [Justin] is trying to break families, to bring in people who have more money or can live with more people. He's creating more rooms, charging more."

Manuel thinks the landlord is charging $3,500 and $4,000 for the other two units in the building. "But what is going to happen to us? He is just thinking about money, he is not thinking about breaking families, about destroying families. I (would) have to change my kid's school. My wife has doctor appointments. Maybe my work will be far and the gas will cost more. He is not just doing this with me. He's getting all these houses empty. He's raising rents unfairly and unlawfully, and my family and I cannot pay that. He's trying to kick me out of my house."

The loan on this property to JDW was from First Republic Bank.

Map 7: Loans originated by First Republic Bank to JDW Enterprises Inc. and affiliates in Oakland

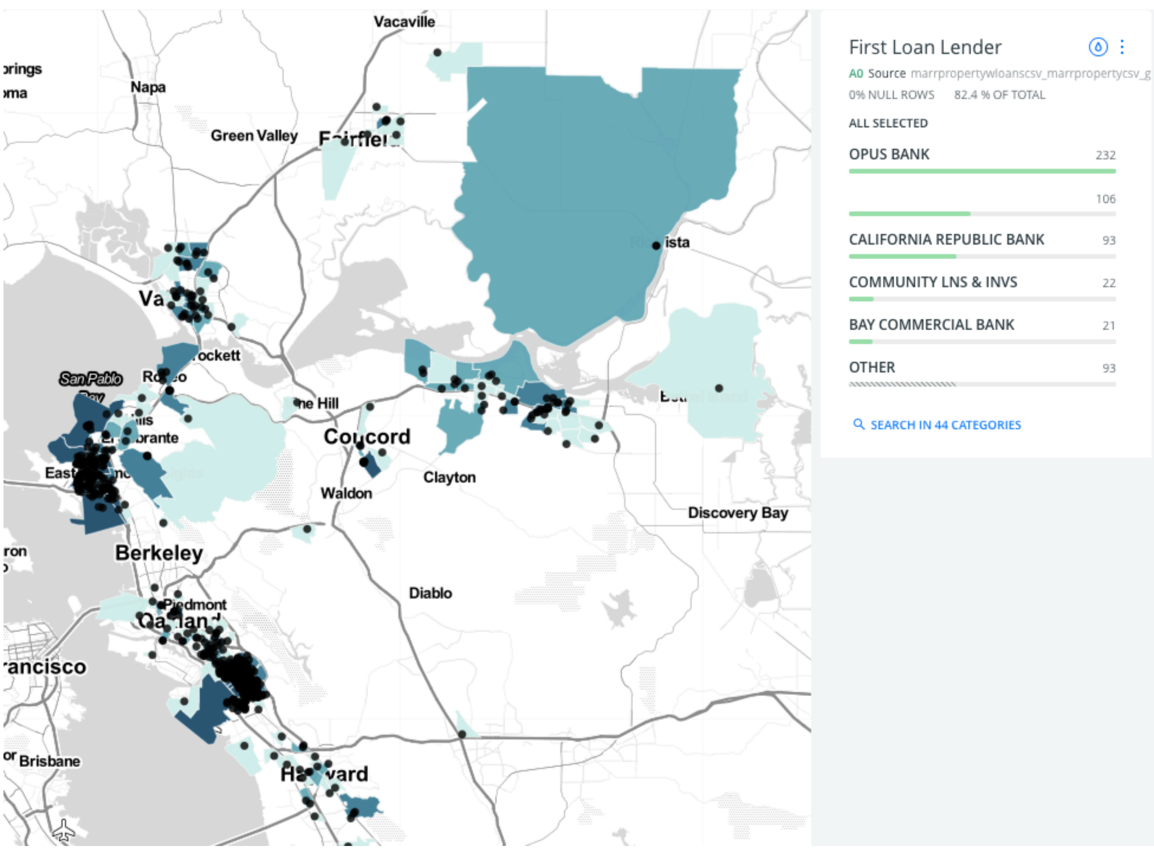


Another Bad Actor

Michael Marr

Another large REO property investor in Oakland is Michael Marr. Marr is reported to own 280 houses and apartment buildings in Alameda County, and has been considered the biggest private landlord in Oakland. In June 2017, a jury found Marr guilty of conspiracy and bid rigging of foreclosure auctions in Alameda and Contra Costa County, for which he was sentenced to 30 years in prison.[24] According to AEMP analysis, Marr received financing from several lenders, including 134 loans from Opus Bank, and 41 loans from California Republic Bank (purchased by Mechanics Bank), as well as loans from Bay Commercial and Cason. Tenants in Marr-owned homes complained of big rental increases, evictions, and claims for back rent.[25]

Map 8: Overlay of Opportunity Zone census tracts with bank financing of REO to Rental investor Michel Marr[26,27]



[24] U.S Dept. of Justice. "Real Estate Investor Sentenced to 30 Months in Prison for Rigging Bids at Northern California Public Foreclosure Auctions." March 21, 2018.

[25] *Ibid.*

[26] The Anti Eviction Mapping Project reviewed Rent Board filings for a period of approximately ten years. Mapped loan data represent current loans (as of summer 2017) on properties currently owned by Michael Marr.

[27] The colored portions of the map represent census tracts recently designated as Opportunity Zones under a new federal program that community groups are concerned might facilitate displacement.

Wall Street in Our Backyard

In addition to individual single-family home mortgage loans to investors, a new form of securitization has fueled the REO to Rental craze. Wall Street firms and big banks have enabled securitization of single-family rental homes, similar to the securitization that fueled the subprime loan crisis.

JPMorgan Chase and Wells Fargo are two companies that have financed Single-Family REO to Rental securitization deals. This form of financing got a huge boost when Government Sponsored Enterprises (GSEs) Fannie Mae, and then Freddie Mac, decided to enter this market.[28]

Freddie Mac recently announced a partnership with CoreVest, formerly Colony American Finance, to expand financing options for investors in Single-Family Residential rentals for workforce and affordable housing.

