

Framework for Reducing Asset Poverty in Oakland

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WHY IS ASSET POVERTY IMPORTANT TO ECONOMIC DEVELOPMENT?

Economic development and the financial health of cities, in part, depends on the financial resilience of families. Traditionally, economic development focuses on business attraction and retention, real estate development and workforce development efforts. Arguably, the success of these are contingent on the ability of households to be consistent consumers, to build savings, and to purchase and own assets, ultimately contributing to the growth of cities through a stronger and more diverse revenue base. The last national recession demonstrated the link between household financial security, assets and the health of our national economy as millions of families fell victim to foreclosures.¹ On a local level, recently Urban Institute found that city's financial health is also greatly impacted by households' financial stability and ability to weather emergencies or setbacks.² Residents are more likely to fall behind on tax payments, miss utility payments and are ultimately more susceptible to eviction when they lack a financial cushion. This, in turn, can lead to more dependence on public services.

MEASURING FINANCIAL STABILITY AND SECURITY

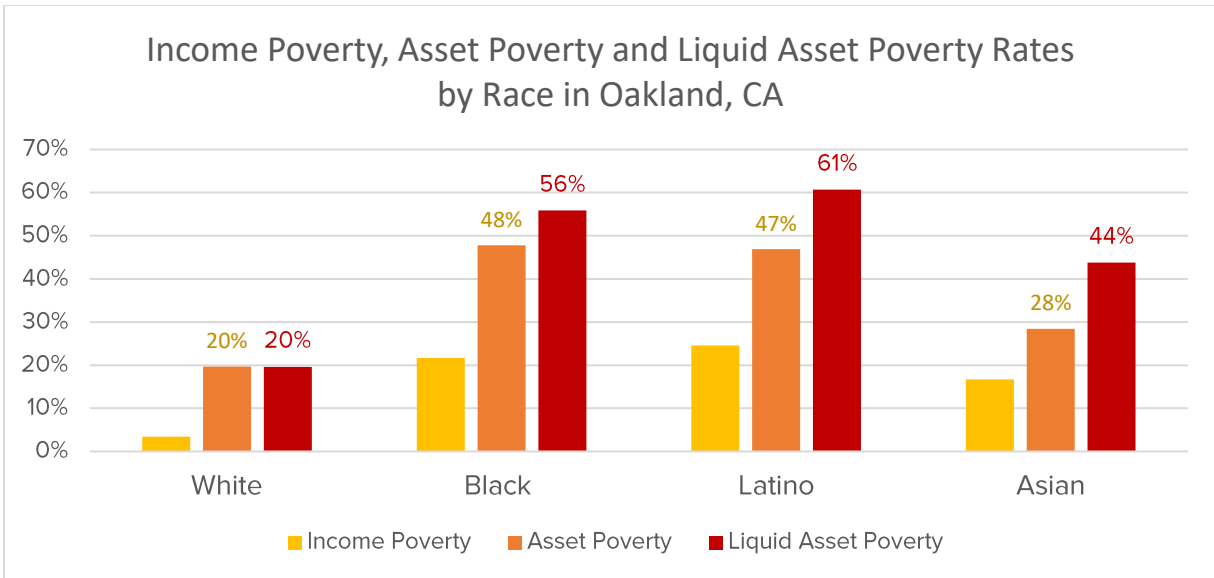
The asset poverty rate is one way to measure household financial instability. It is the percentage of households without sufficient net worth to subsist at poverty level for three months in absence of income. As the estimation of asset poverty is based on a household's [net worth](#) (what a household owns minus what it owes), it includes durable assets, such as a home or business, which are not easily liquidated to help cover day-to-day expenses.

In Oakland, over a third of families are asset poor. This means that in the case of a financial emergency, these families could not depend on liquidating their assets (primarily their home or business) to help. In fact, 23 percent of households in Oakland have zero net worth which means that the value of their debts are larger than the value of the assets. So, in the case of a financial emergency, their debts are likely to balloon without a steady income. This rate rises to 33 percent of Black households and 30 percent of Latino households in Oakland.

Another way to measure household financial stability is by examining liquid asset poverty. This is similar to asset poverty, but instead of measuring assets, it measures things like savings or retirement accounts that are easily liquidated in the case of an emergency. Forty-one percent of families have less than \$6,000 saved to live above the poverty level should they experience a loss of income.

¹ William R. Emmons and Bryan J. Noeth, "[Household Financial Stability: Who Suffered the Most from the Crisis?](#)" Federal Reserve Bank of St. Louis, 2012.

² Signe-Mary McKernan, Caroline Ratcliffe, Breno Braga and Emma Cancian Kalish, "[Thriving Residents, Thriving Cities: Family Financial Security Matters for Cities](#)," Urban Institute, 2016.

