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Kroll, Cynthia

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Dowtown Oakland and the Regional Economy

Cynthia Kroll

The University-Oakland Metropolitan Forum is a partnership of the University of California at Berkeley; California State University, Hayward; Mills College; Holy Names College; the Peralta Community College District; and the Oakland community.

University of California at Berkeley
Institute of Urban and Regional Development

Downtown Oakland and the Regional Economy

Prepared by:

Hector Carillo
Kristina Elmstrom
Daniel Sawislak
Wendy Simon

Prepared for:*

City Planning 228
Metropolitan Economy Studio
Professor Cynthia Kroll
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*The University-Oakland Metropolitan Forum encourages faculty members to design assignments for graduate classes and studios that will result in valuable information and ideas for the Oakland community. The Forum proposes topics, brings teachers and students in contact with decision makers and users of the work, and supports the presentation and publication of the final designs and reports. This is one of those reports. The ideas expressed in this document are those of the students and do not necessarily represent the official position of the Forum Panels

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INTRODUCTION

Two sets of forces coexist in downtown Oakland which influence its growth:

-development policies designed to revitalize its traditional function as a regional business and retail activiy center.

- the city's socio-economic characteristics that have limited the attraction of business and retail firms to downtown Oakland in the past.

Will current development policies succeed? Downtown Oakland's changing role in the regional economy is explored to shed some light on this question. More specifically, the following research questions are addressed in this paper:

1.) What is and should be Oakland's metropolitan regional role? Is distribution its primary function in the regional economy?

2.) What are the development policies of Oakland's city government towards downtown, and how do they affect the success or failure of development proposals there?

3.) Is the money invested by the public sector in Oakland benefitting Oakland's residents?

Research Methods

Background information on development history and public policy in downtown Oakland was obtained from public sources. The Institute for Government Studies Library, the Alameda County Business Library, and documents obtained by Cynthia Kroll from the Office of Economic Development and Employement (OEDE) were

extensively used. This background research included a review of the literature, public government documents, and newspaper articles. A synopsis of the Downtown Office Market was prepared using these sources.

A data source that was central to this study was the Business Prospector (Contacts Influential). Data on the Employment structure of downtown Oakland is difficult to obtain for a variety of reasons, not the least of which is the aggregate nature of the data collected by the Department of Finance. Through the use of Business Prospector, location, size of firm, and SIC code data can be obtained for a specific geographical area. This data is discussed in the Employment Structure section of this report.

Interpretation of current policies and evaluation of their potential for success was then done. At this stage, some important actors in the development process were interviewed and development sites were visited. These actors included: Jeff Chu and Pat Cashman of the City of Oakland's Office of Economic Development and Employment; Glenn Isaacson of Bramelea Pacific; Mr. William Christensen of the Oakland Chamber of Commerce; Lynette Lee of the East Bay Asian Local Development Corporation; Maryann Leshin of Oakland Citizens Concerned About Urban Renewal (OCCUR); Denise Conley of Keyser Marsten and Associates; Leanna Noble of the Oakland Plant Closures Project; and David Dowall and Victor Rubin of the Oakland Forum Project. We visited City Center, the Housewives Market, Old Oakland, Jack London Square,

Preservation Park, Chinatown, and the Lake Merritt area individually and as a group between February and May 1987.

Oakland's regional role was evaluated by collecting statistics from original sources and from background documents. This included data on: employment; the labor force; retail activity; building activity/office development trends; trade and distribution activities; and demographics. We have focused our analysis on the following points:

1.) The effectiveness of current public policy and private development efforts in downtown Oakland.

2.) Downtown Oakland's importance at the regional level in terms of the strength of its economic base and job creation potential.

3.) Differences and similarities in perceptions of downtown development by the different interest groups who are involved or affected by such development.

Critiques of existing public and private development efforts are presented to conclude the paper. Alternative future scenarios are sketched out. Recommendations for future policies for downtown are proposed. We hope that this summary of downtown development issues will provide the basis for further in-depth study.

THE DOWNTOWN ECONOMY

The development of downtown Oakland has been a major priority for the City over the last 20 years. Oakland residents and city officials hoped that the redevelopment of downtown would expand the economic base of Oakland, contribute to the growth of Oakland's business sector, generate needed retail and office jobs for Oakland residents, and produce a central area that Oakland citizens could be proud of. Instead, redevelopment has brought a mixture of successful and failed development projects to downtown Oakland. While the face of downtown has changed through the construction of an impressive number of office towers and infrastructure to serve those towers, downtown is still perceived as a "risky investment" by the real estate community, and continues to require substantial financial subsidies to spur development.

This section will summarize the history of public development policy in downtown Oakland, and will focus on the private development that has occurred in response to those policies. We will look at development projects currently in progress in light of the City's aspirations for downtown development over the next few years. Finally, this section will focus on the present market for retail and office development in downtown Oakland.

Development History

In 1968, Oakland created a downtown redevelopment district, covering 30 blocks of downtown. The district was set up as a tax

increment district, which means that property taxes raised from new development are used to pay off bonds which the City uses to finance development projects. The philosophy behind Oakland's effort was that office development should be attracted to Oakland through incentives, primarily financial, to potential office developers. Throughout the 20 year development process, Oakland has attempted to attract development through its "pro-business" attitude, - a strategy of meeting the needs of business as much as possible. The hope was to offset the perception of blight and decay which has made downtown revitalization a difficult task.

Clearly, some aspects of redevelopment have been successful in downtown Oakland. Between 1958 and 1987, approximately 9 million square feet of office space was developed in downtown Oakland, a more than 200 % increase over what had previously existed. Oakland experienced a tremendous boom in development in the 1980's, growing to an inventory of over 10 million square feet of office space today compared to 5.91 million square feet in June 1981. Oakland has also successfully completed important educational, cultural, transit, and infrastructure improvements over the last 20 years. These include the Oakland Museum, Laney College, BART stations, and several freeway connections. These improvements are important in improving the desirability of downtown Oakland for development, and gave Oakland a more modern and accessible central district.

However, Oakland has suffered through some embarrassing development failures, and has been unable to revitalize its

declining downtown retail sector. Oakland has been forced to heavily subsidize downtown's one luxury hotel, and has increased its downtown retail space only by 11% since 1958, an important statistic when viewed in light of retail expansion in the Bay Area, and in downtowns throughout the U.S. There are still large tracts of vacant land, blighted buildings, and vacant storefronts downtown, within sight of the City Center Project, Oakland's premier publicly assisted office development. Oakland has been unable to change the perception of many shoppers, including Oakland residents, that downtown is a decrepit, even dangerous place to be, and has been unable to bring people downtown during the evening hours.

Downtown redevelopment has been costly. It is estimated that nearly $200 million in public money has been spent on downtown redevelopment since 1968. Thus, it seems fair to look at downtown development not only in terms of what has been constructed downtown, but also based on its cost to Oakland taxpayers and the benefits which they have received in exchange for their subsidy. The City Center project, which was begun in 1970, is a prime example of how redevelopment has succeeded and failed in Oakland, often at an extremely high price.

City Center began in 1970 when Grubb & Ellis agreed to develop the project. Original plans called for the construction of 15 office buildings, 6 condominium structures, two underground garages, and a major retail shopping center which was to provide 3500 jobs in downtown Oakland. By 1975, two major office towers,

the Clorox and Wells Fargo Buildings were built at City Center. However by 1980, Grubb & Ellis decided that it would not be able to build a major shopping center in downtown Oakland, and sold most of its interest in the City Center project to Bramalea Pacific Development Ltd. from Toronto. Bramalea bought 80% of the project while Grubb & Ellis retained a 20% interest.

In 1982, Bechtel announced its intention to construct a 700,000 square foot, 19 story office tower at City Center, a size which was gradually scaled back until Bechtel finally cancelled the project due to sluggish business. However, in recent years, Office Building III at 475 14th Street was completed with IBM as the prime tenant, and Office Building IV at 525 14th Street was also completed. This spring construction was started on a retail center which will be the center of the plaza, featuring a mix of retail and offices. The center, called City Square, will include 60,000 square feet of retail space and 120,000 square feet of office inventory. Woodward-Clyde Consultants, a major engineering firm, recently leased more than half of the available office space in the center, and letters of intent have been received from potential tenants for 30 to 40% of the retail space.[1]

The construction of up to 10 additional office towers are planned at City Center, but far fewer are immediate possibilities. The decision of the General Services Administration on whether or not to build an office tower at City Center will have great importance for the future of the project.

Currently, G.S.A. is choosing between the City Center site and a San Francisco location. Oakland officials are optimistic that G.S.A. will locate in Oakland, citing political factors which they believe favor Oakland. One official commented that Oakland has a 95% probability of attracting G.S.A.[2] The building, scheduled to open in 1990, would employ between 4500 and 5000 people and have tremendous impacts on downtown Oakland by generating additional retail and office development. Some observers feel that the University of California, which is also considering locating its headquarters in the City Center project, is waiting to see if G.S.A. locates at City Center before it makes its decision.[3]

Many observers feel that City Center is well-situated to succeed, and are impressed with the commitment and expertise of Bramalea, the project's primary developer.[4] However, whatever successes achieved at City Center have been heavily subsidized by public funds. Between 1970 and 1985, $140 million was spent on City Center development; $30 million of which came from Federal Urban Renewal funds, $10 million from tax increment funds, and $100 million from private sources. This 5 to 2 ratio of private to public funds is a high public expense for what has amounted to 4 office buildings and a parking garage. However, if City Center takes off according to plan, the public investment may seem more in line with returns in the form of development and private investment. In that vein, according to plan, $360 million will be spent on financing for City Center between 1986 and 1994, with a

public investment of only $10 million in tax increment funds, and a private investment of $350 million.

Oakland has had less success in realizing its objective of developing a regional shopping mall in downtown Oakland. After Grubb & Ellis decided that it would be unable to develop a shopping center as part of the City Center in 1982, the City decided that a shopping mall might be better situated in the "uptown" area around 20th and Broadway where Oakland's largest downtown stores, I. Magnin and Emporium Capwell's, are located. This location also benefits from its proximity to the Kaiser Center, and major development around Lake Merritt.

In 1985, the City issued a request for proposals for the development of a major shopping mall in the area bounded by Broadway, San Pablo, 17th, and 21st Streets. The City was pleased by the quality of the three developers who submitted proposals, and selected the Rouse Company to develop the project. The project was planned to be valued at about $250 million, of which the City would commit $50 million in land assembly and write-downs, public services, and parking. Unfortunately, Rouse has been unable to locate an anchor tenant for the mall, and construction has not yet begun.[5]

There are varying opinions on the feasibility of the retail project. Defenders of the project claim that projects comparable to Oakland's have taken over 10 years to develop in other cities; that Northern California has suffered the loss of a number of department stores; and that it is difficult to attract department

stores to developments anywhere.[6] Others question the viability of a regional mall in Oakland, and wonder whether Rouse is capable of making it work.[7] Rouse claims that Oakland is "ripe for development" and that the market for a regional shopping mall in Oakland is among the best in the U.S. However, Rouse also asserts that Oakland suffers from an image of "crime and chaos" which discourages retailers from locating in downtown Oakland. In response to the difficulties Rouse has been facing, staff at Oakland's Office of Economic Development and Employment recently proposed earmarking $14 million in redevelopment funds for a campaign to improve Oakland's image.[8]

Other major retail and office projects which are being developed with public support in downtown Oakland include:

A. Old Oakland/Victorian Row: This is a restoration project of Victorian commercial structures to offices, upscale boutiques, restaurants, and shops. It is located in the blocks bounded by 8th, 10th, Broadway, and Washington Streets. This has been an ongoing project since the beginning of redevelopment in the late 1960's, which is now nearing completion. The project is planned to add needed night life to downtown Oakland, and is anticipated to employ 750 people.

B. Chinatown Redevelopment Project: The Chinatown project is a $250 million project which is being developed by C & L Inc., the current owners of the Oakland Hyatt. The project will be built in three phases. The first phase will be a 250,000 square foot building to be built by EBMUD. Construction on this building will begin in the Fall. In 1988, plans call for the opening of a mixed use project which will combine 100,000 square feet of retail space with a Chinese Cultural Center and library. The project will also include 250 units of housing, 20% of which will be affordable for low and moderate income people, and a large urban plaza. The third phase will be an office tower to be located at 11th and Broadway. A hotel will also be built as part of this phase. The project will

cost $225 million, including a $25 million public investment.[9]

Hotel development has always been an important element of the City's downtown strategy. The development of the Oakland Hyatt was viewed by many as a major piece of the redevelopment of downtown Oakland when it opened in 1984. However, the Hyatt quickly ran into financial difficulties. Planners had expected that the development which Bechtel was committed to building at City Center would boost business at the Hyatt, and when Bechtel pulled out of City Center, the Hyatt had difficulty competing with other Bay Area hotels. Although the Hyatt was able to generate a 70% occupancy rate, comparable to what many hotels achieve, it was forced to charge $10 to $15 less per night than its Bay Area competitors, as it appeared to be negatively impacted by its downtown Oakland location.[10]

In 1985, the Oakland City Center Hotel Company (OCCHC) which owned the Hyatt missed interest payments on its construction loans for eight months. The Bank of America prepared to foreclose, and OCCHC determined that it needed $2.9 million by the end of 1985 and $8.5 million over the next four years to avoid foreclosure. The City agreed to loan the hotel $4.5 million, and waived $8 million in future interest payments on a previous loan over the next 10 years. Since the City had previously loaned the hotel $9 million, the total expenditure on the Hyatt by the City rose to $21.5 million. At the beginning of this year, C & L Inc. bought the Hyatt, and arranged refinancing of the hotel's debt. Observers are optimistic about the future of

the Hyatt, feeling that the hotel's management will improve with its change in ownership. Observers are divided on the wisdom of construction of a second hotel in proximity to the Hyatt. Some assert that another hotel would drive business at the Hyatt, and the hotels would benefit from their proximity. Others feel that the Hyatt was built before Oakland was ready to support it, and hotel development, if it comes to downtown Oakland, will be built at the Kaiser Center rather than in the City Center area.[11]

The Downtown Oakland Office and Retail Markets

Today, downtown Oakland totals 140 occupied office buildings, containing 10,261,000 square feet of office space. The office inventory has grown tremendously throughout the last 30 years, particularly in the 1980's. Oakland added 4 million square feet in the last six years alone, and in 1985 built a record 2 million square feet of space.

Oakland has had difficulty filling this influx of space. According to Coldwell Banker, at the end of 1985, Oakland had an office vacancy rate of 27.3%, surpassing such overbuilt cities as Denver and Houston, at that time. The rate has fallen to about 20% as space has been absorbed, and because only one major speculative project has been completed since 1985. As of 12/1/86, Cushman and Wakefield estimated the office vacancy rate at 19.52%. Other estimates place the vacancy rate in downtown Class A buildings at 18%, but place the rate for other buildings as high as 40%.

There is also a difference of opinion on how quickly space is being absorbed in Oakland. Cushman & Wakefield reports that 1.75 million square feet of the 2 million square feet built in 1985 was leased within 6 months. Yearly absorption rates have been estimated to have risen from approximately 300,000 square feet per year to about 600,000 square feet. This indicates that the amount of space which is being leased downtown has increased as the amount of available space has grown. Interestingly, the rapid expansion of the downtown office market helps to explain why the office vacancy rate in Oakland has leveled off. Because the stock of space is so much larger, the addition of a new building does not increase the total stock as much as it used to, and does not have as large an impact on the vacancy rate.

