CALIFORNIA
HOUSING LANDSCAPE REPORT
November 2019

Prepared for the James Irvine Foundation
Baird + Driskell Community Planning
In October 2018, The James Irvine Foundation hired Baird + Driskell Community Planning to develop a report that provided a landscape of housing trends, opportunities and innovations in California, with a special focus on affordable housing-related issues. The team began the project by interviewing over 30 housing leaders throughout the state, including those from nonprofit affordable housing organizations, family and community foundations, university research institutions and more. What follows is not a definitive report on all the root causes for the affordable housing crisis nor an exhaustive inventory of every proven solutions on how to solve the issue. Rather, this report is a compendium of the background, challenges and themes related to creating opportunities for affordable housing, provided by individuals steeped in the day-to-day of the affordable housing world. The report also includes a series of potential solutions that have had success in the past, are currently working well, or are innovative pilots that can be implemented in the future.

There are sections aimed at those just entering the field of affordable housing, including an Overview of Current Housing Conditions, Basics of Affordable Housing and Key Housing Themes.

For practitioners already working in the field or others hoping to enter it soon, especially funders from the foundation world, the Strategic Opportunities section provides an idea of what can be done, especially by philanthropy, to help create more affordable housing opportunities in California. Of special note are 10 Big Ideas compiled from the unique insight of our interviewees. In many cases co-written by individuals or organizations that originally developed the idea, these are initiatives that could pioneer new ways to make change in California.

Readers that want to learn more about policies or practices that can address California’s housing challenges should review the 24 Key Levers. These form a comprehensive list of housing-related policy measures that can be researched, explored or implemented.

The goal of this report is to provide a starting point, essentially a spark, that will spur inspiration and deeper discussions on particular topics. For those who want more information, there is a list of organizations and contacts in the Resources Consulted section. Additionally, please consider exploring the many reports referenced in the footnotes or selected as readings in the Additional Affordable Housing Resources section. Finally, please feel free to reach out to the James Irvine Foundation or the authors. We care deeply about California and the people who reside here.
In October 2018, The James Irvine Foundation hired Baird + Driskell Community Planning to complete a housing landscape report that looks at housing trends, opportunities and innovations in California. Building on previous work, including research done for the Irvine Foundation, the materials prepared provide the basis for discussion. Rather than a definitive report—there is no such thing when it comes to a topic so large—these materials begin the conversation. They are intended to help frame the issues, spotlight openings and provide a basis for discussion.

The information presented has been packaged in three separate, but highly interrelated, documents covering the following: (1) Background and Challenges; (2) Strategic Opportunities and Big Ideas; and (3) Key Levers and Resources.

Special thanks to Leslie Payne of The James Irvine Foundation for guidance throughout the researching and writing of the report.

Baird & Driskell Community Planning
Jeff Baird
Josh Abrams
Vu-Bang Nguyen
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Overview of Current Housing Conditions

There is no doubt that it is a challenging time for housing in California. With strong demand for housing and rapidly escalating prices, the need has never been greater. While new resources recently have become available, good ideas and opportunities outnumber funding. It is a time of great innovation and energy, with market and nonprofit interest in finding bold solutions that will help meet the housing needs of all Californians. Finally, and most importantly, political will exists throughout California for meaningful action. Whether change comes in local advocacy energy or statewide policy measures, Californians are ready for new ideas.

Many People in California Are Struggling to Pay for Housing

Although California’s economy would rank 5th in the world just ahead of the United Kingdom if it were a country (and behind only the United States, China, Japan, and Germany), California has the highest poverty rate of the 50 states when including housing and other expenses. The jump from the 23rd highest poverty rate to the 1st, according to the U.S. Census, is due mostly to the rising cost of housing. After all, Californians in the lowest income levels spend 50 cents of every dollar they make on housing costs.

This means that lowering the cost of housing for low-income Californians will directly lift many households throughout the state out of poverty. The situation is even more dire for people of color, who represent more than two in three Californians currently paying more than 30% of their income on housing. Although California’s communities are diverse in many ways, including demographics, geography and economies, the need for affordable housing strains all of the state’s low-income communities, from the coast to the inland Central Valley.

The sheer number of lower-income renters paying more than 30% of their income on housing is staggering, totaling well over 3 million households of the almost 6 million renter households in California.

When considering transportation costs along with housing costs, the combined burden exceeds 50% of total income for most regions across California (only excluding San Francisco, Santa Clara and Alameda counties). This situation is exacerbated by limitations on public transportation infrastructure, especially outside of the state’s urban regions, which means many Californians are driving further and spending a higher percentage of their income on automobile-related expenses.