Yet it is unclear whether the families currently residing in these properties are actually low- or moderate-income and whether there is anything to protect them from rising rents and eviction. California's Costa Hawkins law means there are no statutory rent control protections for tenants living in these single-family homes. Colony American Finance was an affiliate of Colony Starwood Homes, now part of Blackstone's Invitation Homes.

This REO to Rental conglomerate owns approximately 82,000 single-family rentals throughout the nation, which itself raises anti-trust questions.[29]

Various studies of the REO to Rental model have shown that tenants of REO to Rental homes often get evicted.[30] One analysis by the Federal Reserve Bank of Atlanta found that large firms, such as Colony/Starwood (now owned by Blackstone), appeared to evict tenants at a higher rate than mom and pop companies.[31]

Reveal, a news platform of the Center for Investigative Journalism exposed conditions at Colony Starwood Homes, a 35,000 house rental empire founded by Tom Barrack, a member of the board of directors and large shareholder of First Republic Bank, and one of President Trump's oldest and closest friends.[32]

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[28] In November 2017, over 130 groups wrote the Federal Home Finance Administration to raise concerns that GSE financing of REO to Rental reduces homeownership opportunities and facilitates gentrification. For more information, see: http://bit.ly/FHFAletter

[29] Mathew Goldstein, "Major Rental-Home Companies Set to Merge as U.S. House Prices Recover," August 10, 2017.

[30] See California Reinvestment Coalition, "REO to Rental in California: Wall Street Investments, Big Bank Financing, and Neighborhood Displacement," June 2015; Homes for All Campaign of the Right to the City Alliance, "Renting from Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside," July 2014; Tenants Together, "The New Single Family Home Renters of California: A Statewide Survey of Tenants Renting from Landlords," May 2015.

[31] ACCE report, citing Raymond, Elora, Richard Duckworth, Ben Miller, et al., "Corporate Landlords, Institutional Investors and Displacement: Eviction Rates in Single Family Rentals." Federal Reserve Bank of Atlanta: Community and Economic Development Discussion Paper No 04-16, December 2016.

[32] Aaron Glantz, "Class-action suit against landlord giant gets go-ahead," Reveal News, December 11, 2017.

JP Morgan Chase financed Colony in several ways. This included a $675 million credit agreement with Colony Starwood Homes in 2017,[33] and serving as the Loan Seller in a $558.5 million single-family rental securitization. A third of the 3,727 properties financed through this transaction were in California.[34]

Reveal also reported that in Starwood Waypoint Homes' final shareholder prospectus, the company touted raising rents and spending less on maintenance.[35] Colony Homes (now Blackstone's Invitation Homes) owned properties in Oakland where tenants had raised concerns.[36]

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[33] "JPM Chase Agents $676MM Revolver for Colony Starwood Homes," ABLAdvisor, May 2, 2017, available at: http://www.abladvisor.com/news/11765/jpmorgan-chase-agents-675mm-revolver-for-colony-starwood-homes

[34] Ben Lane, "Colony America Homes launches second REO-to-Rental securitization," June 17, 2014.

[35] Aaron Glantz, "The homewreckers: How Trump cronies are sabotaging the American dream," Reveal News, September 14, 2017.

[36] Darwin BondGraham, "The Rise of the New Land Lords," East Bay Express, February 12, 2014.

"We would not provide financing to someone with a history, reputation, or the explicit intent to rapidly raise rents or displace tenants."

A Freddie Mac spokesperson who also noted that verification is done of borrower compliance with federal policies, and tours are conducted of borrower properties.[37]

Merika Reagan was born and raised in San Francisco. High rents priced her out of the city where she was born and raised. Four years ago, she and her wife moved into their current home as renters with the opportunity to one day purchase it. When they moved in, the home was owned by a company called Waypoint Homes and things seemed promising. But after Colony Starwood merged with Waypoint in early 2016, their path to home ownership disappeared.

Their lease expired in May 2017 and they were only given the option to go month-to-month with a $1,000 monthly rent increase or sign another one-year lease with an increase of $350 per month – neither of which they could come afford. When searching for another home, they found local rents too high. Merika and her wife know that if they leave this home they will have to leave Oakland entirely – leave their home, business, and community. "I have already been displaced from one city," Merika said, "and the threat of being displaced from Oakland feels like a disaster."

Vulnerability of Small Businesses to Displacement

While most discussion of displacement focuses on residential tenants, small businesses are also vulnerable. A CRC survey of nonprofits working with thousands of small business owners in California found that 86% of respondents reported that small businesses often (54%) or sometimes (32%) face displacement.[38] Small businesses have fewer protections than residential tenants. A state law, Costa-Keene-Seymour Commercial Property Investment Act ("Costa-Keene")[39] prevents local governments from passing local commercial rent control protections. Landlords can raise rents and evict small business and nonprofits without statutory restriction.