Table 1 compares Oakland's vacancy rate with the rates of other downtowns in major California cities. The table shows that Oakland's rate has decreased markedly since 1985, when it was the highest of the cities measured, and by June 1986 had a moderate vacancy rate, comparable to San Diego's, but lower than Orange County's or San Jose's. The table also offers figures for suburban markets, and shows that Oakland has a far lower vacancy rate than the East Bay suburbs. Vacancies in the East Bay suburbs rose over the three year period from 18.4% to 27.9%, while Oakland's was comparatively stable, rising from 18% to 27.3% at the end of 1985, then dropping to 19.3% by June of 1986. While both areas added considerable amounts of space during the period

Figure 1.

Office Vacancy Rates in California

	Central Business Districts					Suburban Markets				
	Dec. 1983 %	Dec. 1984 %	Dec. 1985 %	Mar. 1986 %	Jun. 1986 %	Dec. 1983 %	Dec. 1984 %	Dec. 1985 %	Mar. 1986 %	Jun. 1986 %
Los Angeles	12.3	11.8	18.2	18.5	15.9	17.2	17.8	16.4	16.4	17.1
Orange County	17.3	13.9	19.3	19.0	20.1	n.a.	n.a.	n.a.	n.a.	n.a.
Oakland-East Bay	n.a.	18.0	27.3	20.3	19.3	18.4	19.7	23.9	25.5	27.4
Sacramento	19.3	17.0	16.6	16.0	13.6	24.9	25.9	29.3	29.3	29.0
San Diego	21.3	22.2	23.4	20.2	19.2	20.8	13.9	22.5	23.5	27.9
San Francisco	5.9	10.1	13.4	15.7	16.2	18.3	19.0	22.0	22.4	22.0
San Jose	10.2	14.7	22.2	23.0	21.7	16.0	15.9	25.0	24.1	26.2
National	12.4	14.7	16.5	16.5	16.8	18.7	18.2	22.0	22.5	23.3

Source: Coldwell Banker.

studied, the data indicates that Oakland was better able to fill its space than the East Bay suburbs.

It is interesting to divide the office market into the two major development areas; Lake Merritt and City Center, and observe how these markets have grown over time. Table 2 shows that in 1980, Lake Merritt had 3.6 million square feet of space compared to 2.5 million square feet in the City Center area. By January 1986, there was 5.8 million square feet of space at Lake Merritt compared to 3.2 million at City Center. Thus, the bulk of office growth in the 1980's took place around Lake Merritt.

In terms of vacancy rates, according to Denise Conley of Keyser Marston. (See Table 2.) Lake Merritt currently has a rate for A and B Class buildings of 18.5%, and a 15% rate for Class A buildings. City Center has a vacancy rate of 13.7% for A and B Class buildings, and a rate of 8.8% for Class A space. Class C rates are not accounted for here, and Class C buildings have a high vacancy rate, which brings Oakland's overall vacancy rate to around 20%.

The tenant base is also different in the Lake Merritt and City Center areas. Lake Merritt serves "prestige" tenants, such as lawyers and accountants. The tenants in the City Center area appear to be more cost conscious. Back office functions tend to be located in the City Center area, such as the AT&T sales center, and offices of IBM and Clorox. These offices are often large, regional centers for large corporations. Therefore more

Table 2: A Comparison of Office Inventory and Vacancy Rates In the Lake Merritt and City Center Areas.

AMOUNT OF OFFICE SPACE

	City Center	Lake Merritt
1980	2.5 million sq. ft.	3.2 million sq. ft.
1986	3.2 million sq. ft.	5.8 million sq. ft.

OFFICE VACANCY RATES - March 1987

	City Center	Lake Merritt
Class A Buildings	8.8 %	15.0 %
Class A & B Bldgs.	13.7 %	18.5 %

Class C Buildings are not included, raising the city-wide office vacancy rate to approximately 20 %.

Source: Interview with Denise Conley, Keyser Marston, March 31, 1987.

space in City Center buildings is taken up by one large, anchor tenant than in the Lake Merritt developments.[12]

Rents for office space in downtown Oakland range from about $24 per square foot per year to just under $30 in new Class A buildings, and around $22 to $25 per square foot for Class B space. Rents are as low as $6 per square foot in some older buildings.[13] The average deal size ranges from 2500 to 5000 square feet.[14] .Most new tenants in downtown Oakland offices are service industries, such as legal, architectural, and financial firms. Few of the firms have moved from San Francisco. Much of the market for Oakland office rentals appears to come from firms already located in Oakland who are improving their space by moving to a newer building. This is one reason why Class B and C buildings are experiencing higher vacancy rates while new Class A buildings are filling up nicely.[15]

Downtown Oakland does provide more opportunity for small business because of the high vacancy rate in these cheaper buildings. Small business can be important local economic forces, as it "is more responsive to local influences, more willing to adapt to local conditions, and less likely to migrate to other locations."[16] This aspect of the downtown economy is more fully discussed in the next chapter.

New office towers in Oakland are also being successfully leased because developers are offering excellent incentives for tenants to locate in their buildings. For example, the accounting firm Touche Ross moved to the Ordway Building in downtown Oakland

in 1982 from San Francisco. The firm received only free smoke alarms as an incentive for moving. But by moving from the Class B Ordway Building to the new 2101 Webster Building, the firm received a substantial amount of free rent, had their moving expenses paid, their old lease assumed, and received a fixed rent for 10 years. They also got space on the top floor of the building.[17]

Oakland developers are filling their buildings with certainty by pre-leasing them before they are built, or by making deals with anchor tenants who can fill up large amounts of available space. 2101 Webster is currently 90% occupied, with Blue Cross occupying 11 floors, Matthew Bender & Co., a publishing subsidiary of Times Mirror Corp., taking 4 floors, and with AT&T renting two floors.[18] The shift of Oakland tenants from older to new buildings can be seen in the Class B vacancy rates. The Ordway Building, which is only 16 years old, and located in the Kaiser Center is now 20% vacant.[19]

While there are a lot of plans on the drawing board, there seems to be limited actual growth in retail in downtown Oakland. In 1987, the inventory of retail space in the entire city will expand by 10%, due mostly to expansion of existing space. 245,000 square feet in three new projects will go on line this year, including 128,000 square feet from the Rotunda project. Old Oakland and City Square will also provide new retail opportunities in the City Center area. Some observers expect that space along Broadway between 12th and 20th Street will fill-up,

and the quality of stores will improve, if new office development occurs which will need to be served by additional downtown retail.

Oakland's downtown office market appears strong, and has been able to attract tenants to fill new space. Speculative construction appears to have slowed down from the boom years of the mid-1980's, and much new anticipated office development will be government offices. The construction of new space has created higher vacancies in older buildings, which might allow small businesses to locate downtown at reasonable rental rates. Several downtown retail projects should come on line in the next year. Their success, and the future success of downtown retail, will be largely reliant on continued office growth which can furnish customers for downtown stores.

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EMPLOYMENT STRUCTURE: JOBS FOR WHOM?

The Need for "Balanced Development"

Redevelopment of downtown areas in American cities is reputed to sustain and rehabilitate economic activity and provide an important source of municipal revenues. However, it is equally important for the public sector to insure that the city's residents get a share of that development in the form of partnership in the enterprise and jobs as the new office space is occupied.

The question of who gets the jobs from the development is key. How it is asked leads to different answers and considerations, depending on the focus and scope of the study that addresses the issue. In this section, the "jobs for whom" issue is looked at in terms of whether downtown development policies result in a greater share of the jobs held by Oakland's residents and if so, what kinds of jobs Oakland's residents will hold.

In order to address the question we have developed a profile of Oakland's population and its basic characteristics, looking specifically at educational levels, job skills, and ethnic characteristics. One of the major negative forces affecting the attraction of business to downtown Oakland is the image of the city as an unsafe place. This image is based on the fact that mean income levels are low and the proportion of minority groups in the population is high.

Current employment and occupation distribution in the city, and the educational levels of the residents provides a picture of the potential positions available to different resident groups. It is difficult to target the local population as a pool of potential employees when a large proportion is unskilled, unemployed, and has low education levels.

The kind of firms that are currently located in the downtown area, and their current proportions of local employees are examined in order to discuss the potential kinds of jobs that could be created. All of these factors are combined in a general discussion of the "jobs for whom" issue.

Demographic characteristics and employment

During the last decade, Oakland has experienced a dramatic change in its demographic structure. In 1986, the total population was 355,000. This is an increase from the population measured by the 1980 Census, but is less than the Census population in 1970. This is a distinctly different pattern than that of Alameda County, which has been steadily increasing its population since 1970. This data is summarized in Table 3.

In 1970, the ethnic proportions were 59% Whites and 34.5% Blacks in Oakland. In 1980, the Black population represented 46.9% of the total population. 60% of the residents belonged to a minority group. This is, again, distinctly different from the pattern in the County, where whites make up 2/3 of the total population. This data can be found in Table 4.

TABLE 3:
POPULATION SIZE AND GROWTH

	OAKLAND	ALAMEDA COUNTY
POPULATION		
1986	355,000	1,208,200
1980	339,337	1,105,379
1970	361,561	1,073,184
RATE OF CHANGE		
1970-1980	-6.1%	+2.9%
1980-1986	+4.6%	+9.3%

Sources: Census, Dept. of Finance,
and the Oakland Planning Department

TABLE 4:
ETHNIC, RACIAL MIX

1980	OAKLAND	ALAMEDA COUNTY
TOTAL POPULATION	339,337	1,105,379
WHITE	129,692	740,612
	(38.2%)	(67.0%)
BLACK	159,281	203,612
	(46.9%)	(18.4%)
OTHER	50,364	161,155
	(14.8%)	(14.6%)

1970		
TOTAL POPULATION	361,561	1,073,184
WHITE	213,512	855,978
	(59.0%)	(79.8%)
BLACK	124,710	161,282
	(34.5%)	(15.0%)
OTHER	23,339	55,924
	(6.4%)	(5.2%)

Sources: Census, Oakland Planning Department

An examination of household size data by race for Oakland and for Alameda County reveals that the white population in Oakland lives in smaller households than the white population in the County. (See Table 5.) This is often related to household income levels.

The City of Oakland lost its population of persons 35 years of age and older at a much faster rate than the County between 1970 and 1980. (See Table 6.) This provides evidence for flight from the city to the suburbs. Examination of this data by sex (Table 7) shows only minor differences between the city and the county as percentages of total population.

Oakland residents' education levels are not adequate when one considers the kinds of jobs that downtown office development and the service economy in general will attract to the city. More than half of city residents have finished only high school. In an era when the high school diploma means little, an Oakland Public School degree means even less due to the deterioration of facilities and program. The almost one fourth (23.8%) of Oakland residents who have some college education includes graduates of the community colleges with A.A. degrees. (See Table 8.) This training certifies people for a wide variety of trades ranging from traditional vocational ones to business and medical technology skills and personal services. This can be seen as a positive sign as some of these skills will continue to be in demand.

TABLE 5:
FAMILY [HOUSEHOLD] SIZE BY ETHNIC GROUP

1980	OAKLAND	ALAMEDA COUNTY
TOTAL POPULATION	3.14 [2.34]	3.16 [2.53]
WHITE	2.70 [1.95]	2.97 [2.37]
BLACK	3.31 [2.56]	3.29 [2.57]
OTHER	3.77 [3.01]	3.68 [3.11]

Source: 1980 Census

TABLE 6:
AGE CHARACTERISTICS OF THE POPULATION

	OAKLAND	ALAMEDA COUNTY
AGE COHORTS -1980		
<20	93,177	318,597
20-35	100,501	323,568
35-50	51,914	189,352
50-65	49,012	159,656
>65	44,795	114,206
AGE COHORTS -1970		
<20	110,938	373,405
20-35	83,780	262,760
35-50	57,820	187,006
50-65	61,415	150,814
>65	47,608	99,199
RATE OF CHANGE 1980-1970		
<20	-16.01%	-14.68%
20-35	19.96%	23.14%
35-50	-10.21%	1.25%
50-65	-20.20%	5.86%
>65	-5.91%	15.13%

Sources: Census, Oakland Planning Department

TABLE 7:
AGE PROFILE BY SEX

1980	OAKLAND	% of total	ALAMEDA COUNTY	% of total
AGE COHORTS -FEMALE				
<20	46,103	25.8%	156,451	27.5%
20-35	53,038	29.7%	163,821	28.8%
35-50	25,975	14.5%	94,849	16.7%
50-65	26,099	14.6%	83,535	14.7%
>65	27,225	15.2%	69,462	12.2%
SUBTOTAL	178,446	52.6%	568,118	51.4%
AGE COHORTS -MALE				
<20	47,011	29.2%	162,146	30.1%
20-35	47,464	29.4%	159,747	29.7%
35-50	25,939	16.1%	94,503	17.5%
50-65	22,913	14.2%	76,121	14.1%
>65	17,570	10.9%	44,744	8.3%
SUBTOTAL	160,897	47.4%	537,261	48.6%

Sources: Census, Oakland Planning Department

TABLE 8
OAKLAND RESIDENTS'S EDUCATION LEVELS, 1980.

EDUCATION LEVEL	DICTRICT 1	2	3	4	5	6	7	CITYWIDE TOTAL
< than High School	8,815	6,336	10,319	6,840	11,[illegible]	11,302	10,206	70,[illegible]
High School	8,458	11,147	11,434	10,608	10,564	11,541	11,058	75,678
1-3 yrs. college	9,198	12,002	7,805	9,348	7,451	8,138	7,275	61,307
4 yrs. college	4,507	6,326	2,241	4,440	1,560	1,973	1,584	22,631
5+ yrs. college	6,034	7,311	1,089	5,621	1,660	1,763	1,561	27,097
TOTAL ALL LEVELS	257,368							

EDUCATION LEVEL	ENTIRE CITY	DISTRICT SHARES 1	2	3	4	5	6	7	CITY
< than High School	27.5%	12.5%	9.0%	21.7%	9.7%	16.1%	16.0%	14.4%	100%	27.5
High School	29.4%	11.2%	14.7%	15.1%	14.1%	14.0%	15.2%	15.7%	100%	29.4
1-3 yrs. college	23.8%	15.0%	19.6%	12.7%	15.2%	12.2%	13.3%	11.9%	100%	23.8
4 yrs. college	8.8%	19.9%	27.9%	9.9%	19.6%	6.9%	8.7%	6.8%	100%	8.8
5+ yrs. college	10.5%	25.2%	29.8%	6.8%	20.7%	6.2%	6.5%	5.8%	100%	10.5

SOURCE: OAKLAND DISTRICT HANDBOOK
(1980 CENSUS)

However, the current financial crisis in the Peralta College District does not bode well for their future job training capability. Oakland has more than 200 private job training centers, but it is hard to tell where they are counted in the Census data. Less than one fifth (19.3%) of Oakland's residents have finished college, which is the minimum level necessary for professional and higher managerial positions. College graduates will obviously be better qualified for any upper level jobs that development brings to Oakland.