The following graph and table illustrate these conditions.
Rent Burdened means households paying more than 30% of their income on rent. Severely Rent Burdened means households paying more than 50% of their income on rent. Source: California's Housing Future: Challenges and Opportunities. California Department of Housing and Community Development, National Low-Income Housing Coalition, US Census, Jan 2017.
**Housing Supply Has Often Only Met the Needs of Higher Income Californians**

Between 1980-2010, new housing construction met overall needs for inland counties such as Riverside, Sacramento, San Bernardino, Kern and Fresno, but did not keep up with housing needs in coastal counties. California is now 1.4 million affordable rental units short of meeting the housing needs of very low and extremely low-income renter households.

The 500,000 affordable homes in California are not nearly enough to meet the current needs of 2 million very low and extremely low-income renter households, especially for those in the direst need, on the edge of becoming homeless. Meanwhile, market-rate housing growth has come much closer to meeting the housing needs of moderate and above moderate-income households.

California has produced an average of less than 80,000 new homes annually over the last 10 years. The projected need is 180,000. The number of homes produced, both single-family and multifamily, was at its lowest during the Great Recession (2008-2012), and has not fully recovered. In fact, in recent years it has declined.

The following graphs illustrate deed-restricted and market-rate home production compared to projected housing need, as well as production of single-family and multifamily homes in California.

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**CHALLENGE — Public Discourse is Not Focused on All Aspects of Affordable Housing Solutions Equally**

Although housing leaders interviewed are focused on a wide gamut of affordable housing policy measures, the public discourse in the media has mainly highlighted two themes 1) YIMBY (Yes In My Backyard) organizations against perceived local obstructionists and 2) Pro-tenant advocates against landlords.

Focusing on the YIMBY debate boils the housing conversation down to increasing the supply of housing overall and does not include a robust conversation on the affordability measures needed to be in place to benefit low-income renters. Focusing on the tenant-vs.-landlord debate takes into account only one policy measure among many that will need to be in place to provide affordable housing opportunities.

Focusing on narratives and debates that only include streamlining housing approvals or passing rent control ordinances does not capture the robust suite of policy levers found in the production, preservation and protection framework, which many affordable housing advocates are working diligently to pass.
For various reasons, including the complexity and cost in housing construction in California, there is currently a surplus of housing targeted for above-moderate income households and a significant shortfall of more than 3.4 million homes across all other income levels below moderate income.
The Average Cost of Housing Construction Continues to Increase

The cost of constructing housing in California is generally higher than other states. The cost of labor involved with construction is about 20% more in California than in other states. Moreover, California’s building code, which is comprehensive and prescriptive compared to other states, raises the overall cost of materials and labor\(^1\). Costs associated to fees, permitting, codes and regulations account for an additional 6% to 18% in construction costs, bringing the average cost of constructing a housing unit in California now well over $400,000\(^2\).

High Housing Costs Have Consequences for Lower-Income Families in California

As a result of California’s high housing costs, lower-income households throughout the state spend a greater share of their income on housing than they do in other states — thus reducing household funds available that can be spent on other household essentials (food, health care, transportation, etc.). Also, homeownership rates in California are among the lowest in the U.S., as homeowners here typically purchase housing later in their lives and take on more debt. Due to high prices, many households double or triple up in crowded housing more often than in other
states, and commute times to work are some of the longest in the nation. According to the California Legislative Analyst’s Office, California’s population since 1980 would be 7 million higher if the state had been building at the same rate as the rest of the country. As one organization interviewed succinctly summed it up: “The rent eats first.”

**Californians Are More Willing than Ever to Support Affordable Housing Policies**

In a recent survey by the Public Policy Institute of California, respondents were asked about pressing state and national issues, including the state budget, housing and homelessness. Of the respondents, over half said that their housing costs led to financial strain on their lives, with the number even higher in key regions throughout the state including:

- Orange County/San Diego (58%)
- Inland Empire (55%)
- San Francisco Bay Area (54%)
- Los Angeles (51%)
- Central Valley (43%)

Not surprisingly, the financial strain affected renters (67%) far more than homeowners (36%). Moreover, many Californians recognize the needs among the homeless, as 63% saw homelessness as a real issue and almost three out of four supported Governor Newsom’s $1 billion to address homelessness in the 2019-20 budget.

The impact on laws that would increase affordable housing opportunities also is significant at the local level. When asked whether they would support changing zoning laws to allow for a transition from single-family housing to multifamily housing near transit and job opportunities, 62% favored the changes. A similar percentage also favored attaching housing requirements to jurisdictions before they qualified for state transportation funding. However, much of the support for changes to increase affordable housing opportunities is dependent on whether the respondent is a homeowner or a renter, as across the board, homeowners were less willing to change zoning laws (51% to 72%), require transportation funding to be linked to housing construction (50% to 71%), and change California Environmental Quality Act (CEQA) laws (40% to 54%).
The Basics of Affordable Housing

Before diving deeper into the challenges California faces in creating more affordable housing opportunities, there are a few essential housing-related concepts to understand.

