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MEMORANDUM

TO: CITY COUNCIL

FROM: MAYOR JEAN QUAN &
HENRY L. GARDNER,
CITY ADMINISTRATOR

SUBJECT: Safer Housing for Oakland – A
Retrofit Program for Soft Story
Apartment Buildings

DATE: October 16, 2014

City Administrator Approval /s/

Date

10/14/14

INFORMATION

This information memorandum describes efforts underway by the City of Oakland to design a seismic retrofit program that reduces displacement and safety risks posed by wood-framed “soft story” apartment buildings. A disaster has long-term impacts on housing, especially rental housing, and serious implications to a community’s ability to recover. Multi-family rental housing often takes longer to rebuild, with building owners often choosing to convert units from affordable housing to condos. Renters displaced from their apartments often find it difficult to locate housing of similar size and cost due to a spike in housing demand.ⁱ As evidenced by Hurricane Katrina, lower income residents may be forced to leave the city permanently.ⁱⁱ

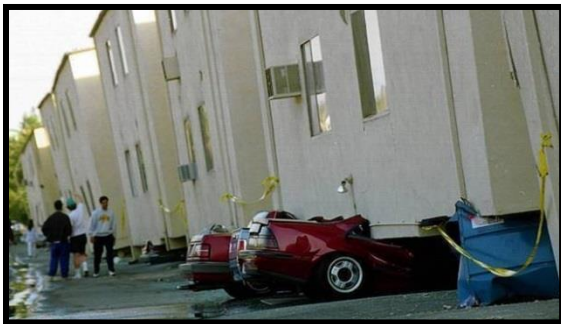
Twenty-two thousand (22,000) rental units in Oakland are in the type of building, called “soft story.” Soft story buildings are the primary type of buildings that collapsed in the Loma Prieta and Northridge earthquakes. In Oakland alone, 1,300 housing units in multi-family buildings were lost or severely damaged in Loma Prieta.ⁱⁱⁱ These buildings were a significant affordable housing resource for elderly and minority residents. Oakland is split by the Hayward Fault. The United States Geological Survey estimates that of all Bay Area faults, the Hayward fault has the highest likelihood of a major earthquake in the next 30 years. All of Oakland will experience strong shaking as a result of this earthquake, and older vulnerable building types, many of them soft story buildings, will experience disproportionate damage.^{iv} Without proactive measures to reduce risk, following a major earthquake, Oakland’s character could change forever, with a potentially significant loss of life and housing crisis hampering community recovery.

Safer housing, which will make Oakland more resilient to earthquakes, requires investing in seismic retrofits. Retrofitting the housing stock can help save lives and keep people in their homes and out of emergency shelters. Keeping people in their homes after an earthquake ensures that residents can go to work, send their children to school and continue to contribute to the local economy. Consequently, retrofitting and preserving soft story buildings will benefit the entire

City and play a major role in preserving Oakland’s cultural and historic character after an earthquake.

1. Characteristics of Soft Story Buildings

Most of Oakland’s existing buildings were constructed before modern building codes were adopted. “Soft story” apartment buildings are the most common and riskiest residential buildings. With large open spaces on the ground floor for parking or shops, these buildings lack adequate strength and stiffness in their first story. This “soft story” makes them especially vulnerable to earthquake damage and even collapse. These wood buildings pose a safety risk to occupants and a financial risk to owners.