The differences in educational level are even more striking when broken down by ethnic groups. While 20.8% of Whites older than 25 had not completed high school in 1980, 33.6% of Blacks, 33.2% of Asians, and 10.1% of Hispanics were in that situation. Also, 32,2% of Whites over age 25 had completed college, but only 10.1% of the Blacks, 25.7% of the Asians and 10.1% of the Hispanics had. [1]

Oakland has only 142,699 people who claim occupations compared to the 257,368 who are over 16. Table 9 illustrates this data. This is probably both a contributing cause and an effect of the high unemployment rate in the city. Occupations in the older productive sectors account for only one quarter (24.6%) of all occupations, while the majority seem to fit into newer sectors. Although at first glance the occupational picture looks rosy, aggregated categories include low status and salary jobs

TABLE 9
OCCUPATION OF OAKLAND RESIDENTS 1980

OCCUPATION	% OF TOTAL	DISTRICT 1	2	3	4	5	6	7	CITYWIDE OCCUP.
Managerial/Professional	25.9%	7,022	9,556	2,711	7,941	2,524	3,449	2,928	37,030
Technical/Sales/ Administration/Support	34.3%	6,790	10,450	5,160	8,054	6,027	6,674	5,781	48,986
Services	15.1%	3,208	2,784	3,614	2,445	3,154	3,111	3,273	21,589
Farming/Fishing/Forestry	1.0%	252	309	139	192	174	248	166	1,480
Precision Production/ Craft	9.1%	1,477	2,002	1,594	2,252	1,059	1,919	1,852	12,980
Operators/Laborers	14.5%	2,092	2,709	3,061	2,569	3,953	3,644	4,006	20,694
DISTRICT TOTALS		21,641	27,425	16,258	23,453	17,791	19,045	17,006	142,699
OAKLAND TOTAL OCCUPATIONS		142,699							

OCCUPATION	DISTRICT SHARES OF EACH OCCUPATION CATAGORY 1	2	3	4	5	6	7
Managerial/Professional	21.1%	25.8%	7.5%	21.4%	7.0%	7.9%	7.9%
Technical/Sales/ Administration/Support	13.9%	21.3%	10.5%	16.4%	12.4%	13.6%	11.8%
Services	14.9%	12.7%	16.8%	16.8%	11.4%	14.6%	15.2%
Farming/Fishing/Forestry	17.1%	21.0%	8.8%	8.8%	13.1%	11.8%	11.3%
Precision Production/ Craft	11.4%	16.1%	11.8%	11.8%	17.3%	14.3%	14.3%
Operators/Laborers	10.1%	11.1%	14.8%	14.8%	12.4%	19.1%	14.9%

SOURCE: OAKLAND DISTRICT HANDBOOK
1980 U.S. CENSUS

within each type. The discrepancy between the large number of managerial/professional and administration/support jobs and the lower percentage of relatively well educated residents may be partially attributed to this lack of rank distinction within the categories. "Support", for example, may mean clerical jobs which are not as well paid and or high status as higher administrative jobs. Services, a category which accounts for 15% of all occupations, are also mostly low paying jobs with limited mobility.

One bright spot, however, is that the majority (75.3%) of residents with occupations seem to be in the economic sectors that are predicted to continue to expand in the future.

If we break down the occupation information by ethnic groups, the picture is not very optimistic. (See Table 10.) Data from the 1980 Census shows that whites hold a significantly higher percentage of the managerial type jobs, while Black, Asian and Hispanic groups are performing more of the lower level support, service and labor jobs. This is not unusual in the United States, but is more pronounced in Oakland because of the large minority population. Their income, social, and education conditions have resulted in a local "underclass".

In terms of unemployment, Oakland shows a higher rate (9.3%) than the county (6.8%) in 1980.[2] Unemployment figures must be looked at with considerable caution, given the different ways that they can be calculated. Higher unemployment rates in central cities are not uncommon. This indicates that Oakland does have

TABLE 10
OCCUPATION IN OAKLAND BY ETHNIC GROUPS 1980

TYPE OF ACTIVITY	ETHNIC GROUP			
	WHITE	BLACK	ASIAN	HISPANIC
TOTAL (16 YEARS AND OVER)	69,359	50,321	18,369	12,021
MANAGERIAL AND PROFESSIONAL SPECIALITY	23,777	9,477	2,805	1,604
TECHNICAL, SALES AND ADMINISTRATIVE SUPPORT	21,230	21,236	4,717	2,887
SERVICE	6,605	11,586	2,352	2,476
FARMING, FORESTRY AND FISHING	627	566	139	207
PRECISION, PRODUCTION, CRAFT AND REPAIR	5,729	5,218	1,172	1,744
OPERATORS, FABRICATORS AND LABORERS	5,945	10,308	2,189	3,423
	PERCENT OF TOTAL			
TOTAL (16 YEARS AND OVER)	100.00%	100.00%	100.00%	100.00%
MANAGERIAL AND PROFESSIONAL SPECIALITY	37.58%	16.25%	20.90%	13.34%
TECHNICAL, SALES AND ADMINISTRATIVE SUPPORT	33.51%	36.41%	35.25%	24.02%
SERVICE	9.48%	19.87%	17.59%	20.60%
FARMING, FORESTRY AND FISHING	0.90%	0.97%	1.04%	1.97%
PRECISION, PRODUCTION, CRAFT AND REPAIR	9.04%	8.95%	8.77%	11.60%
OPERATORS, FABRICATORS AND LABORERS	9.46%	17.73%	16.37%	28.48%

SOURCE: 1980 Census of Population. Vol 1. Characteristics of the Population. California.

some basis for its programs that encourage job creation, especially for its resident population. However, those programs must address the particular social and demographic characteristics of the city.

If we relate unemployment rates with ethnic group differences in education levels and age structure, the picture is particularly gloomy. The rate of unemployment among Whites was 5.6%, compared to 13.5% for Blacks, 11.7% for Hispanics and 6.0% for Asians and Pacific Islanders in 1980.[3] On the average, the minority population's unemployment rate is growing faster, especially for blacks, while the rate for whites are decreasing. A fast growing, young, and poorly educated minority population faces the reality of unemployment daily.

Employment

Looking at the major employment sectors in Oakland (Table 11), it is clear that Oakland, as most other American cities, is moving towards a service economy, with growing percentages of jobs in the retail and service sectors, and declining percentages in manufacturing.

The preeminence of the service sector is striking. However, it is slightly lower than the same figure for Alameda County and much smaller than the share of service jobs in San Francisco (33% in 1984).[4] Also, it is important to notice that, although manufacturing still accounts in Oakland for more than 20% of total employment, many of those jobs are actually in the office buildings of large manufacturing companies as Clorox. These jobs

TABLE 11
OAKLAND AND ALAMEDA COUNTY
EMPLOYMENT BY MAJOR SECTORS

OAKLAND	1980	PERCENT OF TOTAL	1985	PERCENT OF TOTAL	PERCENT CHANGE
TOTAL	182,940	100.00	190,000	100.00	3.86
AGRICULTURE	697	0.38	540	0.28	-22.53
MANUFACTURING	39,051	21.35	38,400	20.21	-1.67
RETAIL	23,562	12.88	25,300	13.32	7.38
SERVICES	52,205	28.54	56,720	29.59	7.69
OTHER	67,425	36.86	69,580	36.62	3.20
EMPLOYED RESIDENTS	144,535	79.01	154,500	81.32	6.89
ALAMEDA COUNTY	**1980**		**1985**		
TOTAL	511,077	279.37	549,700	289.32	7.56
AGRICULTURE	4,687	2.56	3,850	2.03	-17.77
MANUFACTURING	118,010	64.51	122,550	64.50	3.84
RETAIL	82,521	45.11	94,340	49.92	14.32
SERVICES	151,674	82.91	166,050	87.39	9.48
OTHER	154,171	84.28	162,700	85.63	5.53
EMPLOYED RESIDENTS	522,093	285.39	576,600	303.47	10.44

SOURCE: ABAG Projections

are still categorized under the manufacturing SIC codes.

Comparing the overall employment structure in Oakland with that for Alameda county, the similarity in the share of jobs by major sectors is noticeable. Also, looking at Table 11, the sector that shows the largest difference between the county and the city is the retail sector. This is due to the large suburban shopping malls within Alameda County.

The same pattern observed for the city can be seen at the downtown level. Figures are not directly available on downtown employment by sector. To address this issue, we have estimated figures indirectly by looking at the number and type of firms. This data was collected using Business Prospector for the specific downtown area bounded by 27th Street, Harrison and Lakshore, West Street, and Sixth Street (zip code 94612 an part of 94607). This data provides information about the type of jobs that could be created in the CBD, as well as an idea of which sectors might be the ones that would provide them. From the tables for downtown Oakland firms (Tables 12, 13, 14, and 15), we can observe a number of interesting facts:

1. The number of large firms is small, although important in absolute number of employees. Oakland is not a headquarters center. Some of the largest firms in the CBD are more related to urban services than to multinational corporations.
2. The diversity of firm type is impressive. There exists certain spatial distribution and clustering by

TABLE 12
BUSINESSES BY SIC CODE AND NUMBER OF EMPLOYEES
IN DOWNTOWN OAKLAND
(ZIP CODE 94612 AND PART OF ZIP CODE 94607)

S I C	1-3	4-15	16-40	41-100	101-250	250+	TOTAL
LIVESTOCK AND AGRICULTURAL SERVICES	3	1	1	0	0	0	5
OIL AND GAS EXPLORATION SERVICES	0	0	1	0	0	0	1
CONSTRUCTION	13	5	4	1	0	0	23
MANUFACTURING	37	14	3	3	0	3	60
TRANSPORTATION AND PUBLIC UTILITIES	29	15	7	4	0	5	60
WHOLESALE TRADE	60	50	20	2	0	2	134
DURABLE GOODS	40	25	10	2	0	2	79
NONDURABLE GOODS	20	25	10	0	0	0	55
RETAIL TRADE	338	111	38	4	1	1	493
BUILDING MATERIALS AND GARDEN SUPPLIES	5	1	2	0	0	0	8
GENERAL MERCHANDISE STORES	0	0	2	0	0	0	2
FOOD STORES	51	14	2	0	0	0	67
AUTOMOTIVE DEALERS & SERVICE STATIONS	16	8	4	1	0	0	29
APPAREL AND ACCESORY STORES	39	8	5	0	1	0	53
FURNITURE AND HOME FURNISHING STORES	23	14	2	0	0	0	39
EATING AND DRINKING PLACES	113	44	12	2	0	0	171
MISCELLANEOUS RETAIL	91	22	9	1	0	1	124
FINANCE AND REAL ESTATE	136	74	45	7	2	2	266
BANKING	1	5	16	3	0	0	25
CREDIT AGENCIES OTHER THAN BANKS	16	13	7	1	1	2	40
SECURITY, COMMODITY BROKERS & SERVICES	1	2	5	0	0	0	8
INSURANCE CARRIERS	3	5	4	1	1	0	14
INSURANCE AGENTS, BROKERS & SERVICE	46	16	8	1	0	0	71
REAL ESTATE	61	29	4	1	0	0	95
HOLDING AND OTHER INVESTMENT OFFICES	8	4	1	0	0	0	13
SERVICES	747	313	101	17	9	3	1190
HOTELS AND OTHER LODGING PLACES	15	8	1	0	0	1	25
PERSONAL SERVICES	82	13	1	0	0	0	96
BUSINESS SERVICES	106	77	21	5	4	1	214
AUTO REPAIR,SERVICES, AND GARAGES	47	13	6	1	0	0	67
MISCELLANEOUS REPAIR SERVICES	20	9	1	0	0	1	31
MOTION PICTURES	3	2	0	0	0	0	5
AMUSEMENT AND RECREATION SERVICES	15	2	2	2	0	0	21
HEALTH SERVICES	95	32	1	0	1	0	129
LEGAL SERVICES	223	85	25	5	1	0	339
EDUCATIONAL SERVICES	6	5	6	0	0	0	17
SOCIAL SERVICES	38	21	8	0	2	0	69
MUSEUMS AND ART GALLERIES	1	0	0	0	0	0	1
MEMBERSHIP ORGANIZATIONS	44	13	12	0	0	0	69
MISCELLANEOUS SERVICES	52	33	17	4	1	0	107
T O T A L	**1363**	**583**	**220**	**38**	**12**	**16**	**2232**

SOURCE: Business Prospector
Oakland Metro
Feb 1987

TABLE 13
BUSINESSES BY SIC CODE AND NUMBER OF EMPLOYEES
IN DOWNTOWN OAKLAND AS PERCENTAGE OF TOTAL
(ZIP CODE 94612 AND PART OF ZIP CODE 94607)

S I C	1-3	4-15	16-40	41-100	101-250	250+	TOTAL
LIVESTOCK AND AGRICULTURAL SERVICES	**0.13**	**0.04**	**0.04**	**0.00**	**0.00**	**0.00**	**0.22**
OIL AND GAS EXPLORATION SERVICES	**0.00**	**0.00**	**0.04**	**0.00**	**0.00**	**0.00**	**0.04**
CONSTRUCTION	**0.58**	**0.22**	**0.18**	**0.04**	**0.00**	**0.00**	**1.03**
MANUFACTURING	**1.66**	**0.63**	**0.13**	**0.13**	**0.00**	**0.13**	**2.69**
TRANSPORTATION AND PUBLIC UTILITIES	**1.30**	**0.67**	**0.31**	**0.18**	**0.00**	**0.22**	**2.69**
WHOLESALE TRADE	**2.69**	**2.24**	**0.90**	**0.09**	**0.00**	**0.09**	**6.00**
DURABLE GOODS	1.79	1.12	0.45	0.09	0.00	0.09	3.54
NONDURABLE GOODS	0.90	1.12	0.45	0.00	0.00	0.00	2.46
RETAIL TRADE	**15.14**	**4.97**	**1.70**	**0.18**	**0.04**	**0.04**	**22.09**
BUILDING MATERIALS AND GARDEN SUPPLIES	0.22	0.04	0.09	0.00	0.00	0.00	0.36
GENERAL MERCHANDISE STORES	0.00	0.00	0.09	0.00	0.00	0.00	0.09
FOOD STORES	2.28	0.63	0.09	0.00	0.00	0.00	3.00
AUTOMOTIVE DEALERS & SERVICE STATIONS	0.72	0.36	0.18	0.04	0.00	0.00	1.30
APPAREL AND ACCESORY STORES	1.75	0.36	0.22	0.00	0.04	0.00	2.37
FURNITURE AND HOME FURNISHING STORES	1.08	0.63	0.09	0.00	0.00	0.00	1.75
EATING AND DRINKING PLACES	5.06	1.97	0.54	0.09	0.00	0.00	7.66
MISCELLANEOUS RETAIL	4.08	0.99	0.40	0.04	0.00	0.04	5.56
FINANCE AND REAL ESTATE	**6.09**	**3.32**	**2.02**	**0.31**	**0.09**	**0.09**	**11.92**
BANKING	0.04	0.22	0.72	0.13	0.00	0.00	1.12
CREDIT AGENCIES OTHER THAN BANKS	0.72	0.58	0.31	0.04	0.04	0.09	1.79
SECURITY, COMMODITY BROKERS & SERVICES	0.04	0.09	0.22	0.00	0.00	0.00	0.36
INSURANCE CARRIERS	0.13	0.22	0.18	0.04	0.04	0.00	0.63
INSURANCE AGENTS, BROKERS & SERVICE	2.06	0.72	0.36	0.04	0.00	0.00	3.18
REAL ESTATE	2.79	1.80	0.18	0.04	0.00	0.00	4.26
HOLDING AND OTHER INVESTMENT OFFICES	0.36	0.18	0.04	0.00	0.00	0.00	0.58
SERVICES	**33.47**	**14.02**	**4.53**	**0.76**	**0.40**	**0.13**	**53.32**
HOTELS AND OTHER LODGING PLACES	0.67	0.36	0.04	0.00	0.00	0.04	1.12
PERSONAL SERVICES	3.67	0.58	0.04	0.00	0.00	0.00	4.30
BUSINESS SERVICES	4.75	3.45	0.94	0.22	0.18	0.04	9.59
AUTO REPAIR,SERVICES, AND GARAGES	2.11	0.58	0.27	0.04	0.00	0.00	3.00
MISCELLANEOUS REPAIR SERVICES	0.90	0.40	0.04	0.00	0.00	0.04	1.39
MOTION PICTURES	0.13	0.09	0.00	0.00	0.00	0.00	0.22
AMUSEMENT AND RECREATION SERVICES	0.67	0.09	0.09	0.09	0.00	0.00	0.94
HEALTH SERVICES	4.26	1.43	0.04	0.00	0.04	0.00	5.78
LEGAL SERVICES	3.99	3.81	1.12	0.22	0.04	0.00	15.19
EDUCATIONAL SERVICES	0.27	0.22	0.27	0.00	0.00	0.00	0.76
SOCIAL SERVICES	1.70	0.94	0.36	0.00	0.09	0.00	3.09
MUSEUMS AND ART GALLERIES	0.04	0.00	0.00	0.00	0.00	0.00	0.04
MEMBERSHIP ORGANIZATIONS	1.97	0.58	0.54	0.00	0.00	0.00	3.09
MISCELLANEOUS SERVICES	2.99	1.48	0.76	0.18	0.04	0.00	4.79
T O T A L	**61.07**	**26.12**	**9.86**	**1.70**	**0.54**	**0.72**	**100.00**