**Housing Affordability**

Generally, most government programs follow a convention that a household can spend 30% to 35% of their income on housing. If a household spends more than this, they are considered to be overpaying for housing or cost burdened. Research on housing costs shows that when lower-income households overpay for housing they are at risk for homelessness and other problems, and they have much less to spend on other needs.

It also is important to understand which households are being discussed. Generally, low-income refers to people making 80% or below of the area median-income. (The area median income or AMI means half the households make more and half make less and is usually calculated on a countywide basis.) This is adjusted for household size, and further divided to include extremely low, very low and low-income.

According to the state Legislative Analyst’s Office, a total of 3.3 million low-income households (0-80% of AMI) are renters and about one-quarter of that total (approximately 800,000 households) currently live in subsidized affordable housing (homes in which households receive Section 8 rental assistance housing vouchers). Another 700,000 households in California currently are on waiting lists for housing vouchers, but only half of that many vouchers are actually available.

### Income Limits for California Housing Programs in Selected Areas

<table>
<thead>
<tr>
<th>COUNTIES</th>
<th>PRINCIPAL CITY</th>
<th>STATE INCOME LIMITS FOR 2019 (4-PERSON HOUSEHOLD)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Extremely Low Income (30% of AMI)</td>
</tr>
<tr>
<td>Alameda</td>
<td>Oakland</td>
<td>$37,150</td>
</tr>
<tr>
<td>Fresno</td>
<td>Fresno</td>
<td>$25,750</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>Los Angeles</td>
<td>$31,300</td>
</tr>
<tr>
<td>Monterey</td>
<td>Salinas</td>
<td>$26,950</td>
</tr>
<tr>
<td>Orange</td>
<td>Anaheim/Santa Ana</td>
<td>$35,600</td>
</tr>
<tr>
<td>Riverside</td>
<td>Riverside</td>
<td>$25,750</td>
</tr>
<tr>
<td>Sacramento</td>
<td>Sacramento</td>
<td>$25,750</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>San Bernardino</td>
<td>$25,750</td>
</tr>
<tr>
<td>San Diego</td>
<td>San Diego</td>
<td>$32,100</td>
</tr>
<tr>
<td>San Francisco</td>
<td>San Francisco</td>
<td>$48,350</td>
</tr>
<tr>
<td>San Joaquin</td>
<td>Stockton</td>
<td>$25,750</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>San Jose</td>
<td>$43,900</td>
</tr>
</tbody>
</table>

Source: California Department of Housing and Community Development.
Affordable Housing Developers

New affordable homes are typically built by nonprofit developers, for-profit developers who specialize in affordable housing or for-profit developers who set aside a portion of their homes as Below Market Units. Twelve of the largest affordable housing developers in the country are based in California including:

Largest Nonprofit Affordable Housing Developers Based in California

<table>
<thead>
<tr>
<th>U.S. Rank</th>
<th>Developer</th>
<th>City</th>
<th>Construction Starts</th>
<th>Completions</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Chelsea Investment</td>
<td>Carlsbad</td>
<td>874</td>
<td>347</td>
</tr>
<tr>
<td>15</td>
<td>AMCAL Multi-Housing</td>
<td>Agoura Hills</td>
<td>756</td>
<td>371</td>
</tr>
<tr>
<td>17</td>
<td>Foundation for Affordable Housing</td>
<td>Laguna Beach</td>
<td>681</td>
<td>253</td>
</tr>
<tr>
<td>25</td>
<td>Jamboree</td>
<td>Irvine</td>
<td>418</td>
<td>0</td>
</tr>
<tr>
<td>31</td>
<td>MidPen Housing</td>
<td>Foster City</td>
<td>341</td>
<td>141</td>
</tr>
<tr>
<td>33</td>
<td>BRIDGE Housing</td>
<td>San Francisco</td>
<td>306</td>
<td>72</td>
</tr>
<tr>
<td>34</td>
<td>Affirmed Housing</td>
<td>San Diego</td>
<td>302</td>
<td>209</td>
</tr>
<tr>
<td>39</td>
<td>Related California</td>
<td>Irvine</td>
<td>289</td>
<td>373</td>
</tr>
<tr>
<td>49</td>
<td>Highridge Costa Cos.</td>
<td>Gardena</td>
<td>211</td>
<td>264</td>
</tr>
</tbody>
</table>

Source: Affordable Housing Finance, 2018.

Affordable Housing Resources

“Cuts in annual federal and state funding, including elimination of Redevelopment, have reduced California’s investment in affordable housing production and preservation by more than $1.7 billion annually since 2008, a 66% reduction.”