Soft Story Apartment
after the Northridge Earthquake



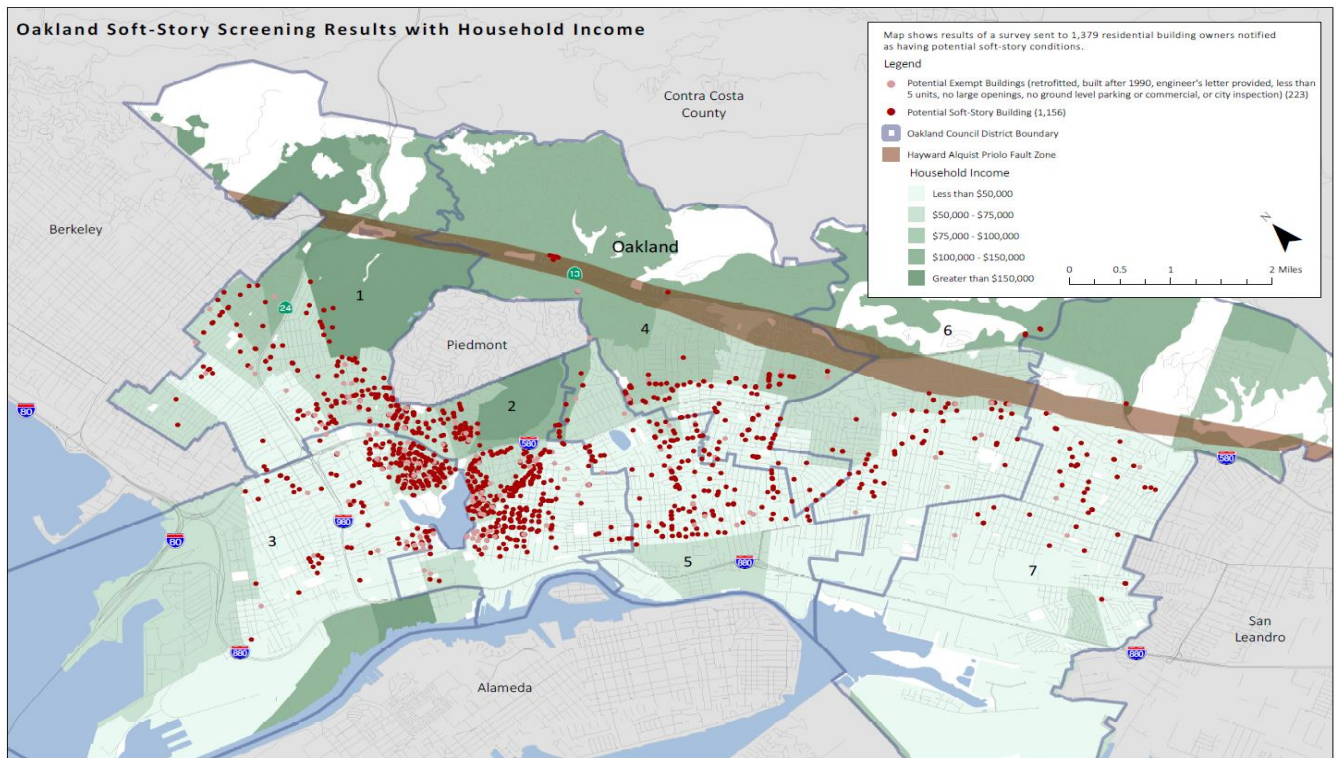
Soft Story Apartment in Oakland

2. Scope of the Challenge

Oakland and the Association of Bay Area Governments (ABAG) partnered to assess the scope of the housing challenge posed by soft story apartment buildings in Oakland. Throughout this process, ABAG supported the City of Oakland by contributing expertise in methods for strengthening vulnerable housing and designing retrofit programs based on best practice. In 2008, Oakland and ABAG surveyed 1,400 multi-family buildings with five or more units, identifying approximately 1,100 soft story apartment buildings with about 19,000 rental units. ABAG estimates that although only 11 percent of the occupied housing units in Oakland are in soft story buildings, damages to these buildings could cause 67 percent of the expected housing losses. The potential housing loss could displace more residents than can currently be provided emergency shelter in the City’s current inventory of 5,000 beds.

Oakland has already taken the initial steps toward a retrofit program. In 2009, City Council adopted an ordinance to require wood-frame multi-family building owners to complete a short structural assessment to verify the city’s inventory of potential soft story buildings. Through this process, 1,379 building owners were contacted. As of this year, 90 percent of building owners have responded. The City sent four notices to the remaining building owners requesting compliance with the ordinance. The data collected to date has been instrumental in characterizing the city’s potential housing risk. It confirms the need to take next steps toward a retrofit program.