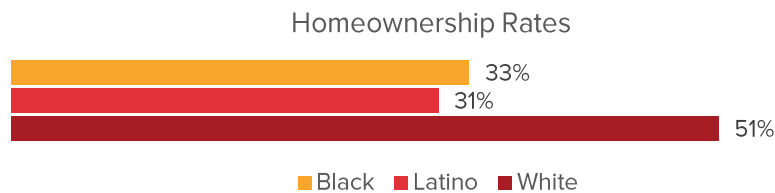


Sources: (Income poverty data) 2011-2015 American Community Survey. Washington, DC: U.S. Department of Commerce, [Census Bureau](#), 2016. (Asset poverty and liquid asset poverty) Survey of Income and Program Participation, 2014 Panel, Wave 1. Washington, DC: U.S. Department of Commerce, [Census Bureau](#), 2017. Data calculated by Marin Economic Consulting.

DRIVERS OF ASSET POVERTY AND LIQUID ASSET POVERTY IN OAKLAND

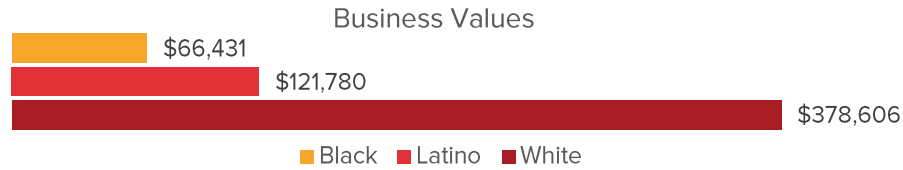
- Disparate rates of homeownership and length of homeownership drives the wealth divide** – Homeownership remains the primary source of asset growth and wealth in the United States, and as such, substantial gaps in the rates of homeownership between white households and households of color will continue to reinforce the racial wealth divide. Measuring the disparate rates of homeownership reveals the extent of the divide in asset ownership in its clearest state. In addition to homeownership data, the city should monitor the length of time families remain in their homes to get a better understanding of financial stability related to housing, especially as they relate to pressures from increasing prices and assessed values.

Affordable homeownership is a crisis across the Bay Area. Median home values in Oakland outstrip median income by 8 times, so the following homeownership rates are to be expected.



Source: 2011-2015 American Community Survey. Washington, DC: U.S. Department of Commerce, [Census Bureau](#), 2016.

- Business ownership and business value hinders asset growth** – Measuring the number and value of minority-owned businesses compared to white-owned businesses reveals where efforts to increase asset growth potential among entrepreneurs and small businesses should be focused.



Source: Survey of Business Owners. Washington, DC: U.S. Department of Commerce, [Census Bureau](#), 2015.

- **High housing costs means renters cannot adequately save for short- or long-term** – Outside of homeownership housing stability and affordable rental properties quickly translate into financial stability. Fifty-five percent of renters spend more than 30 percent of their monthly income on rent and utilities. A lack of affordable rent, underscores the pressure renters face to make ends meet and the inability to grow wealth through short- or long-term savings.
- **Income volatility means inability to predict and regularly save** – Lacking a regular and predictable income increases financial stress and decreases the likelihood that income will be set aside for savings or asset purchases. A high percentage of workers experiencing income volatility could affect the number of savers in the city.

CHALLENGES AND INTERVENTIONS

Addressing challenges posed by asset poverty require interventions that take into consideration the broad perspective of household financial security. Using a framework that addresses all aspects of a families' financial lives (income, consumer protections, education, etc.) and considers their interactions with the local economy lead to more meaningful and stable pathways to wealth and prosperity. The following challenges and interventions represent several of the touchpoints on which Oakland can directly affect asset poverty through the context of a household financial security framework.³

INCOME AND SAVINGS SUPPORTS: Families are struggling to have enough income and a steady stream of income. Income is the foundation upon which families build savings and purchase assets. Access to safe credit and debt management are critical to this equation as well. Efforts are underway to research how to:

- Encourage financial capability services in youth employment opportunities. Ameliorate any possible benefits cliffs for households that may have young workers participating in summer youth employment savings programs
- Smooth income volatility, possibly through city as employer efforts
- Encourage savings and financial capability with tax-time efforts like free tax preparation outreach, providing benefits screening and connecting filers to safe financial products

HOMEOWNERSHIP AND HOUSING AFFORDABILITY: The prospect of homeownership is out of reach for many and even renting causes strain in the Bay Area. Urban Strategies Council estimates that at the current minimum wage, an individual needs 3.7 jobs to afford median rent.⁴ Families are forced to make impossible choices between food, health care and housing and utilities. Should any of those fall short, families can be just days away from homelessness. In addition to building more units, providing supportive services to currently homeless people and families, the city can also explore ways to prevent homelessness through:

- Emergency fund for homelessness prevention
- Property tax relief, utility relief and debt payment arrangements

EXPANDING WEALTH-BUILDING ENTREPRENEURSHIP: Commercial and retail opportunities are returning to Oakland, but there is a serious concern that it is at the expense of entrepreneurs and communities of color. To ensure that entrepreneurship is indeed a wealth-building venture for people of color, the city should explore:

- Providing more affordable commercial space for entrepreneurs of color
- Providing incentives for building owners to lease to entrepreneurs of color
- Including demographic data on business registrations to have better data on performance and inequities

³ For more information on Prosperity Now's Household Financial Security Framework, see <https://prosperitynow.org/household-financial-security-framework>.

⁴ [Building Financial Security in Oakland and Alameda County: A Data Snapshot](#), CFED and Urban Strategies Council, February 2016.