– California Housing Partnerships Corporation, April 2016

Funding for affordable housing in California comes from a mixture of local, state and federal funding as well as from private bank loans. Below is a sample funding mix for an affordable multifamily development. While local funds may make up a small percentage of the funding (5% in the example below), it is critical because the state and federal funds are tied to the availability of local funding.
One important note: this example assumes the use of the more valuable 9% tax credits. In other examples without this limited funding source, local funding might be as high as 20%. Source: California’s Housing Future: Challenges and Opportunities. California Department of Housing and Community Development, Jan 2017.

State Affordable Housing Resources

California has been prioritizing affordable housing funding at the state level in several ways — from the ballot box to Governor Gavin Newsom’s 2019-2020 state budget. The following are recently implemented affordable housing funding opportunities, along with more recent additions to the state budget:

- **Federal and State Tax Credits**
  - 9% tax credits - $1.1 billion per year
  - 4% tax credits - $1.2 billion per year
  - State tax credits - $99 million per year

  Although very complicated, tax credits are the backbone of affordable housing finance in California. They are used primarily for multifamily rental projects with at least 40 units. There are three types of tax credits, the first are 9% federal credits, which are limited, awarded on a highly competitive basis and provide 65% to 70% of funding for selected projects. The second are 4% federal tax credits, which are unlimited, and provide approximately 40% of needed project funding. The last type of tax credits are smaller state tax credits, which are used to match the federal credits. Tax credits tend to be well distributed throughout the state.

- **Affordable Housing and Sustainable Communities Program** (AHSC) or “Cap and Trade” dollars
  - $402 million in 2018/2019

  Established in 2014, these grants provide money to projects that have both an affordable housing and public transportation component. The program has awarded $701 million to 77 affordable housing developments, totaling 6,443 homes located in transit accessible
neighborhoods. They target families earning 50% of AMI. The grants tend to be fairly well distributed throughout the state.

- **Building Homes and Jobs Act (Senate Bill 2)**
  $1.2 Billion over five years

This bill created a permanent source of funding for affordable housing, charging a fee of up to $225 on certain real-estate transactions, such as mortgage refinancing. It will collect $1.2 billion over the next five years, raising a total of $5.8 billion during that time, including federal, local and private matching funds. The money will be distributed directly to larger jurisdictions and managed by counties for smaller ones. The exact formula for distribution has not been finalized for these non-competitive grants.

- **Proposition 1**
  $4 billion in general obligation bonds

Approved by voters in 2018, this general revenue bond provides money for multifamily rental development ($1.5 billion), veterans ($1 billion), farmworker housing ($300 million), matching grants for cities with affordable housing trust funds ($300 million) and other uses.

- **Veterans Housing and Homelessness Prevention Act**
  $600 million

Repurposed general obligation bonds intended to provide supportive housing for veterans. To date, $314 million has been awarded, creating 2,463 supportive units.

- **No Place Like Home Act**
  $2 billion

Dedicated bond funding to provide supportive multifamily housing for individuals experiencing mental illness who are homeless or at risk of homelessness.

- **Veterans and Affordable Housing Bond Act (Senate Bill 3)**
  $4 billion for various programs

Uses include
- $1.5 billion available for the Multifamily Housing Program that can be used for supportive housing development
- $300 million for Farmworker Housing Grant Program
- $300 million for Local Housing Trust Fund (Infrastructure and Incentives)
- $150 million for Transit-Oriented Development (Infrastructure and Incentives)
- $300 million for Infill Infrastructure Grant (Infrastructure and Incentives)
- $150 million for CalHFA Down Payment Assistance (Homeownership)
- $300 for CalHome (Homeownership)
- $1 billion for CalVet Farm and Home Loan (Veterans)

- **2019-2020 Governor Newsom’s State Budget**
  $1.75 billion

Governor Newsom’s budget calls for significant new spending for housing, including:
- $750 million for technical assistance and general-purpose funding for affordable housing planning and zoning.
- $800 million for infill infrastructure grants to support higher-density and mixed income housing.
- $500 million for state tax credit for affordable housing, including preservation and new homes.
- Funding for an “innovation challenge” for developers interested in using “creative and streamlined approaches to building affordable and mixed-income housing on excess state property (for example, using modular construction).”
o $20 million of grant funding to nonprofits working on landlord-tenant disputes, legal assistance, renter education and anti-eviction programs.

**Local Affordable Housing Resources**

Local funding is essential to leverage State and Federal funds. All programs will want to see a local contribution before providing support.

- **General Fund:** Taxpayer dollars including utilities, business licenses, transient occupancy (hotel) taxes and more are deposited here as discretionary funding that cities can allocate for affordable housing purposes.