SOURCE: Business Prospector
Oakland Metro
Feb 1987

TABLE 14
BUSINESSES BY SIC CODE AND NUMBER OF EMPLOYEES
IN ALAMEDA COUNTY, 1984

S I C	1-4	5-9	10-19	20-49	50-99	100-249	250+	TOTAL
LIVESTOCK AND AGRICULTURAL SERVICES	168	53	30	7	0	0	1	259
OIL AND GAS EXPLORATION SERVICES	--	--	--	--	--	--	--	--
CONSTRUCTION	1089	343	246	182	66	29	7	1962
MANUFACTURING	678	399	393	378	188	104	59	2199
TRANSPORTATION AND PUBLIC UTILITIES	399	162	151	111	49	36	21	929
WHOLESALE TRADE	866	522	419	335	96	32	9	2279
DURABLE GOODS	501	861	283	213	56	15	0	1509
NONDURABLE GOODS	275	146	131	102	37	16	7	714
RETAIL TRADE	2936	1748	1010	584	246	78	25	6627
BUILDING MATERIALS AND GARDEN SUPPLIES	81	65	36	25	11	0	0	218
GENERAL MERCHANDISE STORES	15	10	10	8	10	18	10	88
FOOD STORES	354	237	128	69	58	11	0	847
AUTOMOTIVE DEALERS	306	270	135	67	32	3	0	813
APPAREL AND ACCESORY STORES	265	204	101	16	5	1	0	592
FURNITURE AND HOME FURNISHINGS	204	147	51	27	2	1	0	512
EATING AND DRINKING PLACES	805	339	315	230	96	21	2	1858
MISCELLANEOUS RETAIL	802	452	217	70	19	5	2	1567
FINANCE AND REAL ESTATE	1685	349	287	200	46	11	8	2586
BANKING	6	16	89	77	15	2	1	206
CREDIT AGENCIES OTHER THAN BANKS	169	104	70	31	6	2	1	383
SECURITY, COMMODITY BROKERS & SERVICES	38	6	7	8	3	0	0	62
INSURANCE CARRIERS	54	29	20	18	8	2	1	132
INSURANCE AGENTS, BROKERS & SERVICE	2905	58	20	22	3	3	0	3005
REAL ESTATE	1031	129	67	34	7	1	2	1271
HOLDING AND OTHER INVESTMENT OFFICES	75	10	9	5	0	0	0	99
SERVICES	5735	1783	957	583	228	106	49	9441
HOTELS AND OTHER LODGING PLACES	106	37	20	13	9	6	4	195
PERSONAL SERVICES	505	195	93	37	6	4	0	840
BUSINESS SERVICES	833	223	167	142	66	48	14	1493
AUTO REPAIR,SERVICES, AND GARAGES	488	172	77	28	1	0	0	766
MISCELLANEOUS REPAIR SERVICES	188	65	36	19	6	3	0	317
MOTION PICTURES	2	4	18	16	0	0	0	40
AMUSEMENT AND RECREATION SERVICES	109	33	39	25	13	1	3	223
HEALTH SERVICES	1614	512	191	76	63	16	16	2488
LEGAL SERVICES	548	87	45	20	5	1	0	706
EDUCATIONAL SERVICES	93	38	41	35	16	6	3	232
SOCIAL SERVICES	300	144	92	58	18	8	4	619
MUSEUMS AND ART GALLERIES	--	--	--	--	--	--	--	--
MEMBERSHIP ORGANIZATIONS	426	141	112	68	9	5	1	762
MISCELLANEOUS SERVICES	485	114	80	35	11	7	0	732
T O T A L	15230	5551	3599	2427	925	398	179	28309

SOURCE: County Business Patterns 1984

TABLE 15
BUSINESSES BY SIC CODE AND NUMBER OF EMPLOYEES
IN ALAMEDA COUNTY, 1984
AS PERCENTAGE OF TOTAL

S I C	1-4	5-9	10-19	20-49	50-99	100-249	250+	TOTAL
LIVESTOCK AND AGRICULTURAL SERVICES	**0.59**	**0.19**	**0.11**	**0.02**	**0.00**	**0.00**	**.00**	**0.92**
OIL AND GAS EXPLORATION SERVICES	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
CONSTRUCTION	**3.85**	**1.21**	**0.87**	**0.64**	**0.23**	**0.10**	**0.02**	**6.93**
MANUFACTURING	**2.40**	**1.41**	**1.39**	**1.34**	**0.66**	**0.37**	**0.21**	**7.77**
TRANSPORTATION AND PUBLIC UTILITIES	**1.41**	**0.57**	**0.53**	**0.39**	**0.17**	**0.13**	**0.07**	**3.28**
WHOLESALE TRADE	**3.06**	**1.84**	**1.48**	**1.18**	**0.34**	**0.11**	**0.03**	**8.05**
DURABLE GOODS	2.05	1.28	1.00	0.75	0.20	0.05	0.00	5.33
NONDURABLE GOODS	0.97	0.52	0.46	0.38	0.13	0.06	0.02	2.52
RETAIL TRADE	**10.37**	**6.18**	**3.57**	**2.06**	**0.87**	**0.28**	**0.09**	**23.41**
BUILDING MATERIALS AND GARDEN SUPPLIES	0.29	0.23	0.13	0.09	0.04	0.00	0.00	0.77
GENERAL MERCHANDISE STORES	0.05	0.04	0.04	0.08	0.05	0.06	0.04	0.31
FOOD STORES	1.25	0.84	0.48	0.24	0.19	0.04	0.00	2.79
AUTOMOTIVE DEALERS	1.08	0.95	0.48	0.24	0.11	0.01	0.00	2.87
APPAREL AND ACCESORY STORES	0.94	0.72	0.36	0.06	0.02	.00	0.00	2.09
FURNITURE AND HOME FURNISHINGS	1.00	0.52	0.18	0.10	0.01	.00	0.00	1.81
EATING AND DRINKING PLACES	2.84	1.20	1.11	0.99	0.34	0.07	0.01	6.56
MISCELLANEOUS RETAIL	2.83	1.60	0.77	0.25	0.07	0.02	0.01	5.54
FINANCE AND REAL ESTATE	**5.95**	**1.23**	**1.01**	**0.71**	**0.16**	**0.04**	**0.03**	**9.14**
BANKING	0.02	0.06	0.31	0.27	0.05	0.01	.00	0.73
CREDIT AGENCIES OTHER THAN BANKS	0.60	0.37	0.25	0.11	0.02	0.01	.00	1.35
SECURITY, COMMODITY BROKERS & SERVICES	0.13	0.02	0.02	0.03	0.01	0.00	0.00	0.22
INSURANCE CARRIERS	0.19	0.10	0.07	0.06	0.03	0.01	.00	0.47
INSURANCE AGENTS, BROKERS & SERVICE	10.26	0.18	0.07	0.08	0.01	0.01	0.00	10.62
REAL ESTATE	3.64	0.46	0.24	0.12	0.02	.00	0.01	4.49
HOLDING AND OTHER INVESTMENT OFFICES	0.26	0.04	0.09	0.02	0.00	0.00	0.00	0.35
SERVICES	**20.26**	**6.30**	**3.38**	**2.06**	**0.81**	**0.37**	**0.17**	**33.36**
HOTELS AND OTHER LODGING PLACES	0.37	0.13	0.07	0.05	0.03	0.02	0.01	0.69
PERSONAL SERVICES	1.78	0.69	0.33	0.13	0.02	0.01	0.00	2.97
BUSINESS SERVICES	2.94	0.79	0.59	0.50	0.29	0.17	0.05	5.28
AUTO REPAIR,SERVICES, AND GARAGES	1.72	0.61	0.27	0.10	.00	0.00	0.00	2.71
MISCELLANEOUS REPAIR SERVICES	0.66	0.23	0.13	0.07	0.02	0.01	0.00	1.12
MOTION PICTURES	0.01	0.01	0.06	0.06	0.00	0.00	0.00	0.14
AMUSEMENT AND RECREATION SERVICES	0.39	0.12	0.14	0.09	0.05	.00	0.01	0.79
HEALTH SERVICES	5.70	1.81	0.46	0.27	0.22	0.06	0.06	8.58
LEGAL SERVICES	1.94	0.31	0.16	0.07	0.02	.00	0.00	2.49
EDUCATIONAL SERVICES	0.38	0.13	0.14	0.12	0.06	0.02	0.01	0.82
SOCIAL SERVICES	1.06	0.51	0.38	0.19	0.06	0.03	0.01	2.19
MUSEUMS AND ART GALLERIES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MEMBERSHIP ORGANIZATIONS	1.51	0.50	0.40	0.24	0.03	0.02	.00	2.69
MISCELLANEOUS SERVICES	1.71	0.40	0.28	0.12	0.04	0.02	0.00	2.59
T O T A L	53.81	19.61	12.69	8.58	3.27	1.41	0.63	100.00

SOURCE: County Business Patterns 1984

type of firm in different areas of the downtown, especially for small specialized firms. When going through the data, it was very clear that ethnic food restaurants, hardware shops, wig factories and several other small businesses have selected specific streets of the downtown area to locate together, providing perhaps a more convenient service to their customers and suppliers.[5]

3. There are a very large number of small firms in the SIC codes of service and retail trade primarily. This is also true in the FIRE sector. Some activities clearly dominate the small business scene in this area: legal services, business services, eating and drinking places, health services, real estate and miscellaneous retail.

4. There is a relationship between sectors and size of firm. Some sectors tend to cluster under a specific category of size. This is important because the type of firms attracted to the CBD will clearly determine the number and characteristics of the jobs offered. So, attention to the kinds of firms that are more likely to establish in Oakland will give a better sense of the type and number of jobs that will be created.

5. Although more than 60% of the firms are in the 1-3 category, it is very possible that, put together, the big firms provide as many jobs as the smaller ones. If

we take the 16 largest firms (in the 250+ category) and multiply by the lower category's value, the number of employees still offsets the total possible employment provided by the large number of businesses in the 1-3 jobs category.

However, there is a greater likelihood that small firms will provide more jobs to local residents than the big firms. In a report by Grant Din for the City of Oakland, a survey of the existing buildings in the City Center project is presented. The results show that more of the jobs are provided to non-Oakland residents (76%) and that many of these jobs are the ones at the upper management positions. Of the Oakland residents working in the buildings surveyed, 43.2% were clerical employees, 19.4% held professional/technical jobs, 4.7% worked in sales, 27.0% in management, and 5.7% were officers. Overall, Oakland residents comprised only 19.3% of the professional/technical employees and 19.0% of the administrator/managers.[6]

From the survey, it could be argued that large firms basically provide a small share of the jobs to local residents. Furthermore, those available jobs are the ones that require less skills (a lot of clerical jobs).

6. The planned office and retail development might increase the number of small firms in the business

support service category. The picture might then be that bigger firms may only provide a small share of jobs for local residents, but that the associated small business creation significantly contributes to the total job base.

The percentages by size of firm for Alameda County and Downtown Oakland show a more even distribution of firms by category than at the county level. While the central business district has more than 60% of the smallest category, the county has less than 54%. On the other hand, the county has larger shares of medium size firms. Overall, the CBD has a more skewed firm distribution towards very small and very large businesses. (Tables 13 and 15.)

Also, the differences are very striking in the share of the number of firms by SIC code. While Alameda County has 33% of firms in the service sector, downtown Oakland has more than 53%. The same relationship exists in FIRE and wholesale trade. Interestingly, the relation is opposite for the retail sector, for which the county has a greater share (23.4% vs. 22.1% in downtown Oakland).

Looking at the two digit SIC codes the two most striking figures are the 15.2% for legal services in downtown Oakland (vs. 2.49% for the county), and the 10.6% in Insurance Agents in the county vs. 3.18% in the central business district. The fact that legal services in the central business district are so over

represented is very important in terms of the functions of the CBD.

To get an estimate of the number of jobs provided in Oakland CBD, we used the average size of firm for each SIC code in Alameda county, as shown in Table 16. The estimates show that in the county, service and FIRE firms tend to be smaller, except for insurance carriers, hotels and educational services. The sectors for which downtown Oakland has greater numbers of firms are primarily in the small and medium size categories (legal services, business services, eating and drinking places, real estate).

However, using the estimates, the picture about the sectors that provide more jobs changes slightly. There is no real predominance of a single three digit sector, although the clustering of the service SIC codes does provide the greatest share (27%). Business services, eating and drinking places, manufacturing, health and legal services, and wholesale trade are the major providers of jobs. This strongly indicates the need to accurately estimate employment in the CBD to reach an accurate conclusion of the sectors that will provide the largest number of new positions in downtown Oakland.