Throughout this process, ABAG’s technical staff assistance has been instrumental in conducting the initial housing survey, understanding the complexities of the challenge, and drawing on best practices from neighboring San Francisco and Berkeley to design an apartment retrofit program. The following map identifies the soft story screening results in Oakland displayed with household income information.



3. Benefits of Action

Retrofitting soft story apartment buildings will likely save lives, minimize injuries and help keep people in their homes after a major disaster. Renters can avoid personal losses, costs associated with relocating, and inflated rental prices. In particular, retrofitting soft story apartment buildings will protect the most vulnerable, the same people most at risk of being displaced after a disaster. Building owners can avoid the cost of demolishing and rebuilding, and avoid revenue loss while rebuilding occurs. The public sector can avoid the cost of emergency services for disaster housing, and the loss of tax revenue from rental property owners. Additionally, retrofitting soft story apartment buildings aligns with Oakland’s sustainability goals by reducing the City’s post-earthquake carbon footprint.

4. Soft Story Retrofit Program

The City of Oakland seeks to preserve the character of its diverse communities by designing a soft story retrofit program that (1) makes housing safer and saves lives, (2) facilitates emergency response and housing recovery, (3) keeps Oakland residents in Oakland, and (4) softens the

economic blow of a major disaster. The Soft Story Retrofit Program will be further developed and presented to City Council for ordinance adoption in early 2015. The program will begin as a pilot that lasts approximately two years, transitioning into an ongoing effort.

Owners and tenants will play a significant role in the implementation. The Rent Board is currently discussing how retrofit costs will be split between the tenants and landlords and will make a recommendation to the City Council by January 2015. Presently, renters and owners share the cost of capital improvements, with 70 percent of the cost being transferred to tenants. The Rent Board is considering adjusting the terms for seismic improvements, including a longer amortization period and allowing greater than 70 percent pass through.

The pilot program will use engineering standards designed to address the weakest link in these buildings: the so-called “soft story.” This can mostly be done with a seismic retrofit of the first story only, minimizing the cost to owners and disruption to tenants. Similar programs in San Francisco and Berkeley show that local engineers and contractors are familiar with such safety requirements. A retrofit based on consensus-based standards should prevent collapse and reduce damage that would require a building to be vacated for repairs. For improved seismic protection, the City will provide incentives for owners to do more substantial retrofits.

During the pilot the City will (1) test the efficacy of financial and non-financial incentives, (2) put in place the staffing and programming necessary to support a successful program, and (3) apply lessons learned to the ongoing program. Building owners will volunteer to participate in the pilot. To incentivize participation, the City of Oakland will provide financial and non-financial incentives to building owners. Financial incentives will primarily be directed at owners housing low and moderate income residents. Through the pilot, the City of Oakland will ramp up the program and make sure it is working for owners and tenants. The City will also provide additional assistance to building owners who own properties near or adjacent other soft story apartment buildings which house low and moderate income residents, as the collapse of these buildings could have ripple effects on other housing and cause disproportionate resident displacement from certain areas of Oakland. Similarly, retrofitting the larger soft story buildings will be a priority as their collapse could potentially cause significant loss of life.

Financial incentives will come from many sources. The Housing and Community Development Department, with approval from City Council, has set aside \$1 million in unallocated Community Development Block Grant (CDBG) funds for the Soft Story Retrofit Program. ABAG’s BayREN, the regional renewable energy network, has a loan fund of \$1.5 million currently available to owners of multi-unit residential buildings in Alameda County for use to upgrade building energy systems. These two funds could be the initial source of seed monies to launch the pilot program. Staff is also exploring how to establish a loan pool using state-level Property Assessed Seismic Enhancements (PASE) bonding authority, as specified in AB 187 (Swanson, 2011). This approach is akin to the Property Assessed Clean Energy (PACE) program as a means of financing energy efficiency upgrades or renewable energy installations for buildings. Local governments have the authority to offer specific funding instruments to investors through the 2011 legislation.