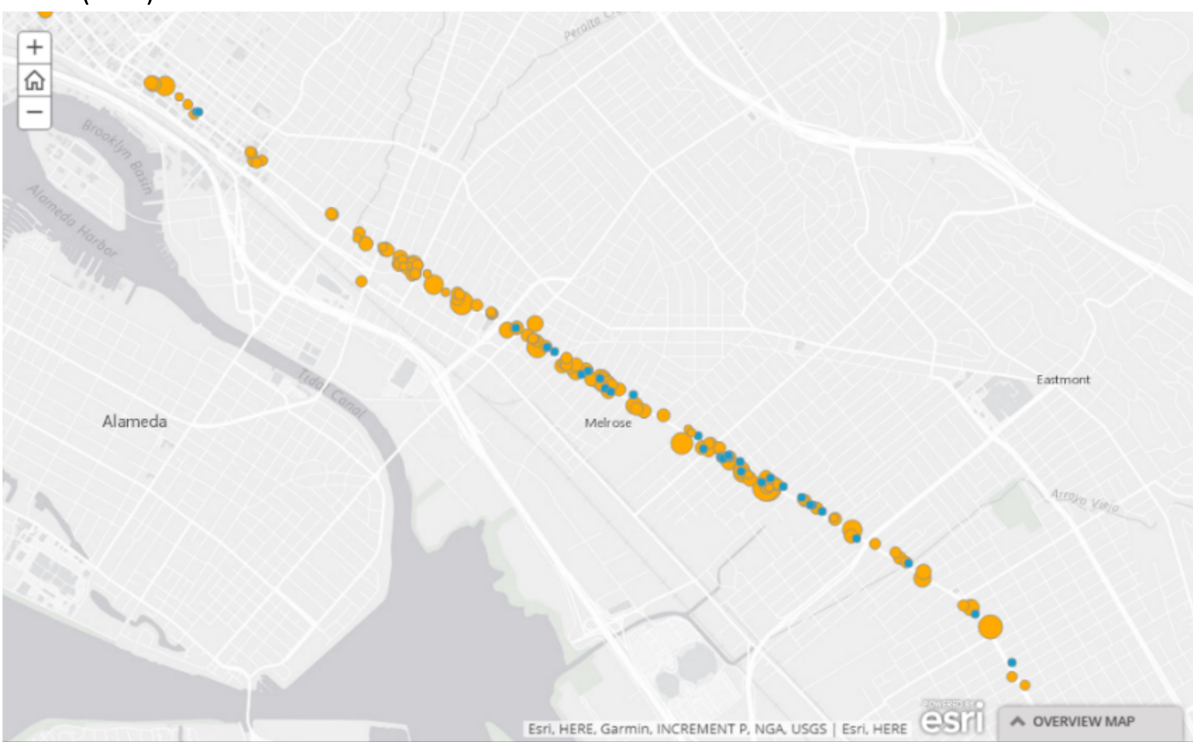
On top of escalating property values, other factors can exacerbate gentrification pressures. In Oakland, a project to bring Bus Rapid Transit to International Boulevard has business owners concerned about impacts from reduced parking, fewer driving lanes, and construction. A Main

[37] Rebecca Burns, "You think your landlord is bad? Try renting from Wall Street," The Intercept, January 20, 2018.
[38] Kevin Stein and Gina Charusombat, "Displacement, Discrimination and Determination: Small Business Owners Struggle to Access Affordable Credit; Results from of a Statewide Survey in California," California Reinvestment Coalition, September 2017.
[39] California Civil Code §1954.27.

Street Launch survey of over 300 businesses along this corridor in Oakland found that 62% of businesses had been in business over five years, but the majority of them were renting their space, with an undetermined number operating without any leases. Displaced local businesses can no longer hire local workers, pay local taxes, or provide goods and services for residents.

The Chavez family has owned El Huarache Azteca, on International Boulevard for 17 years. The popular restaurant serves homemade Mexican cuisine in a family-friendly environment. Mayra Chavez is concerned: "Businesses are very vulnerable when it comes to being evicted. Many don't even have leases. There are no protections for small businesses. They are subject to whatever the landlord wants to do." The family had hopes of purchasing their building, but could not find a bank willing to work with them.[40]

Map 9: Small businesses along International Blvd, blue spots are owners (15%), yellow spots are renters (85%)[41]



[40] Interview with Mayra Chavez, El Huarache Azteca, April 2018.
[41] Map courtesy of Main Street Launch, which conducted interviews with hundreds of small business owners along International Boulevard that are in the path of a large public works project.

Development Done Right: 23rd Avenue

The tide of displacement can be stemmed if banks, property owners, and other stakeholders invest in community driven solutions. Community land trusts offer one unique model for preserving residential and commercial space as affordable places for the community. But as the following example demonstrates, the land trust model, as well as other innovative and community oriented models, relies on patient capital and various funding sources, while banks and other investors seem more interested in the quick profits that come from funding displacement.

The Oakland Land Trust successfully facilitated the purchase of a building on 23rd Avenue that housed eight apartment units, four nonprofit tenants, and a community garden. When the building's owner, Ming Cheung, informed the residents she was planning to sell the building, tenants were concerned they would be displaced. But Ms. Cheung offered the tenants the first right to purchase the building. After unsuccessful attempts to secure assistance from banks and housing groups, the tenants found their way to the Oakland Community Land Trust which worked with the tenants and pieced together financing from the City of Oakland, Northern California Community Loan Fund, the Community Arts Stabilization Trust, a resident-led crowdfunding campaign, and the Land Trust itself. Owner Cheung also agreed to accept $250,000 less than her original asking price.

Now, the eight residential apartments, four commercial storefronts, and vibrant community garden space will be spaces of affordability, stability, and community forever. "It is such an incredible feeling to know that this isn't just preserving a queer, trans, people of color-centered space for the next 5, 10, or 15 years — we're thinking about this for the next 100 years," says Devi Peacock, the artistic and executive director of activist group and performance workshop Peacock's Rebellion. "When [these marginalized groups] are rapidly being displaced [elsewhere], to feel that we're staying is a powerful political act.[42] Taking this land off the market forever is big. That this land will always stay in community is an important investment in generations of community control."[43]

[42] Aline Reynolds, "Oakland Community Hub Rallies to Save Itself from Gentrification," Next City. March 20, 2018.
[43] Sarah Trent, "In Oakland, Community-Owned Real Estate is Bucking Gentrification Trend," Localvesting, March 12, 2018.

FEDERAL APPROACHES TO DISPLACEMENT

There are three federal programs that can have a large impact on the ability of communities to stave off displacement; recent developments can make this a positive or negative impact.

Opportunity Zones: Opportunity for Whom?