Employment Location Quotient Analysis for Downtown Oakland

An employment location quotient analysis is way to measure the centralization that has occurred in a given location. It compares the percentage of one jurisdiction's employment in a given sector to that of the state. In a perfectly balanced state

TABLE 16
EMPLOYMENT LOCATION QUOTIENTS IN ALAMEDA COUNTY COMPARED TO CALIFORNIA

S I C	ALAMEDA CTY. EMPLOYMENT 1984	% OF TOTAL	CALIFORNIA EMPLOYMENT 1984	% OF TOTAL	LOCATION QUOTIENT
LIVESTOCK AND AGRICULTURAL SERVICES	2,166	0.53	64,961	0.73	0.73
OIL AND GAS EXPLORATION SERVICES	--		--		
CONSTRUCTION	30,455	7.47	--	--	
MANUFACTURING	77,201	18.94	2,061,622	23.07	0.82
TRANSPORTATION AND PUBLIC UTILITIES	31,480	7.72	533,391	5.97	1.29
WHOLESALE TRADE	36,510	8.96	622,717	6.97	1.29
DURABLE GOODS	20,833	5.11	365,973	4.09	1.25
NONDURABLE GOODS	15,677	3.85	229,677	2.57	1.50
RETAIL TRADE	87,439	21.45	1,830,264	20.48	1.05
BUILDING MATERIALS AND GARDEN SUPPLIES					
GENERAL MERCHANDISE STORES	8,651	2.12	184,610	2.07	1.03
FOOD STORES	11,149	2.74	251,231	2.81	0.97
AUTOMOTIVE DEALERS	8,758	2.15	197,610	2.21	0.97
APPAREL AND ACCESORY STORES	4,128	1.01	100,339	1.12	0.90
FURNITURE AND HOME FURNISHINGS	3,183	0.78	69,812	0.78	1.00
EATING AND DRINKING PLACES	26,085	6.40	635,350	7.11	0.90
MISCELLANEOUS RETAIL	12,806	3.14	201,611	2.54	1.21
FINANCE AND REAL ESTATE	25,313	6.21	706,219	7.90	0.79
BANKING	5,384	1.32	170,726	1.91	0.69
CREDIT AGENCIES OTHER THAN BANKS	4,381	1.07	112,042	1.25	0.86
SECURITY, COMMODITY BROKERS & SERVICES	901	0.22	32,496	0.36	0.61
INSURANCE CARRIERS	4,689	1.15	116,764	1.31	0.88
INSURANCE AGENTS, BROKERS & SERVICE	2,385	0.59	61,185	0.68	0.85
REAL ESTATE	5,784	1.42	147,468	1.65	0.86
HOLDING AND OTHER INVESTMENT OFFICES	481	0.12	25,571	0.29	0.41
SERVICES	111,199	27.28	2,452,456	27.44	0.99
HOTELS AND OTHER LODGING PLACES					
PERSONAL SERVICES	5,557	1.36	113,910	1.27	1.07
BUSINESS SERVICES	27,496	6.75	579,995	6.49	1.04
AUTO REPAIR,SERVICES, AND GARAGES	3,876	0.95	88,105	0.99	0.96
MISCELLANEOUS REPAIR SERVICES	2,577	0.63	36,895	0.41	1.53
MOTION PICTURES	857	0.21	82,669	0.92	0.23
AMUSEMENT AND RECREATION SERVICES	4,088	0.99	110,170	1.23	0.80
HEALTH SERVICES	30,901	7.58	627,140	7.02	1.08
LEGAL SERVICES	3,090	0.76	84,827	0.94	0.81
EDUCATIONAL SERVICES	5,471	1.34	144,314	1.61	0.83
SOCIAL SERVICES	8,162	2.00	125,396	1.40	1.43
MUSEUMS AND ART GALLERIES					
MEMBERSHIP ORGANIZATIONS	6,899	1.69	141,981	1.59	1.07
MISCELLANEOUS SERVICES	5,418	1.33	157,500	1.76	0.75
T O T A L	407,560	100	8,937,724	100	

SOURCE: County Business Patterns

economy, these quotients would be 1.0. A number less than one indicates an under representation of the sector in the city or county. The amount that the quotient is less than one indicates the degree of under representation. A quotient greater than one indicates a strong local economic sector. In this case, we examine Alameda County in relation to California. This information is summarized in Table 16.

This analysis shows that the county's economic base in 1984 reflected the effects of decades of deindustrialization. Manufacturing is under represented in Alameda County with a quotient of .82. With Oakland's reputation as a depressed city, one would expect systematically low quotients, indicating under representation in all sectors. However, the County is over represented in comparison with the state in several sectors. For example, miscellaneous repair services have a very high quotient of 1.53. The combined wholesale sector is 29% more prominent in the county than in the state as a whole, with non-durable goods making an even stronger showing with a quotient of 1.50. In light of this sector's importance in Oakland's economic base, such a strong showing is not surprising.

More unexpectedly, given Oakland's problem's in attracting anchor tenants for the regional retail center, the county is 5% over represented in the combined retail sectors. This indicates comparatively good health for these sectors. While some subsectors such as general merchandise, food stores, apparel, and restaurants/bars are under represented, none of them are below

.90, which is a surprisingly strong showing. Miscellaneous retail is especially strong with a quotient of 1.21. The various retail sector's strength are probably due to neighborhood commercial districts rather than downtown, but do support the studies that cite Oakland's potential as a supportive retail market.

The county's FIRE sectors, however, are not as well-represented as retail sectors, which seems more congruent with the Oakland's negative reputation. The FIRE sector's under representation varies from .41 to .86, which is much lower than retail's. Some of these sectors, such as holding companies, usually locate only in large financial centers like San Francisco or Los Angeles; thus one would not expect to find many of them in either Oakland or Alameda County. However, the weak position of banking at .69 and credit agencies (which included savings and loan agencies) at .86 can be taken to reflect Oakland's downtown decline, as employment in these sectors comprises branch, head offices and back office operations. Even a revitalized and thriving downtown is not likely to replace back office jobs that have relocated to the surrounding suburbs, and head offices tend to locate in San Francisco. This leaves branch office employment which is shrinking everywhere in the country as automation eliminates the need for human workers.

Service sector quotients generally show a more even representation in Alameda County than the FIRE sectors. They are also higher than manufacturing which reflects the general trend

rise of the 'service economy". The under representation of legal services at .81 is interesting in light of the popular conception of the Bay Area as an area of lawyers, but may be due to the relatively small numbers of CBD's and other suitable areas for law offices combined the proximity of San Francisco. Sectors that are slightly over represented such as hotels, personal and health services, are what one would expect from a county which includes several cities. This applies also to automobile repairs who mainly locate in high population density areas. Unfortunately, the social services high over representation of 1.43 probably reflects both the county's high proportion of long-term needy residents as well as the many new immigrants that temporarily require public assistance.

1. 1980 Census.

2. ibid.

3. ibid.

4. ABAG Projections.

5. Business Prospector (Contact Influential). Pattern noticed by Hector Carrillo and Kristina Elmstrom while compiling the data.

6. County Business Patterns.

DEVELOPMENT POLICIES

The City of Oakland has focused a lot of its energy on downtown development. This concentration of resources has affected the way development has and has not occurred in the core. Development policy, both explicit and implicit, affects the political climate, as well as the specific details of individual projects. In this section, these policies are examined as part of the overall development of Oakland's downtown.

Background of Development Policies in Oakland

One of the Office of Economic Development's main points in its promotional material is that Oakland is "pro-growth", especially as compared to its neighbors. The city is actively revitalizing the downtown core area, and public monies are available to finance many public improvements.[1]

Oakland is seeking to capitalize on the overall economic strength of the Bay Area market. According to the Central District Development Program, "Oakland, by enacting an aggressive attraction program in conjunction with carefully balanced environmental and public facility enhancement projects, is in a position to capture a large share of the Bay Area's economic growth."[2]

In this general mood of growth promotion, various policies towards development have and are evolving. Oakland cleared its redevelopment district 25 years ago. It has had a long history of failed attempts to fill this space, and is past due for

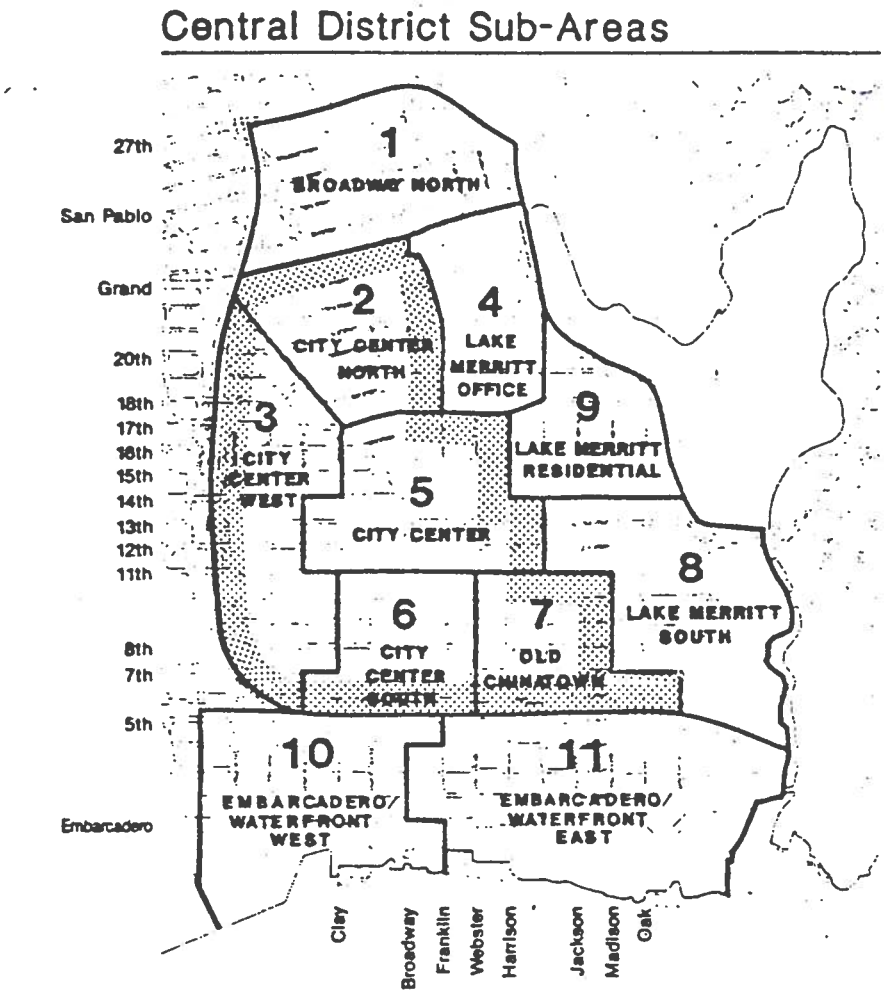
revitalization. A map of the central district subareas appears in Figure 17.

Such development is important for political reasons as well. The Oakland neighborhoods have expressed that they are tired of carrying the burden of downtown development, and want to see some return for their investment. They assert that Oakland does not have any development policies at all, but rather a series of deals with developers. This has been a major issue in this spring's Council elections.[3]

Oakland's Redevelopment District is primarily financed through the use of tax increment funds, like most such districts. However, because Oakland's revitalization has been slow, this source of revenue became significant only within the last ten years. Proposition 13 also limits the capability of this source of funds to produce revenues, given limits on the amount of property tax that can be raised. There were federal monies available, in the early days, to subsidize development, although these have now dried up. As downtown begins to approach buildout, increased attention is being paid to other redevelopment areas, in particular near the Coliseum.[4]

It is important to note that tax increment refers only to property tax, and that sales tax, business license tax, development fees, and the like do not get thrown into the same pot. According to Denise Conley of Keyser Marsten, the 370 retail businesses located in the neighborhoods significantly outperform the 350 retail businesses in the downtown area in

Figure 17: Map of Central District Subareas



Source: Capital District Development Program, Page I-7.

Redevelopment District boundaries

terms of sales tax performance.[5]

It is within these broad parameters that Oakland's development policies have developed. Oakland is in a very delicate position. It wants economic growth that is equitable and benefits local residents. At the same time, business groups and developers have certain ideas about the specific skills required by their employees. It rapidly becomes a question of trade-offs and concessions. How much can Oakland ask for without discouraging development?

Community and Minority Equity Participation

Oakland city government has historically been sensitive to minority interests. In a city where 65% of the population is non-white, it is easy to understand why.[6] Oakland has formulated a series of programs and policies commonly known as "Minority Equity Participation" and "First Source Hiring". Minority equity participation was conceived to capture some of the benefits of downtown revitalization for minority investors who have historically been left out of the investment part of the redevelopment process. "Hire Oakland" is designed to address the issue of jobs for Oakland's residents. According to the CDDP, "The City's policy on social equity is intended to provide equal protection access, and benefits to Oakland citizens, who through their taxes, provide the capital base for investment (by the City) in major downtown development projects." [7]

"In sum, the objectives of the minority and community equity participation policy are:

- a remedy for historic discrimination faced by minority developers and entrepreneurs, which , in part, has prevented minorities from owning local commercial ventures in Oakland;
- the re-investment of revenues achieved through equity participation in economic development projects back into the local economy and the recycling of economic development funds into new development projects;
- increasing the financial and technical capacity of local minority entrepreneurs and community based organizations through participation with private developers." [8]

Oakland words its policies vaguely so that there is room for interpretation at the project level. "The flexibility afforded by the absence of strict formulas and procedures enhance OEDE's ability to negotiate and to structure local equity into particular projects."[9] The argument is that this provides vitally needed room for negotiation. The other side of it is that developers do not know what to expect, and are thus discouraged from considering Oakland. This "deterrence problem" is perceived as adding to the risks of development in an already risky place, and reducing the attractiveness of the investment opportunity, especially when Oakland is compared with other nearby locations with no community equity policies.

This puts Oakland in an awkward position. It has a sizable population in need of jobs, training, capital, and other benefits of development. How can it fill these needs and achieve its development goals?

The business community lives with local equity policies because they are necessary to maintain community support for

downtown development goals. This has resulted in a series of efforts that have been somewhat less than successful in achieving stated goals. The classic case is one where the minority partners are not given more than a token role, to appease the policy. There have also been charges that it has been primarily associates of those in political power that have benefited from the policy.[10]

This policy has often been a source of controversy, particularly in the development of the Jack London Square and the Old Oakland projects, where the debate became highly politicized and City Council became involved in negotiations. After these conspicuous failures, OEDE has adopted a formal policy that no partnerships should be forced into formation.[11]

Developers who negotiate with the City of Oakland for downtown development projects have legitimate concerns with both the availability and technical capabilities of minority suppliers. This has contributed to many of the problems with the policy as implemented to date. Developing a pool of qualified investors has been difficult.[12]

An ever louder cry from the neighborhoods tries to emphasize the community equity aspects of the policy, not just minority. This effort has been spearheaded by Oakland Citizens Concerned About Urban Renewal (OCCUR), and is gathering support. This new policy statement is currently at the draft stage, and represents the views of a consortium of

community, political, and religious groups and leaders. The proposal has four main components:

> 1). A Community Fund, with an Oversight Board to fund housing, neighborhood commercial revitalization, and human support services. Money will be distributed within the seven community Development Districts according to a point system devised to prioritize giving.
> 2). Community/Minority Equity Participation sets firm requirements of 25% minority participation and 10% community non-profit participation through purchase, sweat equity, or loans.
> 3). All new development projects which employ over ten people would be REQUIRED to HIRE 50% Oakland residents. Participation in customized job training programs is required for employers with more than 50 employees. Quarterly reports on hiring must be submitted to the Oversight Board.
> 4). Affirmative Action guidelines will be strictly adhered to.[13]

Community/minority equity participation in the development process in downtown Oakland is one of the unique and more progressive of Oakland's development policies. The current debate indicates that it implementation has been somewhat problematic and it success limited. However, the concept is one that Oakland is deeply committed to.

Hire Oakland First

"Hire Oakland" is designed to address the issue of jobs for Oakland's residents. "The profound challenge which Oakland faces is that the economic and demographic changes of the last decade and a half have created a schism between the work force requirements of the economy and the employability of the population."[14] The residential population of Oakland has changed from a mixed, racially diverse one to a predominantly minority population. Unfortunately the skill

level of this population does not fit with the type of development that is being encouraged downtown.