- **Sales Taxes:** Communities have taxed themselves to raise funding for affordable housing, most recently in the County of Los Angeles where Measure H, a quarter cent sales tax, provides funding for homeless.

- **Linkage Fees:** Affordable housing linkage fees are charged to new construction to pay into a fund that supports affordable housing. The fee is built upon the relationship between the creation of new housing or jobs and the need for affordable housing in the community. Essentially, new residential development results in new jobs to service homes and residents. Landscapers, childcare workers and food service worker jobs will be created as a result of development. Many of these jobs pay low-income wages resulting in a demand for additional affordable housing. The private sector is not supplying this product, so consequently the government has a role and interest in meeting this need.

- **Property Tax:** The largest portion of California’s property tax is a 1% tax rate based on the assessed value of property. The revenue from the tax remains in the county it is collected to be used by local governments according to their own allocation process.
It is helpful to look at the funding for specific housing developments to understand how the system works. The following is one example from Santa Rosa.

The Roseland Village includes 75 affordable homes and is expected to cost about $54 million. The project is applying for the less valuable (but noncompetitive) 4% Low Income Housing Tax Credits. This is the primary source of funding for the project, totaling $21.7 million. The developers are also applying for $11 million in highly competitive Cap and Trade/AHSC funding from the State. The county is contributing $6.5 million and Santa Rosa is contributing $3 million. Approximately $7 million comes from a loan from the bank.

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income Housing Tax Credit</td>
<td>$21.7 million</td>
</tr>
<tr>
<td>AHSC / Cap and Trade</td>
<td>$11.8 million</td>
</tr>
<tr>
<td>Bank Loans</td>
<td>$6.9 million</td>
</tr>
<tr>
<td>Sonoma County</td>
<td>$6.5 million</td>
</tr>
<tr>
<td>Santa Rosa</td>
<td>$3 million</td>
</tr>
<tr>
<td>General Partner Equity</td>
<td>$3 million</td>
</tr>
<tr>
<td>Other</td>
<td>$1.3 million</td>
</tr>
<tr>
<td>Total</td>
<td>$54.1 million</td>
</tr>
</tbody>
</table>

Source: Sonoma County, 2019 Roseland MidPen Draft 3343 Report.

- **General Obligation Bonds:** Communities can pass a bond with the intention of funding affordable housing related activities. For example, voters in the City of Los Angeles approved Measure HHH, a $1.2 billion bond measure for homelessness that is repaid with a $0.348 per square foot increase in property taxes.

- **Parcel Tax:** Requiring a super majority, or two-thirds vote, a parcel tax can be passed to fund affordable housing. The tax would be based on a per square foot annual rate with a recent example, Measure HH, in East Palo Alto. The parcel tax is an annual $2.50 per square foot tax on commercial office developments that would raise approximately $1.67 million annually for job training and affordable housing.

- **Transfer Tax:** Requiring only a simple majority to pass, or over 50%, a transfer tax is implemented when a real property is sold and paid by either the buyer or seller (or both). The tax is typically charged per $1,000 of the total sale price of the real property, with transfer taxes in cities such as San Francisco and Oakland starting at $5 and $10 per $1,000, respectively, generating revenue for city services.
• **Inclusionary In-Lieu Fee:** Cities with an inclusionary affordable housing ordinance require a developer to allocate a percentage of their housing units as affordable. Some cities allow these developers to pay an in-lieu fee instead, which allows them to pay a fee per housing unit that goes into a fund the city can utilize at a later date to finance affordable housing.

• **Redevelopment Boomerang Funds:** With the loss of the California Redevelopment Agency, all the entities throughout the state were closed. However, during the process of closure, funds were passed back to the local jurisdictions, or “boomeranged,” with some cities reallocating the funding for affordable housing uses since in many cases the funds were originally used for housing-related purposes.

• **Vacancy Tax:** Some cities are taxing property owners who leave homes vacant, either due to investment purposes or as vacation homes, which could otherwise be used as housing for the community. The funds are then used to support affordable housing opportunities.