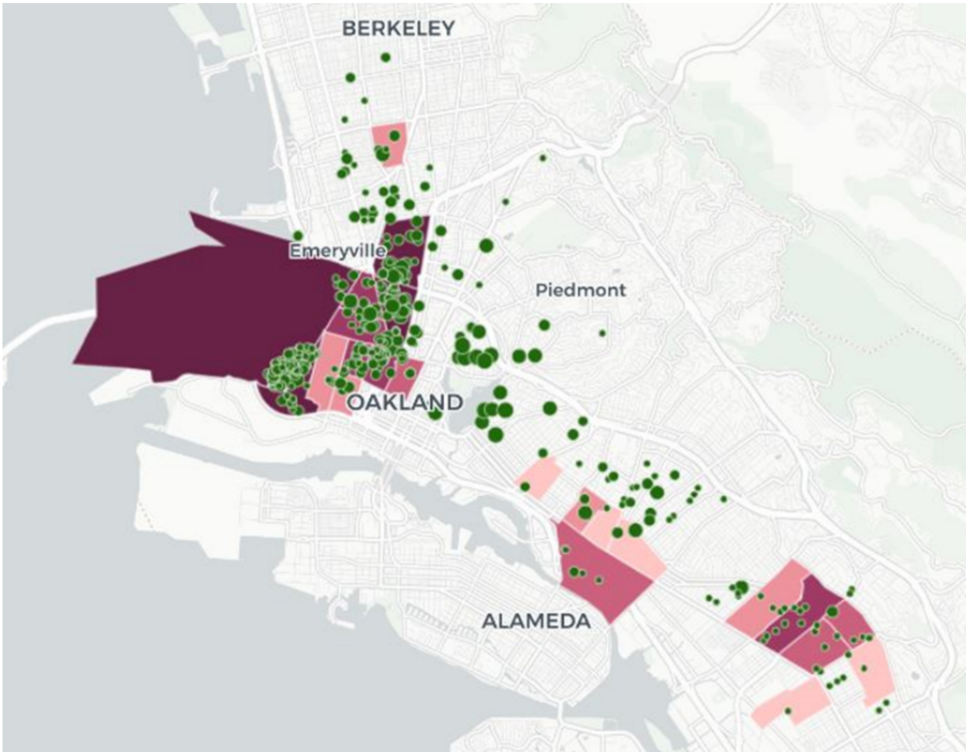
One of the lesser-known provisions of the "Tax Cut and Jobs Act of 2017" included the creation of the Opportunity Zones program.[44] Under this program, state governors can designate certain low-income census tracts in their states as Opportunity Zones. Investments made through special funds in these zones will be allowed to defer or eliminate federal taxes on capital gains. The incentives grow the longer the investment is held.

Six trillion dollars is potentially in play, and many are excited about the prospect of needed investment being pumped in underserved neighborhoods. But given the lack of restrictions on investments or other guardrails in the legislation, CRC members and allies are concerned that this well-intentioned program will amount to a federal subsidy for displacement. Investors may use these favorable tax breaks to invest in projects that will displace local communities, residents, workers, and small businesses in rapidly gentrifying urban and suburban neighborhoods, rather than reinvesting in people, institutions, and communities that need it most.[45]

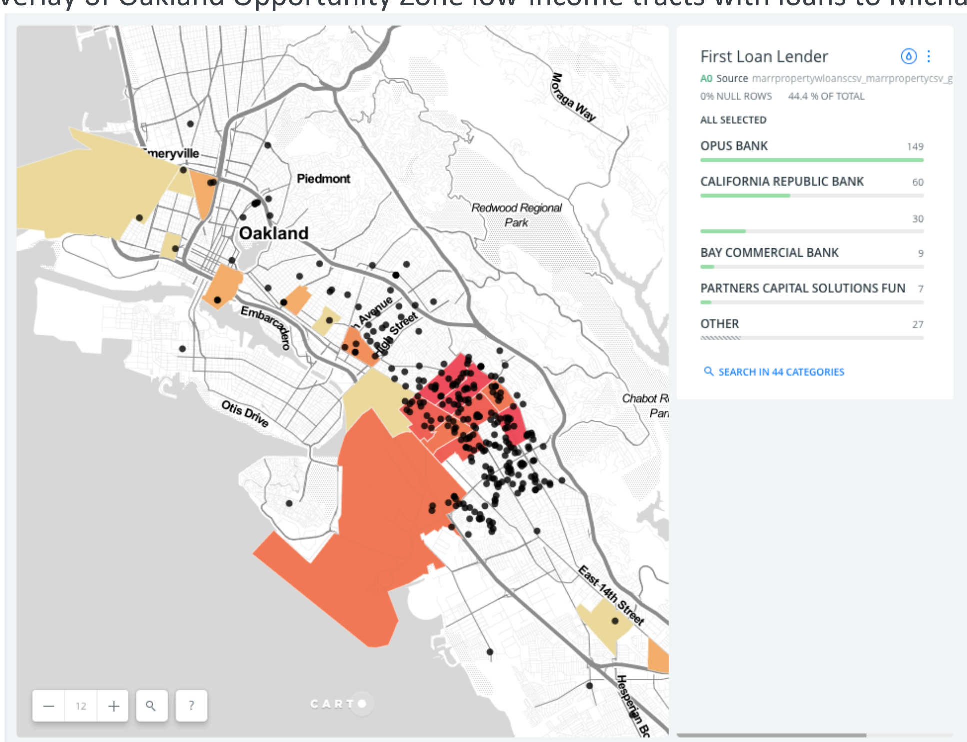
As these maps of Opportunity Zone census tracts show, designated zones may be vulnerable to evictions and displacement. Colored census tracts in the map represent areas identified as Opportunity Zones for the new federal tax program. The deeper the color of the tract, the greater the volume of termination (eviction) petitions filed there. **The areas where the most eviction proceedings are occurring are also the neighborhoods slated for unrestrained investment via the new Opportunity Zone program.**