The First Source program was originally proposed by the Oakland Employment Coalition (OEC), a coalition of over 20 community action, church and labor groups. The original proposal was for a mandatory program. "The business and development community, led by the Chamber of Commerce, objected to a mandatory program based on the following points:

> - A First Source policy is of questionable constitutionality.
> - A First Source agreement would prompt retaliation from surrounding communities.
> - First Source would hurt Oakland's pro-business image.
> - It would be hard to verify who is an Oakland resident.
> - Transience would make long term enforcement difficult.
> - The City should not impose inflexible employee regulations on potential employers." [15]

A voluntary program was settled upon and started in 1984. This consists primarily of the creation of a Central Job Referral and Placement Center, which maintains a skills bank. A goal is to refer at least two qualified applicants for each entry level position listed. $3,000,000 in public funds has gone into this Placement Center. The three year goal is to have 25% of downtown businesses participating in the program. To date, this goal has not been met. In fact, in the first two years of operation (1983 - 1985) only 217 people were

placed in jobs through this Center. It is estimated that, to date, 300 persons have been placed through the Center.[16]

This policy appears to be working quite well at the lower end of the pay scale. An example of this is the Hyatt Regency Hotel, where they have an admirable record in employing Oakland's (minority) residents for clerk and busboy positions, while the middle and upper management tend to be white and often from out of town.[17] Community groups feel that because the policy only suggests that employers interview Oakland residents, this is at best a marginal approach to the problem.[18]

Some of the same difficulties pertain to the question of the effectiveness of the First Source Hiring policy that have plagued minority equity participation. A pool of qualified people to fill the available jobs is lacking. However, the City has been successful in establishing a pool of minority contractors.[19] Affirmative Action policies in Hiring are not unique to Oakland, and thus the deterrence problem need not occur to any great extent.

It appears that Oakland will continue to encourage downtown businesses to hire Oakland residents. Political pressure will insure at least a minimum effort. Whether the current mismatch of the types of jobs being created and the skills of the resident population will persist, is another question. At least for the short term, in the absence of significant action by the City, the answer appears to be yes.

Location and the Role of Subsidies

The business community in Oakland contends that projects in downtown Oakland are perceived as an above average risk investment, and therefore high levels of subsidies are needed with a minimum of government controls or conditions regulating either the developer's financing structure or a project's potential for profit. Indeed, Oakland has spent quite a bit of money on subsidy for many projects, both successful and unsuccessful. These subsidies are summarized in the Table 18. The primary source of these funds has been through tax increment financing, created by the Redevelopment District, although some federal funding has also been used.

There are questions as to whether these subsidies have been directed at the most important factors that affect business location decisions. Oakland's subsidies to downtown developers have included everything from gifts of land to public facilities improvement to an increase in childcare facilities to favorable ground lease arrangements. Whenever possible, these subsidies have been tied to Oakland's social goals. Have these subsidies merely sweetened the pot for developers who were planning to locate in Oakland anyway for business reasons? Or have they really attracted new business to Oakland?

It is, of course, difficult to separate out the effect of subsidies from all of the other market forces. However, one can get an idea though, by comparing the two nodes of

TABLE 18:
SUMMARY OF PUBLIC INVESTMENT DOWNTOWN

Tax Increment Funds	Amount
Tenant Attraction Fund	$2,000,000
Childcare Facilities	750,000
Cultural Programs	2,450,000
Commercial Rehabilitation Loans	6,000,000
Produce Market	3,000,000
City Hall Plaza	13,500,000
Main Plaza Improvements	5,000,000
200 Parking spaces	7,500,000
Improvements to Limited Access Streets	1,000,000
Community Equity Participation	1,000,000
Job Referral and Placement Center	3,000,000
Convention Center	300,000
Preservation Park	2,000,000
Transpacific Center	25,000,000
City Center (current version)	10,000,000
Various Housing Developments	35,055,000
Acorn Plaza Shopping Center	?
Old Oakland, Victorian Row	?
1110 Broadway	?
Bonds	
Tax Allocation - Convention Center	20,600,000
In Kind Land	
Convention Center	1,250,000
City Center	?
Retail Shopping Center	?
Off Street Parking Funds	
Convention Center	2,500,000
Chinatown	?
Retail Center	?
UDAG's	
Electro Mechanical Assembly Corporation	222,000
Leamington Hotel	1,000,000
Loans: Hyatt Hotel	34,000,000
Loan: Preservation Park	1,900,000
Small Business Administration - 7a	
Electro Mech. Assembly	250,000
Urban Renewal Funds	
City Center	30,000,000
HUD 180: Loans	
Kass Management Services	150,000
Parkway Theater	220,000
Cypress Street Complex	500,000
Others?	?

Note: These projects are in various stages of completion.
Source: City of Oakland, Office of Economic Development and Employment. 1986. Central District Development Program, and Portfolio of Projects.

downtown development in Oakland. One of the most important results of redevelopment in Oakland has been the private development which has occurred simultaneously with publicly supported projects downtown. The Lake Merritt area has attracted office development since the 1950's, all of which has been privately financed. Kaiser Center is outside of the defined Redevelopment District and has certain amenities, namely the Lake, that the core district does not. The private sector has created a node of office towers that primarily house professional firms.[20] The success of projects at Lake Merritt raises important questions of location and development policy. Namely, should redevelopment have been focused at the Lake Merritt area instead at Oakland's traditional downtown at 12th and Broadway?

The first major office development in the Lake Merritt area was the Kaiser Center, which was the first modern office building put up in downtown Oakland, built in 1956. The Lake Merritt areas has experienced tremendous expansion of office space since 1980, adding 2 million square feet to an existing stock of 3.8 million square feet, and becoming a "de-facto financial district" for Oakland.[21] The buildings, such as Lake Merritt Plaza, 2100 Webster, and 1800 Harrison are upscale compared to City Center, and have attracted large numbers of financial, legal, and professional tenants. With Kaiser Center recent unveiling of its massive expansion, this development will only get larger.[22]

There are a number of theories as to why the Lake Merritt area seems to be more attractive for development than the City Center area. The first is that Lake Merritt has experienced private office development for 30 years, particularly in and around the Kaiser Center. Investment in the Lake Merritt area appears to be less risky, and clearly offers a more "suburban atmosphere" than City Center. There are already many attractive office structures in the area and the Lake is an impressive amenity, offering close-by park land, athletic and recreation opportunities, and attractive views. The area is easily reached from Interstate 580 or 880, and is within walking distance of BART and some of downtown Oakland's more attractive stores and restaurants near 20th and Broadway.

On the other hand, the City Center area is more congested, much less visually attractive, more closely surrounded by blighted buildings, farther from restaurants and other amenities, and perceived as a riskier place to build. The decision to focus redevelopment at City Center was not surprising, given that City Center is the traditional center of Oakland, and that it certainly was in greater need of redevelopment than the Lake Merritt area. Policy-makers can not be faulted for attempting to concentrate their efforts in the most blighted area. However, private development has changed the actual center of business in Oakland, and it is interesting to speculate on what might

have been achieved if some of the amenities (for example the Hyatt) the City paid for downtown had been located in the Lake Merritt area instead.

Another question is whether or not the substantial cost of Oakland's redevelopment has been worth bearing in terms of its returns in the form of new building. The record of Oakland redevelopment has not been enviable, and it appears that the most impressive development in the City has occurred in the Lake Merritt area, a completely private undertaking.

Even retail development can occur without public subsidy. The Rotunda, a new office-retail complex across the street from City Center promises to be successful in spite of the image problem which has stymied Rouse in its efforts to develop retail in downtown Oakland. The Rotunda is a rehab project, which will consist of 250,000 square feet of office space and 128,000 square feet of retail. It is slated to open this year. The developer, Myron Zimmerman, has already signed several regional retail tenants for the complex, including Lerner's, Casual Corner, and Lane Bryant. These are the first nation-wide clothing retailers to locate in downtown Oakland in 25 years. Zimmerman has decided to allow only "quality" retailers to locate at the Rotunda, and thus turned down an application for space from McDonald's, which he called "a guarantee of profitability." The office space is also 10 % pre-leased.[23]

While the Rotunda shows that subsidy is not mandatory in making a development work in downtown Oakland, it is important to note that the project would not have been developed if not for the existence of City Center. Looking at the public expenditures on City Center, the returns don't appear to be impressive. However, it may be that City Center development has had a multiplier effect and helped spur development around it, although it is difficult to find a project other than the Rotunda which has gone up in the City Center area which has not been publicly subsidized. It certainly seems unlikely that City Center would have been developed without a public presence. It is difficult to answer whether or not the current state of downtown Oakland has been worth $200 million of tax payers money. However, the private development of the Rotunda bodes well, and it may be that more privately financed development will follow in its wake.

A final concern about pushing downtown development through investment subsidies is that subsidy policies tend to reproduce themselves, and become a way of doing business in downtowns which use them. Developers expect that if they develop in Oakland they can strike a deal with the City, and the City becomes comfortable offering public dollars in return for development. While it is impossible to change the City's actions of the last 20 years, the City should be cautious in how it spends public money in the future. It may

be that subsidies will have a limited effect on the actions of developers, and may matter little in whether or not a developer actually builds in Oakland. At any rate, the City should give private developers a chance to make it on their own merits, and if it must subsidize development, should carefully consider the costs and benefits of that subsidy for Oakland residents.

Tax Policy

The Oakland Chamber of Commerce maintains that the business licence tax in Oakland is a deterrent to development. It agreed to a 20% surcharge on this tax in 1986 to help the City out of a budget deficit which the city extended in 1987. Oakland's rates are comparable to San Francisco, Los Angeles, and Berkeley, although a higher percentage of its overall city budget comes from business taxes than from surrounding suburbs. Sometimes it is difficult to compare rates between municipalities because they are based on different measures. However, within Oakland, the average business pays less than 1% of gross receipts in the form of business tax.[24] This may be more of a perceived issue than a real one, particularly in light of the fact that development permits and fees are quite low in Oakland.

Tax structure is a de-facto development policy. in Oakland, it reflects the City's pro-development stance.

1. City of Oakland, Office of Economic Development and Employment. February 1986. Central District Development Program.

2. OEDE. February 1986. op. cit. Page 7.

3. Planner's Network Forum. Wednesday, April 29, 1987. Comments by James Vann.

4. Pat Cashman. April 21, 1987. Comments after presentation of "Oakland Group" to CP 228.

5. Presentation to CP 228. March 3, 1987.

6. Bureau of the Census. 1980. Population.

7. OEDE. op. cit. Page VI -12.

8. ibid. Page VI-15.

9. ibid. Page VI-16.

10. Planner's Network Forum. op.cit.

11. OEDE, op. cit. Page VI-18.

12. Pat Cashman. op.cit.

13. OCCUR. 1987. Balanced Development Through Community/Minority Equity Participation. Draft Document.

14. OEDE. op. cit. Page VI-23.

15. ibid. Page VI-28.

16. Leanna Noble and Maryann Leshin. Interview by Dan Sawislak. April 2, 1987.

17. Illana deBarre. March 1987. Interview.

18. Planner's Network Forum. April 29, 1987. Comments by Leanna Noble and Maryann Leshin.

19. Pat Cashman. op.cit.

20. Denise Conley. March 3, 1987. Presentation to CP 228.

21. Interview with Denise Conley, Keyser Marsten, Inc. , March 30, 1987.

22. Bill O'Brien. May 8, 1987. The Vertical Lakefront: Kaiser Center unveils a massive new expansion project. East Bay Express. Page 2.

23. Mc Cloud, John. "FOCUS Oakland: Trodding the Road to Revival." New York Times. February 8, 1987.

24. City of Oakland, Interoffice Letter. March 31, 1987. Memo to the Budget, Finance, and Audit Committee.

OAKLAND'S ROLE IN THE REGIONAL ECONOMY

Oakland's role in the regional economy must be considered in the context of the rest of the San Francisco Bay Area, and the changes in economic conditions that are occurring at local, regional, and national levels. In the last twenty years, San Francisco, the traditional center city of the region, has developed into one of the country's national diversified service centers, possessing a strong corporate headquarter and office base, especially for the financial, insurance, and real estate sectors. In contrast, Oakland's economic base has historically been industrial and distributive rather than office-based. It has also served as a suburb for San Francisco. San Francisco has the ability to draw on the entire region for its labor pool, but has been unable to house all of its working population because of limited land area.

Employment shifts within office sectors due to internal restructuring have changed employment patterns within the entire Bay Area in recent decades. The combination of Oakland's historical position and the changing structure of the country's and state's economy from productive to service-based has left Oakland in a vulnerable position. It can not compete with San Francisco for corporate headquarter locations because it lacks the required sophisticated and diversified business service base. Recent shifts in back office location have also passed over Oakland. Nonetheless, within the East Bay economy, Oakland remains a major node of economic activity, a function that will

be strengthened with the revitalization of the downtown core. The build-out of the redevelopment area will greatly increase Oakland's attraction for offices, retail, and other commercial development which will in turn strengthen its economic base. The key to Oakland's future lies in strengthening its position as the East Bay's regional, governmental, and distributive center.

Oakland currently complements and competes with San Francisco. The East Bay region's size and dynamism means that both cities can support viable downtowns; differing regional functions is the key to successful co-existence. Oakland's economy is considerably smaller than San Francisco's, however, in terms of gross receipts, square footage, absorption rate, number of firms and total employees within the central business district as well as being qualitatively different. (See Table 19 for comparative data.) It exhibits a different kind of draw and potential from San Francisco as a result, - one that can be capitalized on to reinforce its own regional rather than national importance.

The type of office space that is currently available in Oakland is of a different nature than that available in San Francisco. Although Oakland's large tracts of undeveloped land in the center have historically been liabilities, they can be assets now, as they can be shaped to fit future needs in contrast to San Francisco and other cities that have more rigidly determined physical structures.

FIGURE 19:

COMPARISON OF OAKLAND TO SAN FRANCISCO

Measure	San Francisco	Oakland
Wholesale Trade	$55,966,223[1] (SF-SJ SCSA)	$3,391,859[1]
Absorption rate	1,226,635 sq.ft./yr[2]	300,000 - 600,000 sq.ft./yr[2]
Number of firms in CBD	6,084[3]	1,134[4]
Square footage of office space	47,963,704 sq. ft.3	9,336,310 sq. ft.[5]
Total employees in CBD	510,345[6]	71,450[5]
Vacancy Rate	16.2%[7]	19.3%[7]

1. Census of Wholesale Trade. 1982
2. Cushman and Wakefield, December 1986.
3. EDD, 1986.
4. Business Prospector, February 1987
5. Central District Development Plan, February 1986.
6. County Business Patterns, 1983-1984.
7. Coldwell Banker, June 1986.

As Oakland's regional importance increases, its fate will become more closely aligned with that of the entire region, whose economic health will increasingly affect its own. Within California many businesses are shifting location to Los Angeles from the Bay Area. Some of these trends are due to factors such as agglomeration economies and Los Angeles's larger markets, - advantages that the Bay Area can not compete with. Other factors are more political. There is some fear that the Bay Area is gaining an `anti-growth' reputation which contributes to such decisions. Oakland's tactic is to forcefully portray itself as the East Bay city with open arms for developers. Developers who find it difficult to build elsewhere are the focus of Oakland's attraction efforts.

> "Realizing it cannot and should not compete with the city across the Bay, Oakland appears to be emerging from its identity crisis with confidence in its future and is building itself as a home to companies that recognize its value as a central Bay Area location with superb transportation, and to business who can serve those companies. As many observers note, Oakland has many roles to plan in the Bay Area: provider of back office space, distribution center, sales office center, secondary retail and tourist center and, ultimately, a great place to live and work and play."[1]

Oakland's current policies seem to be focused towards these directions, both on the regional level, as attempts to compete directly with San Francisco have ceased, and at the downtown level. Downtown development plans no longer include 68 story "Hong Kong, USA's" and the retail plan now centers on upper Broadway to take advantage of existing healthy retail and office nodes.

With these considerations in mind, we will now examine certain aspects of Oakland's metropolitan regional role in more detail.