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**SPOTLIGHT — Celestina Garden Apartments**

The Celestina Garden Apartments provides 40 mostly one-bedroom apartments to low, very low and extremely low-income residents in the Boyles Hot Spring area, some of whom were made homeless in the Sonoma County fires. The development appeared competitive for the 9% tax credits because of its proximity to transit, schools and other amenities. It applied two times and was not selected because the local funding match was not large enough. (Local funding is the tie-breaker category for projects that receive the maximum points in all other categories.) In 2018, Sonoma County increased its contribution by $1.5 million (to a total of $3.8 million), which resulted in the project receiving the tax credits. Its funding is summarized below:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>9% Tax Credits</td>
<td>$12.5 million</td>
</tr>
<tr>
<td>Sonoma County</td>
<td>$3.8 million</td>
</tr>
<tr>
<td>Land donation (private party)</td>
<td>$1.1 million</td>
</tr>
<tr>
<td>Federal home loan bank</td>
<td>$0.8 million (loan)</td>
</tr>
<tr>
<td>CA Community Reinvestment Corp</td>
<td>$0.8 million (loan)</td>
</tr>
<tr>
<td>Total</td>
<td>$19 million</td>
</tr>
</tbody>
</table>

Sources: County of Sonoma Housing\(^7\), Midpen Housing\(^8\).
The cost of construction overall has risen, especially in certain California regions, and greatly depends on variables that include regulations (developer fees, permitting fees, etc.); labor (construction workers, designers, architects, engineers, etc.); building material (wood, steel, infrastructure, etc.); land (purchased or leased); and financing (including interest and fees). Not surprisingly, these costs vary by region, including such variables as the local public sector capacity, availability of skilled workers (including local trade union relationships), price of land per square foot and different financing options (including local subsidies). Another factor is an overall lack of innovation in the construction industry. As opposed to most other industries in the U.S., homes are being built almost exactly the same way as they have been for over a century. Innovations such as modular construction or value engineering have not been widely adopted by the housing industry.

The cost impacts of regulations and fees, jurisdiction to jurisdiction, are difficult to calculate. In terms of regulations, costs are affected by the planning and permitting time due to local jurisdictional processes. Fees are difficult to calculate because of variances between developments and site conditions. A recent study by the University of California, Berkeley’s Terner Center calculates the estimated cost per unit for service fees (planning and building) and impact fees, which offset the impacts on local school districts, parks, transportation, housing, etc. Together, these costs resulted in over $100,000 in fees for single-family homes in the City of Irvine, while cities like Los Angeles and Sacramento had fees well below $20,000 on multifamily units. Other regulations such as environmental, parking and green building standards also add to the overall development cost.

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**Construction Costs in California**

The cost of construction overall has risen, especially in certain California regions, and greatly depends on variables that include regulations (developer fees, permitting fees, etc.); labor (construction workers, designers, architects, engineers, etc.); building material (wood, steel, infrastructure, etc.); land (purchased or leased); and financing (including interest and fees). Not surprisingly, these costs vary by region, including such variables as the local public sector capacity, availability of skilled workers (including local trade union relationships), price of land per square foot and different financing options (including local subsidies). Another factor is an overall lack of innovation in the construction industry. As opposed to most other industries in the U.S., homes are being built almost exactly the same way as they have been for over a century. Innovations such as modular construction or value engineering have not been widely adopted by the housing industry.

** Regulations and Fees**

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**Estimated for a Unit in Prototypical 100-Unit Miltifamily and 20-Home Single Family Projects**

<table>
<thead>
<tr>
<th></th>
<th>LA</th>
<th>Sac</th>
<th>Ros</th>
<th>Oak</th>
<th>Irv</th>
<th>Fre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Fees:</td>
<td>Planning</td>
<td>Building</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact Fees:</td>
<td>Schools</td>
<td>Parks and/or Art</td>
<td>Transportation</td>
<td>Capital Improvement</td>
<td>Capital Improvement</td>
<td>Housing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>LA</th>
<th>Sac</th>
<th>Ros</th>
<th>Oak</th>
<th>Irv</th>
<th>Fre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees Per Multifamily Unit</td>
<td>$100,000</td>
<td>$120,000</td>
<td>$140,000</td>
<td>$160,000</td>
<td>$180,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Fees Per Single-family Home</td>
<td>$40,000</td>
<td>$60,000</td>
<td>$80,000</td>
<td>$100,000</td>
<td>$120,000</td>
<td>$140,000</td>
</tr>
</tbody>
</table>

Sources: Terner Center, UC Berkeley.
Fees charged by cities are also considerably higher for single-family development, especially in Irvine and Fremont, where they are double the total of a multifamily unit, likely reflecting the additional impacts, per square foot, that single-family homes have on public infrastructure.

In addition to the cost of development fees and permitting, the length of time for entitlements also contributes to costs. In a recent series of studies by UC Berkeley and Columbia University researchers found that local land use decision-making processes and the way they implement CEQA were the main drivers for approval time lengths. Land use decisions include many elements of the overall process such as planning and building review, but also local discretionary actions such as architectural design review and historical review. Moreover, researchers found that streamlining the approval process, including the discretionary review process, is only helpful if the base zoning is currently supportive of affordable housing development. They also found that streamlining would only help if it did not lead to the displacement of existing low-income, unsubsidized affordable housing opportunities.

Otherwise, there would not be an overall increase in housing and would also result in an additional housing need from the displaced family21.