[44] See 26 U.S.C. Subchapter Z §1400Z et seq.
[45] See Civil Rights and Community Development Organizations letter to the Governor raising concerns about the Opportunity Zone program and its potential to fuel displacement, available at: http://bit.ly/OZletter

Map 10: Overlay of Oakland Opportunity Zone low-income tracts with First Republic Bank financing of displacement drivers



Map 11: Overlay of Oakland Opportunity Zone low-income tracts with loans to Michael Marr



Community Reinvestment Act: Banks should help meet community needs and stop financing displacement

The federal Community Reinvestment Act (CRA) of 1977[46] is an important law that has facilitated the investment and lending of trillions of dollars by banks in underserved communities.[47] CRA creates an affirmative duty for banks to help meet community credit needs, including LMI communities. Under the CRA, banks are examined by their regulators every few years on their performance in serving the community. This record is taken into account when banks apply to regulators for permission to open a branch or to merge with another bank.

CRC has raised concerns that banks have sought and received CRA credit for originating displacement mortgages[48] and focusing home lending on upper-income borrowers and investors purchasing homes in low-income areas. Despite its shortcomings, CRA has been and remains a strong vehicle for credit access in low-income communities and communities of color.

However, current CRA regulatory reform efforts should strengthen the law's impact so that banks suffer CRA downgrades if they finance displacement of residents and small businesses, discriminate, or otherwise harm communities.[49] CRA should encourage banks to help local tenants, homeowners, and small business owners build wealth and stability, not finance displacement.[50]

[46] 12 U.S.C. §2901 et seq.

[47] CRA 101. Retrieved from https://ncrc.org/wp-content/uploads/2017/11/CRA-101_b.pdf

[48] David Dayen, "Banks Get Credit for Helping the Poor – By Financing Their Evictions?" The Intercept, August 24, 2015.

[49] For a fuller discussion of CRA and our recommendations for reform, see California Reinvestment Coalition, "Harnessing the Power of Banks: The Community Reinvestment Act and Building an Inclusive Economy," March 2018, available at: https://bit.ly/2Eg13UJ

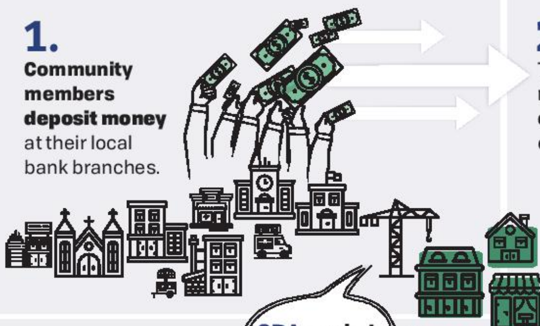
[50] *Ibid.*

Community Reinvestment Act

The Community Reinvestment Act (CRA) is a federal law that is a response to redlining. CRA creates a duty for banks to reinvest in communities where they take deposits, including low and moderate income neighborhoods.

How CRA works:

1.
Community members deposit money at their local bank branches.



2.
Then, banks are supposed to **return those deposited dollars to communities**, including working class communities, in the form of:

- **Mortgages**
- **Small Business Loans**
- **Economic Development**
- **Support for Affordable Housing Development**

3.
The **public can comment** to bank regulators about whether banks are doing a good job reinvesting in their communities.

4.
CRA has resulted in trillions of dollars of this kind of lending and **investment in neighborhoods** that need it the most.

More about CRA:

3 bank regulators implement CRA:

Federal Reserve — FDIC — Office of the Comptroller of the Currency

There are 2 main inflection points for CRA implementation:

1. Banks are examined every 2 or 3 years for their CRA performance, and given a rating:

- ★★★★ Outstanding
- ★★★☆ Satisfactory
- ★★☆☆ Needs to Improve
- ★☆☆☆ Substantial Non-Compliance

2. CRA records are used to determine if banks are sufficiently serving their communities. The CRA records are considered when banks apply to regulators to open branches, or to merge with another bank.

Community input is an important part of CRA:

1. The public can comment on Bank CRA exams and on bank mergers.

While 96% of banks get a passing CRA rating (Outstanding or Satisfactory), community groups can work with banks to enter into a Community Benefits Agreement (CBA). CBAs have resulted in trillions of dollars of bank reinvestment in the form of loans, investments/philanthropy, and financial services like opening branches or serving on nonprofit boards.

2. CRA works! Banks with CBAs do better than banks without. Read CRC's full report on CRAs here: **bit.ly/2Eg13UJ**

CRA can be strengthened even more:

Making CRA stronger means downgrading banks when they behave badly, such as when they finance displacement or discriminate against people.

· Made in partnership with the Anti-Eviction Mapping Project **antievictionmap.com** and the California Reinvestment Coaltiion
· Images from the Noun Project **thenounproject.com** contributor Prettycons

Duty to Affirmatively Further Fair Housing (AFFH)

All jurisdictions that receive federal housing funds are required under the Fair Housing Act to identify challenges to equal housing opportunities and to rectify them. This duty requires local governments, such as the City of Oakland, to address challenges that cause segregation, disproportionate housing needs, lack of access to opportunity, and lack of housing choice. Displacement is a manifestation of all of these challenges. CRC believes that the duty to affirmatively further fair housing includes a duty to address displacement.[51]

This duty to affirmatively further fair housing takes on added resonance and importance in Oakland and similar communities where people of color comprise a significant percentage of the population and face intense gentrification pressures; the rapid rise of housing prices in Oakland has resulted in the exodus of 30% of Oakland's Black population.[52] The housing crisis has had a disparate impact on protected groups in Oakland and other communities throughout the state. Proactive cities should aggressively pursue anti-displacement measures to help meet their AFFH obligations.