Preliminary estimates of program costs include: the equivalent of two staff members (Full Time Equivalents) for program administration funded through the reserved CDBG funds; \$100,000 in permit fees for the pilot program; and \$700,000 in staffing costs for additional engineering and inspection services.

5. Stakeholder Engagement

Consultation with stakeholders is essential to the design of the pilot program. In May, 2014, Mayor Quan and Councilmember Kalb convened tenant and landlord representatives to establish a Seismic (Soft Story) Retrofit Community Outreach Task Force. The purpose of the Task Force is to assist the City of Oakland with input on:

- Scoping the priorities, incentives, and duration of the program.
- Conducting outreach to building owners and renter associations to report on issues and concerns in order to inform program design.
- Marketing the program, including a kick off during the 25th Anniversary of Loma Prieta.

Over the course of four stakeholder meetings, areas of concerns and consensus were well documented. Consensus currently exists in following areas: (1) The funding priority for grants and city loans should be focused first on those properties at highest seismic risk and then on properties where tenants are the most financially vulnerable – low income, seniors and disabled residents. (2) Program standards should focus on existing seismic life-safety deficiencies and not on achieving equivalence with new buildings. (3) City inspections should be limited to the scope of the seismic ordinance and not trigger other (non-seismic) building code upgrades. (4) Should parking spaces be eliminated by the retrofit, the buildings already in compliance with the City's parking regulations should not be subject to newer regulations due to seismic retrofit.

As the pilot program launches, engagement with residents and building owners will intensify. The City of Oakland anticipates a broad range of outreach strategies to inform building owners and renters of the retrofit program and its benefits. The efforts will include holding community meetings in areas with high concentrations of soft story apartment buildings; sending mailers to tenants; sharing information through social media channels and webinars; and tailoring communications to the demographics concerned.

6. Next Steps

In the coming months, staff will continue with the community engagement, stakeholder outreach and consultation needed to complete the program design. The City of Oakland will **host a community forum on Thursday, October 30, 2014 from 5:30 – 7:00 pm in City Hall**. City staff will introduce the City's current vision for a seismic retrofit program and invite feedback on the design and implementation.

Staff will also meet with Councilmembers and their staff to ensure all decision makers are briefed on the program's goals, implementation, and progress. Because additional funding resources would enhance the pilot program activities, staff is exploring innovative ways to

supplement the current available funding. Discussions with philanthropic funders, financial institutions and federal agencies are anticipated.

The multi-departmental team meets regularly, along with ABAG and the 100 Resilient Cities partner cities, to assess the pilot program structure, define implementation and develop evaluation metrics. Staff will report back to the City Council in early 2015 with a proposed ordinance, a detailed program report and recommendation for action.

For questions, please contact Victoria Salinas, Chief Resilience Officer, at 510-238-3487 or vsalinas@oaklandnet.com.

ⁱ Building Community Resilience Post-Disaster: A Guide for Affordable Housing & Community Economic Development Practitioners, Editors: Dorcas R. Gilmore & Diane M. Standaer, <http://www.mdchhs.com/sites/default/files/Building%20Community%20Resilience%20-%20Introduction%20and%20Table%20of%20Contents.pdf>

ⁱⁱ Forced to Move: An Analysis of Hurricane Katrina Movers 2009 American Housing Survey: New Orleans, SEHSD Working Paper Number 2011-17, Kimberly A. Geaghan, Social, Economic, and Housing Statistics Division U.S. Census Bureau, June 2011, https://www.census.gov/hhes/www/hlthins/publications/HK_Movers-FINAL.pdf

ⁱⁱⁱ Comerio, Mary. (1998) Disaster Hits Home. California: University of California Press.

^{iv} <http://earthquake.usgs.gov/regional/nca/ucrf/>