Geographical Location

Oakland's regional role is closely related to its geographical location in the center of the metropolitan Bay Area. It is centrally located in the San Francisco Bay, and unlike San Francisco has excellent land access to all major interstate highways, the recently expanded Oakland International Airport, and to three transcontinental railroad lines. Figure 20 illustrates the regional location of Oakland's Central District. These locational factors give it a natural competitive edge as a distribution center for the wider distribution areas of Northern California and other western states in an era of geographically expanding markets.

On the local level, the Bay Area is also expanding, and is the second largest market area in California, currently including approximately 25% of the state's population. For employment purposes, Oakland's downtown is easily accessible from most of the Bay Area, with the best AC Transit and BART service in the area. Parking is not a problem, and street congestion is minimal, especially compared with other Bay Area locations, including suburban office development nodes. These factors work well for the city's office and retail attraction plans.

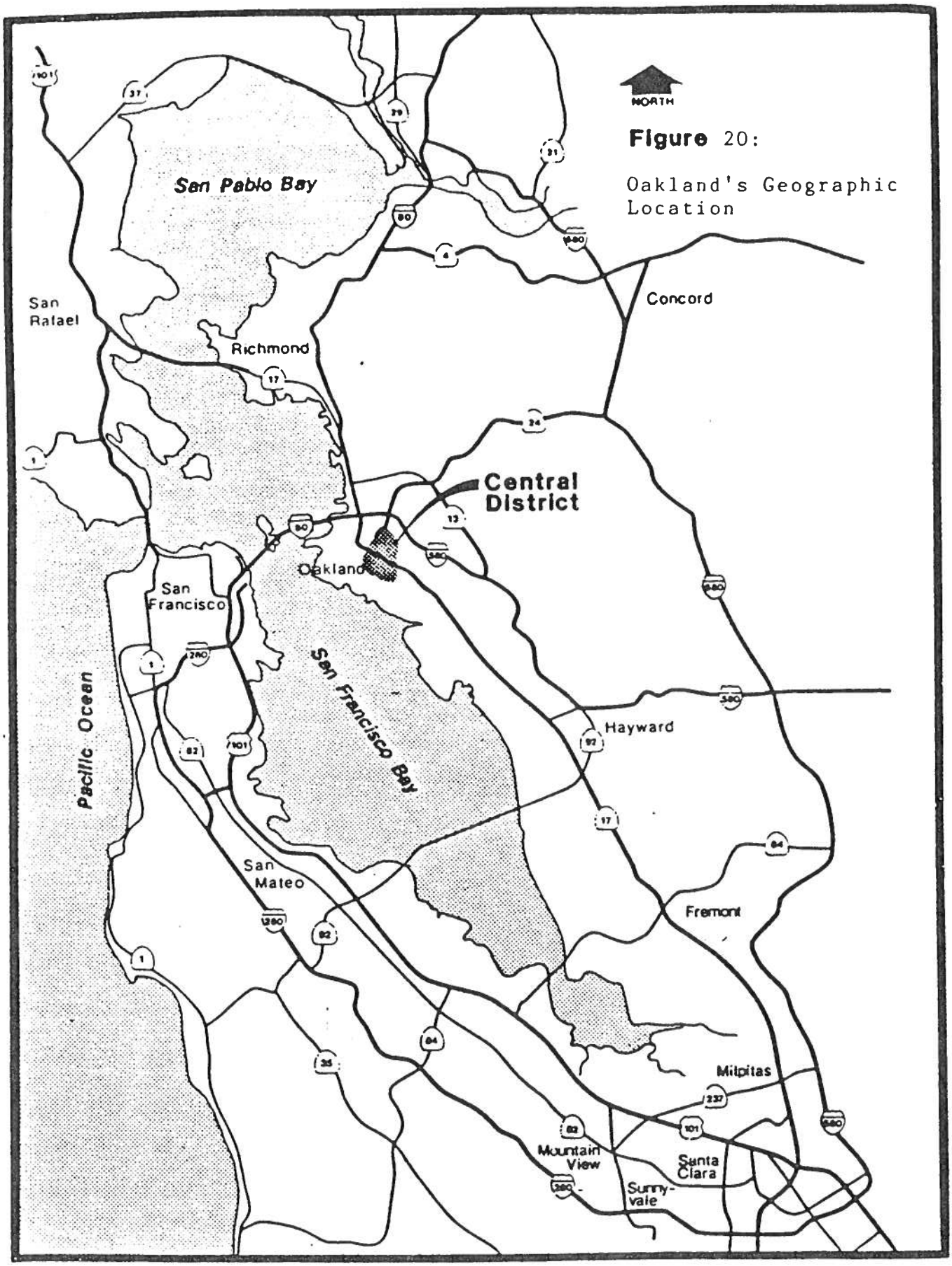


Figure 20:

Oakland's Geographic Location

Source: CentralDistrict Development Program

Residential

Oakland did not begin to really develop as a city until the great Quake of 1906, when many people fled San Francisco in search of safer areas to live.[2] Thus the first wave of concentrated development was primarily residential, with the land use pattern mainly determined by streetcar lines. Oakland's historical role of providing housing for its "big sister" across the Bay is one that has persisted to the present day with Oakland and other East Bay cities now constituting the inner suburban ring of an expanded metropolitan region.

Distribution

Oakland's role as a distributive center is and will continue to be a significant part of its regional economic role. The distributive sectors of wholesale trade and transportation account for approximately 13% of non-agricultural employment and have increased steadily in Alameda County from 1984 to 1985, with projections forecasting continued, albeit slower growth. (Table 21 illustrates this.) Although this data is for the whole county, most of the activity of these sectors can be considered to apply to Oakland as the county's largest city and transportation hub. These sector's strength are a result of Oakland's competitive geographic location and maintenance of facilities for goods transportation. A prime example is the Port of Oakland which has far outstripped San Francisco's. It is now the fifth largest port in the country while San Francisco lags well behind in thirteenth place. Its West Coast location serves it well as trade

TABLE 21:
DISTRIBUTIVE SECTORS EMPLOYMENT
ALAMEDA COUNTY, 1984-1987
(THOUSANDS)

	1984	1985	1986*	1987*	PERCENT CHANGE 84-85	85-86	86-87
WHOLESALE TRADE	33.1	34.7	36.7	37.7	4.8	5.8	2.7
TRANSPORTATION	35.7	36.4	37.8	38.7	2.0	3.8	2.6
NON-AGR. EMPL.	531.5	547.7	568.1	582.9	3.0	3.7	2.6
WHOLESALE/TRANS. AS % OF NON-AG.	12.9	13.0	13.1	13.1			

*Forecasts

SOURCE: ANNUAL PLANNING INFORMATION, ALAMEDA COUNTY; 1986-1987

with the Pacific Rim countries is expanding and West Coast ports now handle 75.3% of all U.S.- Far East trade, a share that will not easily be lost to other parts of the country.[3] The port's major competition now comes from L.A./Long Beach and Seattle rather than from San Francisco, which strengthens its regional position as a distribution center.

Oakland should continue to hold its own as a major port in the future as it is constantly upgrading its facilities. The Port of Oakland is much more than just its harbor facilities and plays an economic important role in the city. Although it directly employs only 530 people (mostly in administration and white collar services), it is the single most important employer in the city if one counts the 52,489 indirect jobs (ie. longshoremen, truck drivers, and service workers) that it generates from its many diverse activities.[4] The Port operates Jack London Square, the Oakland Airport, and the Airport Business Park in addition to the five harbor terminal groups. Indeed, these activities now outweigh the traditional harbor activities, although they are complementary to them and enhance Oakland's status as a distributive center. They give Oakland the "well-developed warehousing and shipping facilities, and airports with extensive air connections " that a regional distributive center requires.[5]

Downtown development plans and the city's distributive role could possibly conflict at times, as the Port's very size, financial stability and independence (it is self-supporting and

run by mayor-appointed commissioners) free it from dependency on a healthy downtown. Indeed, the Port has managed to thrive even as the adjacent downtown has declined. This might be partially due to its political independence which frees it from the more restrictive city machinery, allowing it to pursue development with a freer hand. Some Port expansion plans, such as Jack London Square's 125 million dollar development might possibly enhance and complement the downtown retail nodes by providing additional touristic interest through its associations with Jack London. However, some services like its already thriving restaurants might drain off possible downtown customers instead. Despite a twelve block distance which is intersected by highway 880, further development there could work well for downtown by sprucing up the general area and providing another attraction. It could also be the first and only choice for people who want to make only one stop, notwithstanding the attraction of adequate parking downtown.

A more important question is how many actual downtown office tenants Port activity will encourage in Oakland. Its other activities are too far away from downtown to serve as office retail markets. The planned regional retail center is counting on such markets for its secondary customer market source. The business park, which is located on Hegenberger Road (near the airport), currently accommodates warehouses, the United Parcel Service regional distribution center, and hotels which contribute to Oakland's general economic vitality but not downtown's. Port

activity is does not seem particularly prone to attract shipping companies to downtown, as such companies can and do locate anywhere in the Bay Area. Although distribution is important to the city's general economic health, its effect on downtown is tangential rather than direct.

Government Center

Although Oakland is not a government and education center like Sacramento, there is potential nonetheless for expansion of this role. Regional transportation agencies like MTC, BART, and AC Transit all already have their offices in Oakland, as do ABAG and EBMUD. The governmental center function will be greatly enhanced if current efforts to attract the General Services Administration from San Francisco, and the University of California Regents from Berkeley to the City Center project are successful. Such successes will also help to revitalize the downtown core area by contributing to the office activity and by helping to attract other desirable commercial uses and support services.

Regional Retail

Oakland has been trying to enhance the declining retail sector of its downtown core area for years. The downtown currently accounts for only approximately 30% of total Oakland retail sales while neighborhood shopping areas carry the rest. "Revitalizing and expanding the retail environment is a key element of the downtown development strategy."[6] This has been an uphill battle, and while many projects are "on line", the

strength of market is yet unproven. Studies done by Keyser Marston indicate that Oakland has a very large under served market share in retail, and hopes of downtown Oakland serving as a regional shopping district are largely based on them. In 1983, the Oakland Redevelopment Agency commissioned a market study which identified Oakland as one of the West Coast's most under served markets. Only 60% of the Oakland resident's dollar is being spent in the city, which represents a sales expenditure leakage of nearly 300 million dollars annually.[7]

Data from the State Board of Equalization shows that per capita retail sales amounts for all sectors in Oakland are consistently lower than either Alameda County's or the state's in 1980 and 1985. Although Oakland's 20.5% growth rate is higher than the county's, it lags seriously behind that of California. (See Table 22: Per Capita Retail Sales.)

Other data sources support this assertion. The Oakland per capita retail sales in dollars for the downtown retail sectors of apparel, general merchandise, restaurants/bars, and home furnishings have also been lower than the Alameda County and California averages in 1980 and 1985. Differences between average Oakland and California retail sales have increased in all sectors from 1980 to 1985, which may be considered a reflection of the declining downtown sector. Indexes of Oakland retail sales compared to California are also lower than Alameda County's. (See Table 23: Per Capita Taxable Retail Sales by Retail Category.) Despite this situation, the East Bay retail

FIGURE 22:

PER CAPITA RETAIL SALES: 1980-1985
OAKLAND, ALAMEDA COUNTY, AND CALIFORNIA

Amounts in dollars	1980	1985	CHANGE 80-85
OAKLAND	3602	4341	20.5%
ALAMEDA COUNTY	5868	5244	-10.6%
CALIFORNIA	3963	5155	30.1%

SOURCES: STATE BOARD OF EQUALIZATION
ANNUAL TAXABLE SALES IN CALIFORNIA, 1985

FOR POPULATION FIGURES:
STATE DEPT. OF FINANCE
POPULATION ESTIMATES OF CALIFORNIA CITIES
AND COUNTIES 1/1/85-1/1/86

CALIFORNIA STATISTICAL ABSTRACT: 1985

TABLE 23:

PER CAPITA TAXABLE RETAIL SALES BY RETAIL CATAGORY:1980-1985
OAKLAND, ALAMEDA COUNTY, AND CALIFORNIA

	1980			1985		
CATAGORY	OAKLAND	ALA.CO.	CALIFORNIA	OAKLAND	ALA.CO.	CALIFORNIA
APPAREL	$171	$153	$197	$180	$227	$248
GENERAL MERCHANDISE	$432	$639	$513	$403	$859	$690
RESTAURANTS/BARS	$448	$455	$476	$615	$652	$653
HOME FURNISHINGS	$132	$140	$176	$186	$247	$245

COMPARATIVE INDEXES FOR PER CAPITA RETAIL SALES
(California = 100)

	1980		1985	
CATAGORY	OAKLAND	ALA.CO.	OAKLAND	ALA.CO.
APPAREL	86.8	77.6	72.6	91.5
GENERAL MERCHANDISE	84.2	124.5	58.4	124.5
RESTAURANTS/BARS	94.1	95.5	94.2	99.8
HOME FURNISHINGS	75.0	79.5	75.9	100.8

SOURCES:

TAXABLE SALES IN CALIFORNIA, 1980
PAGE 24, T.5
PAGE 6, T.3

TAXABLE SALES IN CALIFORNIA, 1985
PAGE 24, T.5
PAGE 6, T.3
PAGE 3, T.1

market is one of the most dynamic in the country. Its population exemplify the factors that drive retail-- generally high per capita income, high education levels, and above average income. In general, the analysis of downtown's potential attraction as a retail is based on an ability to draw from the entire region due to its centrality as well as from the surprisingly affluent Oakland market. If all of the projects that are now on line, (the Rotunda, City Center, Jack London Square, the Rouse project, Old Oakland, Transpacific Center expansion, and Kaiser Center expansion) come through, Oakland's retail dollar leakage could be stopped within the next five to ten years, which will bring in needed revenue to the city.

The retail component of the revitalized downtown economy is considered to be crucial for attracting and sustaining the office tenants that Oakland desires. If successfully completed, it will constitute another amenity that may help to attract office tenants to the city. In their turn, downtown office workers will constitute the second most important source of customers for retail development and help to support it.

Oakland's retail plans may well be the riskiest of all, for retail success depends on much more than just the numbers. Employment is a necessity in this society and people will work where there are jobs. In this respect Oakland may be in good shape, for it could very easily attract enough tenants to fill

its office space. Revitalization thus will be successful on this level.

Oakland's office workers will generate a certain level of demand for services such as restaurants and bars and some retail activity. However, the kind of regional retail development that is planned for Oakland will depend for its success on attracting a stable market of fairly affluent consumers. The question is whether they will be willing come to downtown Oakland. The pull factors of attractive retail stores and atmosphere must compete with the push of Oakland's unsafe and negative image. Today, shopping has become a leisure activity rather than a necessity and people want to feel comfortable as they shop. Oakland's reputation as a crime-ridden ghetto does not encourage peace of mind, which is an important psychological factor.

Some "Oakland-phobia" fears are grounded in reality. Despite downtown's isolation from the poorer Oakland areas, it is closer and more accessible to them than suburban locations or even the upscale Oakland and Berkeley retail neighborhoods. More importantly, prejudices and fear are intangibles that are not usually swayed by facts such as low crime statistics or information on Oakland's very real diversity of social strata which includes the middle and upper-middle classes.