"Increasingly, we are seeing speculators and landlords buying properties with a few units, and moving to displace the tenants living there. The tenants we represent are often long-term Oakland residents and people of color. The owners understand the limitations of the rent control ordinance and circumvent tenant protections. The tenants they bring in after displacement tend to be white, with the apparent thought that this will increase their property values. The new tenants may themselves have had to relocate from expensive housing situations."

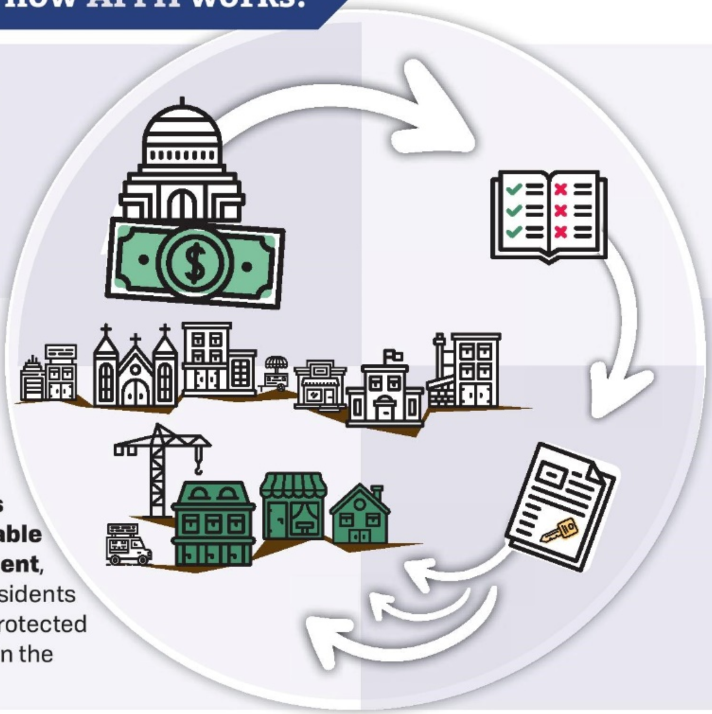
Leah Simon Weisberg, Managing Attorney, Centro Legal de la Raza

[51] David Zisser, Public Advocates, "Say It Loud: Renters' Rights are Civil Rights," Shelterforce, December 7, 2017.
[52] KQED, "How Many are Being Displaced Due to Gentrification," February 9, 2017, https://www.kqed.org/news/11307279/how-many-are-being-displaced-by-gentrification-in-oakland

Affirmatively Furthering Fair Housing

As part of the Federal Fair Housing Act obligation, Affirmatively Furthering Fair Housing (AFFH) requires local governments that receive HUD dollars to take steps to address segregation, disinvestment, and displacement in their communities.

An example of how AFFH works:



1.
A city receives Federal HUD block grant funds.

2.
The communities and city do an assessment of opportunities and disparities faced by protected classes.

3.
If disparities are found, **the city develops policies to expand fair housing choice**, protecting homeowners, tenants, and community institutions (small business, nonprofits, etc.) from involuntary displacement.

4.
The city takes actions to overcome existing disparities, such as **creating programs supporting affordable housing development**, so that long-time residents of color and other protected groups can remain in the community.

More about AFFH:

We have more to do to realize AFFH:

In exchange for receiving these federal housing dollars, local governments are supposed to take steps and dismantle the impacts of segregation.

These steps should include developing policies to fight displacement of groups that are protected under the Fair Housing Act according to race, religion, national origin, gender, sex, disability, and familial status.

HUD has not been a great enforcer:

After decades of federal inaction and lax enforcement, President Obama issued landmark AFFH regulations in 2015.

The Department of Housing and Urban Development (HUD) Secretary Ben Carson has since delayed implementation of these regulations. But, the AFFH obligation exists with or without the regulations, and fair housing groups recently sued HUD to reinstate full implementation of these important regulations.

Local governments haven't always done a great job with AFFH:

Cities don't always adopt the necessary policies to address segregation, and that's what HUD's 2015 regulations aimed to fix.

AFFH is an affirmative duty under the Fair Housing Act. Fighting displacement and driving community-centered investment is an important part of a local jurisdiction's obligation to AFFH. If a jurisdiction fails to AFFH, it jeopardizes its receipt of federal HUD monies.

Our allies also have a good state bill clarifying the AFFH obligation in CA:

Public Advocates, Western Center, and National Housing Law Project have a bill that we are supporting, which would flesh out what AFFH means in CA.

- Made in partnership with the Anti-Eviction Mapping Project **antievictionmap.com** and the California Reinvestment Coaltiion
- Images from the Noun Project **thenounproject.com** contributor Prettycons

The City of Oakland and the County of Alameda, through its elected officials and voters, have taken some steps to address the displacement of long-term residents, and should be commended for doing so. Such activities include:

- Passage of Measure JJ, which provided that: landlords must petition the Rent Board to increase rents beyond the Consumer Price Index; an additional 12,000 newer units be covered by Just Cause protections; and there be greater accountability of the Rent Adjustment Program through, amongst other things, the creation of an online, searchable database regarding matters under the jurisdiction of the Rent Board.

- Passage of a moratorium on conversion of Single Room Occupancy (SRO) hotels, which historically have housed large numbers of low-income tenants, though the effectiveness of the measure is unclear in the face of estimates that half of the city's SROs are at risk of conversion, and with evidence that SRO conversions may be continuing.[53]
- Passage of a temporary moratorium on evictions relating to the substantial rehabilitation exemption to the local Rent Adjustment Program.

- The Housing Oakland program which provides incentives for landlords of $500 and loans of up to $2,500 in loans if they accept low-income tenants holding Section 8 vouchers.[54]

- An ordinance providing for tenant relocation assistance in the event of an owner move-in eviction or condo conversion.[55]

- Passage of an impressive Alameda County measure that will provide $65 million explicitly for anti-displacement measures. This funding is being used to create an anti-displacement safety net. A broad coalition including Bay Area Legal Aid, Centro Legal de la Raza, East Bay Community Law Center, , and the Our Beloved Community Action Network conceived of and successfully advocated for the adoption of this proposal.