### Median Approval Time in Selected Areas

<table>
<thead>
<tr>
<th>Cities</th>
<th>Median Approval Time (in Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresno</td>
<td>6</td>
</tr>
<tr>
<td>Sacramento</td>
<td>6</td>
</tr>
<tr>
<td>Redwood City</td>
<td>7</td>
</tr>
<tr>
<td>Long Beach</td>
<td>7</td>
</tr>
<tr>
<td>Oakland</td>
<td>9</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>10</td>
</tr>
<tr>
<td>San Diego</td>
<td>13</td>
</tr>
<tr>
<td>Palo Alto</td>
<td>14</td>
</tr>
<tr>
<td>Pasadena</td>
<td>15</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>17</td>
</tr>
<tr>
<td>San Jose</td>
<td>17</td>
</tr>
<tr>
<td>San Francisco</td>
<td>29</td>
</tr>
</tbody>
</table>

Source: UC Berkeley and Columbia University22.

---

**Estimated Development Fees Per Unit for Prototypical Multifamily and Single Family Projects**

<table>
<thead>
<tr>
<th>Cities</th>
<th>Estimated Development Fees Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>$100,000</td>
</tr>
<tr>
<td>Sacramento</td>
<td>$150,000</td>
</tr>
<tr>
<td>Roseville</td>
<td>$100,000</td>
</tr>
<tr>
<td>Oakland</td>
<td>$150,000</td>
</tr>
<tr>
<td>Irvine</td>
<td>$200,000</td>
</tr>
<tr>
<td>Fremont</td>
<td>$250,000</td>
</tr>
</tbody>
</table>

Sources: Terner Center, UC Berkeley.
Background and Challenges

**Labor and Materials Costs**

The average costs for construction (labor and materials) vary across California. According to RSMeans, a data provider, the least expensive cities for construction are Redding and Riverside while the highest costs are in the Bay Area. These construction costs do not include land cost, which vary significantly within a city and even more so within a region. As such, it is difficult to provide a direct comparison which includes land costs.

<table>
<thead>
<tr>
<th>CITIES</th>
<th>COMPARED TO NATIONAL AVERAGE$^{23}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redding</td>
<td>+1%</td>
</tr>
<tr>
<td>Riverside</td>
<td>+2%</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>+7%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>+7%</td>
</tr>
<tr>
<td>Oxnard</td>
<td>+9%</td>
</tr>
<tr>
<td>Anaheim</td>
<td>+11%</td>
</tr>
<tr>
<td>Bakersfield</td>
<td>+12%</td>
</tr>
<tr>
<td>Stockton</td>
<td>+18%</td>
</tr>
<tr>
<td>San Diego</td>
<td>+20%</td>
</tr>
<tr>
<td>Fresno</td>
<td>+20%</td>
</tr>
<tr>
<td>Vallejo</td>
<td>+25%</td>
</tr>
<tr>
<td>Sacramento</td>
<td>+29%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>+30%</td>
</tr>
<tr>
<td>San Jose</td>
<td>+30%</td>
</tr>
<tr>
<td>Oakland</td>
<td>+32%</td>
</tr>
</tbody>
</table>

Labor costs in California are impacted by a few factors, including construction worker wages (over 2.5% increase in 2017) and unemployment (relatively low at just over 5%)$^{24}$. The cost of material rose by over 4% in 2017 overall, including cement, steel and lumber$^{25}$. The costs have only been exacerbated by President Trump’s tariffs on Chinese goods that the housing industry depends on, such as vinyl, granite, ceramic, cement, and steel. The tariffs have contributed to an additional $1 billion of costs to U.S. homes constructed and could increase to $2.5 billion with another wave of tariff increases. Additionally, the washing machine tariff imposed on South Korean manufacturers has added additional costs to homeowners and homebuilders$^{26}$.

**Land Costs**

Based on appraised land value data from over 16 million appraisals of the average land price used in single-family housing, the Federal Housing Finance Agency was able to come up with estimated land value per acre at the county level nationwide. The following table of land price per acre throughout California regions is helpful to give an idea of relative land costs between counties, with a caveat that the cost for higher density zoned parcels is likely an additional cost throughout the regions.

### Generalized Land Costs Per Acre in Selected Areas

<table>
<thead>
<tr>
<th>COUNTIES</th>
<th>LAND PRICE/ACRE SINGLE FAMILY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresno</td>
<td>$215,200</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>$252,200</td>
</tr>
<tr>
<td>San Joaquin</td>
<td>$266,000</td>
</tr>
<tr>
<td>Riverside</td>
<td>$293,800</td>
</tr>
<tr>
<td>Sacramento</td>
<td>$366,200</td>
</tr>
<tr>
<td>Monterey</td>
<td>$646,000</td>
</tr>
<tr>
<td>San Diego</td>
<td>$934,600</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>$1,240,200</td>
</tr>
<tr>
<td>Alameda</td>
<td>$1,159,400</td>
</tr>
<tr>
<td>Orange</td>
<td>$2,271,500</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>$3,010,200</td>
</tr>
<tr>
<td>San Francisco</td>
<td>$8,298,600</td>
</tr>
</tbody>
</table>

Source: Federal Housing Finance Agency$^{27}$. 