Another factor of retail success involves the actual stores and merchandise that exist in any center. Developers like the Rouse Company and Myron Zimmerman must manage to come up with retail combinations that are competitive in themselves against

neighboring centers such as Walnut Creek or Hilltop Mall. People will choose to shop where they can find the kinds of goods and services that they want. In this mobile society they can easily bypass Oakland's convenient freeway exits and continue on to other centers. Success in this sphere involves exploiting intangible factors such as style and image that will attract people to downtown. Oakland has an uphill battle in this regard, for years of downtown decline have given it a deadly reputation for dowdiness and a depressed inner-city feeling. Its one bright star is the thriving Emporium department store, which may be succeeding because of lack of competition. Successful retail centers regardless of their characters seem to generate a vitality and vivaciousness that endow them an independent life and attraction of their own. Can Oakland, which is sandwiched between glamorous San Francisco and many attractive suburban malls find its atmospheric niche-- one that will attract people to downtown? In order to do this, shopping centers need a "critical mass". Oakland has taken several steps along the path to regenerating the downtown and developing such a critical mass. But, it is not yet clear if the current ambitious retail plans will succeed, either because of Oakland's image problems with fear or the equally lethal boredom.

Reception Center for New Immigrants

Central cities have always had a role as a reception center for new immigrants to the country, and Oakland is no exception. Its Chinatown neighborhood which adjoins downtown is a center

for the expanding East Bay Asian and Pacific ethnic communities. New immigrants are often important entrepreneurs that start many new, mostly smaller, businesses that may locate downtown as well as in Chinatown or the neighborhoods, thus contributing to downtown revitalization. On the other hand, they do not generally constitute the labor market that downtown office developers desire as many of the newer immigrants have language difficulties and educational deficiencies. Oakland's Chinatown has attracted developer interest in the past, and may continue to provide another location for development and business activity that will expand and integrate with the central downtown area.

1. Jane Zastrow. January 1987. "Economic Trends Shape the Future: Oakland." Northern California Real Estate Journal. Page 5.

2. Mel Scott. 1985. The San Francisco Bay Area: A Metropolis in Perspective. University of California Press. Berkeley.

3. Port of Oakland. Trade Analysis-Pacific Basin. 1984

4. Port of Oakland. The Port of Oakland--Its Contribution To The Bay Area.

5. Noyelle, Thierry. "The Rise of Advanced Services: Some Implications for Economic Development in U.S. Cities." APA Journal, Summer, 1983.

6. City of Oakland. Technical Report: Oakland Central District Development Program. February 1986.

7. Denise Conley. Presentation to CP 228. March 3, 1987.

CONCLUDING REMARKS AND POSSIBLE SCENARIOS

In a period of wide-spread structural economic change that includes the threat of a recession that could undermino even the most well-laid plans, downtown Oakland's future is not clear. With this in mind, we do feel that there now is a good chance that the city center can revitalize. Large-scale revitalization at this time depends on selling Oakland as a good investment. With the right choices regarding downtown's internal use balances, Oakland can exploit its role in the changing Bay Area economy.

The cards have not yet all been played in downtown Oakland, which must succeed as a regionally-based downtown as well as a central section of the entire city. The plan's emphasis on integrated spheres of office and retail development seems to be a sound one, as several economic bases are thus covered by the reliance on more than one market. Current plans seem to take good advantage of Oakland's current status and potential by concentrating on what Oakland can realistically offer. At this point in time, the metropolitan Bay Area is big enough to support two centers.

Certain factors are favorable and bode well for the future. Both the city and private developers seem to be working together with more cooperation that ever before, which focuses both capital and energy. Part of "turning the corner" for Oakland is still psychological at this point, as not there has not been enough upward momentum yet to create a self-propelling investment

atmosphere. The entrance of nationally recognized companies and individuals such as Glenn Issacson of Bramalea Pacific, the Rouse company, and some of the Lake Merritt developers bodes well, as their presence can attract other developers by boosting confidence in Oakland's potential. Oakland's timing is also good now, as several big governmental agencies such as the University of California Regents and the GSA are considering moves within the region, and have given serious consideration to the city. Although the Regent's deal is on hold, and the GSA project faces strong competition from San Francisco, Oakland's reputation has risen simply by the fact of their consideration. Of course, if Oakland can actually get the GSA , that would be an important plus in its scheme.

Oakland's pro-development attitude stands to serve it well in coming times, as surrounding suburbs such as Walnut Creek establish growth caps and dry up as competitors in the regional office market. Neighboring Berkeley's reputation as a politically radical community helps also, as Oakland emerges as one of the inner East Bay locations that consistently encourages developers. Oakland's location in the geographical and transportation center of the East Bay, a fact which appears to have been underplayed in the past, is now appreciated and exploited as a selling point in planning for its future. The private development which has grown up around Lake Merritt can also be taken as a positive sign, for it shows that Oakland can be a good office location.

While all of the preceding factors put Oakland in good stead, there are negative forces at play that could jeopardize the downtown's success. The biggest one might well be the most intangible--that of Oakland's image as a ghetto of poor people. This image has and can continue to deter the amount of investment that downtown still needs, especially as the root causes of the image persist. Oakland does have a high minority population and pockets of severe poverty. The previous failures of redevelopment and the gradual decline of what was a viable downtown district has contributed to this, as well as a certain inertia that must be overcome. However, Oakland as a city is not unique in this regard. Other older American center cities have revived: Oakland can, too.

Oakland's retail plans depend on atmosphere as well as function, even more than office development does. Oakland and regional residents may posses that the right demographic qualities that drive retail, but will they shop downtown? Even with the pull that a well-planned and executed retail center can exert downtown, the negative push effect of the city's negative image can impede its success, especially if downtown is not as safe as suburban malls. It is true that downtown currently has a low crime rate, but if the rest of the city continues to decline, downtown could become an enclave, but not one that is totally protected from its surroundings.

Another factor that may deter development is the lack of a certain kind of labor force in the city itself. Even in a period

of expanded commute times and transportational advantages which can mean that employers can recruit from the whole region, suburban office parks are nearer to the mostly white, educated and docile labor force that may companies desire.

Oakland currently represents a promising financial investment for some people. While this quality may help its downtown, development there does not directly address any city-wide social or economic problems. Besides succeeding on its own terms as a thriving office and retail center, downtown ideally should serve Oakland residents too. Hopefully this will be accomplished by providing employment for residents. Other strategies could include re-working the traditional collaboration between local business and the community in Oakland. While new tenants are not likely to have the same kinds of community ties as formerly, there is a potential for new forms of civic commitment that can effect a liaison between downtown business and the larger Oakland community. Such efforts can hopefully prevent downtown development from creating just another detached elite node in the middle of a economically and socially distressed city.

Possible Scenarios for the Future

If Oakland's downtown development plans fully take place, the scenario for the city looks very promising. With retail activity occurring along Broadway, the projected central spine would tie together City Center with Kaiser Center. Downtown Oakland could be the place where a large number of office

employees shopped and took their meals at lunch hours. A magnet for Oaklanders and other Bay Area residents to come to the downtown area would be created if it was full of vitality during daytime. After working hours, late shoppers, restaurants, movie theaters and bars would extend the daily life time of the area and downtown Oakland could achieve a role of a major regional center of economic and human activity.

In this optimistic scenario, vitality would be highly increased by the construction of housing in the area. The idea of a 24 hour activity central district is a very appealing one. This would only happen if the core does not die after businesses close, i.e. an area populated by city residents as well as by economic activity.

However, this scenario is not likely to fully occur. Oakland's struggle has given the city its share of bitter experiences in the last 20 years. It is also possible to imagine a negative scenario for downtown which could be very real. Things being the worst, we would probably see only partial successes in the proposed projects: a partially occupied City Center and Rotunda, that serve the small number of employees of a limited office development. High vacancy rates would occur in new buildings. Local retail would not be especially attractive to Oakland residents. The need to attract local business could change the profile of businesses from the ones expected by Bramalea in City Center: fast food places, cheap import products shops , and chain stores would be the survivors.

The situation would be similar at the Rotunda. The regional mall would not take place at all, and the envisioned spine along Broadway would never materialize. Two isolated centers of activity would exist: City Center and the Kaiser Center. Lack of vitality on Broadway or in the Retail Center would deaden the impulse to go downtown for shopping or eating out. The limited retail activity would be largely due to the low prices in the Emporium Capwell basement. The downtown would die after the offices close.

These two scenarios are extreme. Oakland's future downtown development is likely to be somewhere in between. Being somewhat optimistic, two alternative scenarios to the ones described above can also be envisioned. In the first, City Center, the Rotunda, and private office development near the Lake fully take place, while the rest of the projects take place with only partial success. The core area would slowly become an integrated activity center. The activity brought by the most successful projects could boost in time the full development of the others. Housing seems to be the least likely of the projects. With all of the emphasis put into economic activity, housing receives less resources. This would not contribute to the potential vitality of the area.

A somewhat lees optimistic scenario would be one in which only the City Center and the Rotunda are fully completed. These projects are ongoing and currently receive much attention and command substantial resources. Additionally, private office

development and other ongoing projects would only take place with partial success, due to the overall trends observed in the region. In this scenario the regional mall, due to the lack of an anchor tenant would not take place. Neither would housing or other projects that have not yet started, such as Chinatown development. Given the previous experiences of downtown development, this is not unrealistic. A strong effort will be put into projects that are currently under construction, and once these are achieved, other projects will take place. This scenario is, in the opinion of the Oakland Group, the most likely to occur.

These scenarios are summarized our final table, Table 24.

FIGURE 24:

FOUR POSSIBLE SCENARIOS FOR OAKLAND'S DOWNTOWN DEVELOPMENT

PROJECTS	OPTIMISTIC		HOPEFUL		MOST LIKELY		PESSIMISTIC	
	Happens?	To what Extent?	Happens?	To what Extent?	Happens?	To what Extent?	Happens?	To what Extent?
City Center	yes	full	yes	full	yes	partial	yes	partial
Rotunda	yes	full	yes	full	yes	full	yes	partial
Regional Retail	yes	full	yes	partial	no		no	
Office Dev.	yes	full	yes	full	yes	partial	yes	partial
Housing	yes	full	no		no		no	
Old Oakland	yes	full	yes	partial	yes	partial	yes	partial
Preservation Park	yes	full	yes	partial	yes	partial	no	
Chinatown Dev.	yes	full	yes	partial	yes	partial	no	

CP228: The Oakland Group.

RECOMMENDATIONS

1. **The City of Oakland should focus on successfully completing development projects rather than changing on its negative image.** While it is generally agreed that downtown Oakland's poor image is a restraint on successful development, the image has some basis in fact. Oakland does have real problems of crime, unemployment, and urban decay which makes investing in the city a greater perceived risk than in many other Bay Area cities. Therefore, the City should deal with its image problem by successfully completing development, and actively combating the urban problems which have given Oakland a bad name. By making substantial progress on its urban ills, Oakland can gain an image as a place where active problem solving and improvements are taking place. The city's overall development climate and perception in the eyes of potential investors would surely be improved.

2. **Encourage the private sector to continue its efforts of marketing Oakland, in hopes of improving Oakland's image.** Bramalea through its multi-media show and the Chamber of Commerce's Profile Oakland effort are examples of effective marketing tools which the private sector has financed, developed, and promoted. The City should support these types of efforts, realizing that Oakland's business community will be critical in showing business interests outside the city that Oakland is a good place to do business. The change in Oakland's image must be believed and vocalized by Oakland's business community. Also,

since business has historically been the prime beneficiary of new development in Oakland, the private sector should play a key role in promoting the city. The City should not commit redevelopment funds to an image campaign.

3. **The City should be far more careful in the future than it has been in how it spends its redevelopment funds, especially if it plans to finance large speculative office or retail projects.** For example, the City has spent $ 40 million on the City Center project compared to $ 100 million of private expenditure on the project. This 5 to 2 private to public ratio is very low for an office development, which offers an unclear amount of benefits for many Oakland residents. While more privately funded development is proposed, the amount that will actually be built is anybody's guess. The development of Lake Merritt office buildings and the Rotunda project is proof that privately financed development <u>can</u> work in downtown Oakland. Therefore, the City should send a message that simply proposing office or retail development in downtown Oakland is not enough to merit public subsidy, and projects that will be subsidized must have some special benefits for downtown and/or Oakland residents.

4. **The City should work to create and support <u>innovative</u> projects in downtown Oakland.** Oakland is in the midst of a highly competitive office and retail market, and it is important that development downtown be different, innovative, and take advantage of the strengths which Oakland has. Projects should be encouraged which take advantage of Oakland amenities like Lake

Merritt or the Port, which provide cultural opportunities such as in Chinatown or at the Fox Theater, and which support the preservation of Oakland's architectural heritage, such as Old Oakland. Oakland's ethnic diversity could be celebrated through the restoration of the Housewives and Swans markets. Hotel development should take advantage of Oakland's climate and views. The City should continually be looking at projects in other cities, and at different ideas for projects which could be suited for downtown Oakland.

5. **The City should reevaluate its retail strategy for downtown Oakland, and consider whether or not it should go forward with the regional mall project.** The difficulty which the City has faced in finding an anchor tenant for the mall offers an opportunity to look at alternatives to the regional center. For example, if the center isn't built, millions of dollars of redevelopment money will be freed up for other uses in downtown. The City should study the impact of the proposed mall. For example, will the mall drive retail located near it or will it harm existing retail in downtown? Can the mall be built if it is surrounded by the unsightly buildings currently around the site? How much will it cost to clean up the area? Also, questions remain about the impacts of the center on other retail projects downtown. Does the market for such a mall actually exists in downtown Oakland? Even if the market does exist, there still is no guarantee that customers will come to the mall. While the mall is a critical link in Oakland's attempt to emerge as the

ascendent downtown in the East Bay, the current delay should be used to carefully examine the project, and alternatives to it.

6. **The City should work to revitalize retail along Broadway and Telegraph Avenues and on other downtown streets. Public funds should be available for smaller retail projects along with the major projects which OEDE has funded.** The location of stores and restaurants should be encouraged in existing retail space in downtown which can serve workers at major projects like City Center. The City should also work to improve the visual quality of downtown.

7. **Planning should be coordinated between the City of Oakland and the Port of Oakland to insure that projects proposed by each group are well suited for the overall redevelopment of downtown Oakland.** The dialogue between the City and the Port should be improved, to insure that developments will have a positive effect on each other, and on downtown in general.

8. **Oakland has every right to expect that tenants of publicly subsidized buildings be subject to a First Source hiring requirement.** The City should implement, and enforce, a mandatory First Source agreement for developers and tenants of buildings which have received public funding in downtown Oakland. The City should clearly state that the requirement requires firms only to <u>interview</u> from a list provided by the City, not to hire people on the list. The City should work closely with community, labor, and business groups on this issue, and it should be prepared to hold

its ground in a political dispute with the business community over it.

9. **The City should require developers who have made commitments to provide support for the Oakland's low and moderate income people in the forms of housing or funds for job training to stick to those commitments.** The City allowed Bramalea to renege on an agreement to provide housing at City Center for low and moderate income people. In the future, this should not be repeated, as it destroys the credibility of the City in terms of asking for social commitments from developers and it gives away an important resource and stake in the project from Oakland's lower income people.

10. A complaint of business is that Oakland's labor force is unskilled and unable to fit the needs of the new service economy. **Therefore, the City should work hard to improve job training and education in its neighborhoods.** The City should expand its youth employment program, and should look for ways to improve its school system. The City should also investigate how it could increase its support to Oakland's extensive network of neighborhood job training agencies.

11. **The City should attempt to build a link between new development and social services such as education, job training, and other neighborhood services.** This could be done through exactions, such as OCCUR proposes, or through voluntary programs such as skills courses which businesses could offer new employees, technical assistance from employers to job training

organization, or commitments of time and money from businesses to job training centers, schools, and other social service providers.

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