Despite these efforts, clearly more remains to be done as community residents continue to face displacement pressures.

[53] Darwin BondGraham, "New Oakland Law Fails to Protect Low-Income Residents: Despite temporary rules enacted by the city council to preserve low-income SRO housing, property owners are converting buildings into boutique hotels," East Bay Express, November 15, 2017.

[54] Ali Tadayon, "Oakland offers new incentives for Section 8 landlords," East Bay Times, January 26, 2018.

[55] Darwin BondGraham, "Oakland Approves Tenant Relocation Assistance for Owner Move-Ins and Condo Conversions," East Bay Express, December 19, 2017.

A WAY FORWARD: POLICY RECOMMENDATIONS

In order to help preserve and stabilize homeowners, tenants, small businesses, and neighborhoods in Oakland and the Bay Area, there needs to be a multi-pronged approach to address the issue:

For Banks

Banks should help meet community credit needs and cease financing displacement, by adopting the [Anti-Displacement Code of Conduct](#).

This requires banks to develop policies that minimize the risk of financing displacement by establishing due diligence practices to ensure they are not lending to problematic actors who unduly evict, remove, or harass tenants. Banks must also underwrite to current rents and not assume higher or market rents that would result in greatly increased rent burdens or evictions for existing tenants.

Policies should be established to honor anti-displacement principles after loan origination, through commitments such as meeting with tenants in financed buildings to ensure there is no improper eviction, harassment, Code violation, or displacement. Banks should take swift action against problematic borrower landlord conduct by, amongst other options, calling in a loan if borrowers act contrary to loan commitments. Banks should not finance REO to Rental deals or prioritize lending to single-family home investors over first-time homebuyers and owner occupants.

The Code of Conduct also encourages banks to reinvest in the community through an anti-displacement lens. This means supporting and financing innovative solutions to the affordable housing crisis. Examples include funding Community Land Trust models, local Housing Accelerator Funds, and small sites acquisition funds. Banks can further help nonprofit affordable housing developers acquire multi-unit properties by developing creative acquisition loan, line of credit, and equity equivalent products, and by offering such groups the chance to purchase any multi-unit buildings in the bank's REO portfolio.

Banks should prioritize tenant conversions to building ownership where possible, by developing loan products to help tenants purchase and maintain affordability of properties for sale. Banks should also develop loan products to help small, private landlords fix their buildings in exchange for commitments to keep rents affordable. Financial institutions should finance small business credit needs, help business owners purchase their buildings, and support legal assistance to fight evictions of businesses and negotiate long term leases.

For the City of Oakland

The City of Oakland should build on prior efforts and help meet its obligation to Affirmatively Further Fair Housing by strengthening its capacity to address displacement. This should include more resources to enforce rent control, increased data collection, and expansion of consumer outreach and protections.

Enforce the RAP

Oakland should devote more resources to enforce its Rent Adjustment Program.[56] To this end, the city should consider the creation of an independent Office of Public Advocate, like what exists in New York City. This office can be a voice for tenants and further highlight the financing of problematic landlords by financial institutions. [57, 58]

Collect better data

Additionally, the city should devote more resources to collect and report data on the usage and impact of the Rent Adjustment Program in order to ensure local policies address local needs and help the city meet its obligation to Affirmatively Further Fair Housing. In voting for measure JJ, the voters expressed their desire to see enhanced rent board data made more accessible in a timely fashion. It is not clear that this is happening. The city should collect the following information from property owners and make it public in a searchable, online database that is cross-referenced with property records for accuracy:

- Termination filings – searchable by owner, by property, and by stated cause for termination. Property owners should be required to disclose Limited Liability Corporation (LLC) members and affiliated companies to provide greater transparency to the public.
- Rent increase filings – searchable by owner and property address.
- Enhanced data on the number of units removed from rent control and just cause protections, including the specific rationale for doing so. Data on the number of rent controlled and just cause units lost to condo conversion and subdivision is unclear.
- Data on the number of units and buildings in the city that are covered by the RAP, and those that are not.

Provide greater protections

Finally, the City of Oakland should expand protections for local residents. There are a number of important steps that can be taken.

- Adopt the Anti-Displacement Code of Conduct by incorporation into the City's Responsible Banking Ordinance (RBO), or Linked Deposit Program. The city should amend the local RBO so that adoption of the Anti-Displacement Code of Conduct is a prerequisite to any bank

[56] Bigad Shaban, Michael Bott, and Mark Villarreal, "Lack of Oversight May be Allowing Some Oakland Landlords to Wrongfully Evict Families, Elderly," NBC Bay Area, the Investigative Unit, February 16, 2018.
[57] Press release, "PA James Unveils the Money Behind New York's Worst Landlords," August 15, 2017.
[58] CRC thanks our allies at the Association for Neighborhood and Housing Development in New York City for the great work they are engaged in to fight displacement in NYC. For more information, visit: www.anhd.org.

receiving the city's deposits or other banking business.

- Adopt the recommendations of the Close the Loophole Campaign. Local residents and community advocates have identified large loopholes in the Rent Adjustment Program that have allowed too many families to slip through the cracks and out of Oakland. The Council should support the platform of the Close the Loophole Campaign so that property owners can no longer raise rents and evict tenants though the use of substantial rehabilitation, duplex and triplex owner move-in, and condo conversion exemptions.

- Create policy to protect local communities of color from displacement that can result from opportunity funds and ensure opportunity zones benefit local residents, homeowners, and small businesses, especially those that are most vulnerable.

- Finalize a Single Room Occupancy (SRO) protection ordinance so no more single-family occupancy residences, which are often home to a city's lowest income and most vulnerable residents, are lost.

- Collect data on large REO to Rental companies, such as Blackstone (formerly Colony/Starwood/Invitation Homes), and investors holding large numbers of single family homes in order to inform local policy making, provide transparency regarding the individuals and affiliated companies behind Limited Liability Companies, and impose a tax or fee on such companies to help pay for program administration.[59]

- Protect Section 8 voucher holders by outlawing discrimination against them. Urge HUD to develop a local pilot project where voucher holders can pay more of their income towards rent if they want to, in order to secure a suitable unit in this expensive and shrinking housing market. The latter proposal is to be distinguished from draconian HUD proposals that would require Section 8 voucher holders to pay dramatically more of their income on rent.

- Pass a Tenant Opportunity to Purchase Act, providing right of first refusal to purchase properties in favor of existing tenants. This would facilitate resident ownership of property for sale while still enabling property owners to sell their properties at a desired price.
- Protect small businesses. The City can work to reserve small spaces on ground floors of new commercial developments for local small businesses. The City could also pass

[59] Alliance of Californians for Community Empowerment (ACCE), Americans for Financial Reform (AFR), and Public Advocates, "Wall Street Landlords turn American Dream into a Nightmare," 2018.

a preservation ordinance that would support small businesses at risk of displacement with ownership assistance, financial services, and legal and technical assistance.

- Expand funding for preservation of affordable housing, small businesses, and nonprofit space. The city should actively support preservation strategies, such as those being developed by the Bay Area For All policy roundtable.

For the State of California

The state, through the legislature and the voters, should help communities fight gentrification and displacement by taking these steps:

Repeal Costa Hawkins

Removing state-level restrictions on Oakland's rent control authority could be the most impactful reform to keep Oakland residents in the city they love. Such a move would allow local rent control ordinances to protect tenants in single-family homes, including REO to Rental properties, and in newer buildings. The legislature failed to take this important step. The voters hopefully will be in a position to do so in November 2018.

Pass a strong Affirmatively Furthering Fair Housing bill

Legislators should pass AB686 (Santiago), which would clarify the AFFH obligation at the state level. National Housing Law Project, Public Advocates, and Western Center on Law and Poverty are the co-sponsors of this important bill, which would help cities fight segregation and displacement.

Influence Opportunity Zone and tax incentivized investments

The state should ensure that Opportunity Zone investments will not displace existing residents and businesses in low- income Opportunity Zone-designated census tracts. Instead, the state should develop policies so that Opportunity Zone investment in California adheres to the following principles:

- Do no displacement harm.
- Create good living wage jobs.
- Build healthy communities of opportunity.
- Ensure community voice and participation.
- Incentivize community-serving projects.
- Reevaluate community zone designation after 5 years.

The state should track data relating to particular metrics, such as:

- Increases in the number of good jobs created and held by residents in Opportunity Zones that pay a living wage.
- The number of dedicated affordable housing units (80 percent of AMI or less) created or preserved.

- Investments in minority/disadvantaged/women-owned businesses.
- An equity framework that ensures investments are available to such businesses.
- Revitalization of neighborhoods suffering from vacant structures and disinvestment.
- Increase in the number of critical services available to vulnerable populations such as transportation options, health care facilities, healthy food retail, and quality education, all of which are necessary to build communities of opportunity.[60]

Federal Agencies

Bank regulators and CRA

The Community Reinvestment Act works to encourage safe and sound investment in working class communities. Bank regulators should use their current review of CRA to ensure that banks are having a greater impact in the communities in which they operate. Such reform should include downgrading banks that engage in displacement financing and discrimination that impairs community credit needs in LMI communities and that has a disparate impact on communities of color. Bank regulators should also extend CRA to non-bank lenders and credit unions, which will then have an obligation to meet community credit needs and to reinvest responsibly in the community.

HUD and AFFH

On May 18, 2018, HUD announced it would be indefinitely suspending implementation of the 2015 Affirmatively Furthering Fair Housing (AFFH) rule and removing its Assessment of Fair Housing (AFH) tool for local governments. The suspension effectively postpones implementation of the AFFH rule until 2025 for a large majority of jurisdictions. HUD should immediately withdraw this suspension and implement the rules. HUD must provide support to local governments to ensure that each community receiving federal housing assistance has a strong plan to dismantle segregation and halt displacement of protected groups.

[60] Opportunity Zone proposals reflect early conversations between CRC and PolicyLink.

CONCLUSION

In Redwood City, California, 20 tenant households in two apartment buildings were greeted in November of 2017 with a letter informing them that a new owner had purchased their building, and that rents would be raised by over $800 in the next two months. When the tenants formed an association, obtained legal services counsel, and engaged the owner about the rent increase, they were told that the owner had to raise the rents due to the loan agreement with First Republic Bank.

While it may be that the bank could not force the owner to raise rents, the exchange suggests the Bank underwrote the loan based on dramatically increased rents that the existing tenants would be unlikely to afford to pay. This example highlights how banks and their borrower are intertwined.[61]

Many in Oakland and other parts of California have long known we are in the midst of an intensifying displacement crisis. What is less understood is that we are in the midst of a displacement financing crisis. Banks must do a better job in helping meet the credit needs of working class communities.

That means signing on to the Anti-Displacement Code of Conduct; developing policies that prevent financing landlords and deals that will foreseeably lead to dramatic rental increases, evictions, and removal of affordable housing units from the market; and instead investing in homeownership, affordable housing, community ownership, and small business expansion and preservation. Without such actions, soon there will not be any working-class community credit needs to meet.

"The day when the runaway privileges of bankers, builders, speculators, wealthy suburbanites, and the rest are reined in - that's the day the housing crisis will be over."

Richard Walker, Professor Emeritus, UC Berkeley

[61] A comment letter to the FDIC about First Republic's displacement financing can be found at http://bit.ly/CommentsonFRB

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