Background and Challenges 16
Regional Overview

The following data and narrative describe trends in 12 regions throughout California. They include the largest counties in California (Los Angeles, Alameda, Santa Clara, Sacramento, San Francisco, San Diego and Fresno), as well as priority regions that the Irvine Foundation has identified as “traditionally underserved by philanthropy, are experiencing major demographic shifts and rapid population growth, and have low-income Californians residing in disproportionate numbers.” The priority regions include San Joaquin, Riverside and San Bernardino counties, home to the cities of Stockton, Riverside and San Bernardino.

Data Summary

The following tables present some key statistics in priority regions throughout California and include household, housing and production data. This section illustrates the diversity of the regions that make up California as a whole — from the state capital to both Northern California Bays and Silicon Valley, the Inland Empire, Central Valley, Southland and the Mexicali border. California’s housing solutions at the state level are only effective if they respond to local affordable housing needs.

Household Income and Size

Household income in California’s major regions ranges from the highest of over $100,000 in Silicon Valley’s Santa Clara County to half that in the Central Valley’s Fresno County. Poverty rates also range from a low of under 12% in the Bay Area and over 17% in Los Angeles to over 25% in Fresno County. The unemployment rates also vary significantly depending on region, with the lowest percentages in the Bay Area and the highest in San Joaquin and Fresno counties. Job and income data begin to paint a picture of each region’s unique situation. The higher household sizes in regions with higher poverty and unemployment rates reflect both families doubling and tripling up in rental housing in Monterey, San Joaquin and Fresno counties, as well as traditionally larger Latino households.
Housing Costs

With rental vacancy rates between 3% and 5% throughout California, it is clear all the regions in California are dealing with a shortage of affordable housing prices. Median rents and median home prices are at levels that cause difficulty for both low-income renters and homeowners, as well as potential homeowners hoping to enter the market.
**Housing Characteristics in Selected Areas**

<table>
<thead>
<tr>
<th>CITIES</th>
<th>MEDIAN RENT</th>
<th>MEDIAN HOME PRICE</th>
<th>RENTAL VACANCY RATE</th>
<th>OCCUPIED HOUSING UNITS</th>
<th>HOME OWNERSHIP RATE</th>
<th>RENTERSHIP RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anaheim</td>
<td>$2,096</td>
<td>$598,900</td>
<td>3.30%</td>
<td>100,280</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>Fresno</td>
<td>$1,031</td>
<td>$238,800</td>
<td>4.50%</td>
<td>165,107</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>$1,752</td>
<td>$687,200</td>
<td>3.30%</td>
<td>1,367,224</td>
<td>37%</td>
<td>63%</td>
</tr>
<tr>
<td>Oakland</td>
<td>$2,205</td>
<td>$739,800</td>
<td>2.50%</td>
<td>159,448</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Riverside</td>
<td>$1,328</td>
<td>$403,300</td>
<td>5.80%</td>
<td>90,974</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>Sacramento</td>
<td>$1,213</td>
<td>$322,700</td>
<td>4.40%</td>
<td>181,690</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Salinas</td>
<td>$2,109</td>
<td>$476,300</td>
<td>2.40%</td>
<td>40,570</td>
<td>45%</td>
<td>56%</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>$1,064</td>
<td>$284,700</td>
<td>6.00%</td>
<td>58,046</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>San Diego</td>
<td>$2,022</td>
<td>$633,500</td>
<td>3.70%</td>
<td>497,189</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>$3,086</td>
<td>$1,374,800</td>
<td>2.70%</td>
<td>358,772</td>
<td>37%</td>
<td>63%</td>
</tr>
<tr>
<td>San Jose</td>
<td>$2,622</td>
<td>$1,087,500</td>
<td>2.80%</td>
<td>319,558</td>
<td>58%</td>
<td>43%</td>
</tr>
<tr>
<td>Santa Ana</td>
<td>$1,848</td>
<td>$547,300</td>
<td>1.40%</td>
<td>75,980</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>Stockton</td>
<td>$1,268</td>
<td>$298,300</td>
<td>6.00%</td>
<td>93,746</td>
<td>48%</td>
<td>52%</td>
</tr>
</tbody>
</table>

**Housing Production — Regional Housing Needs Allocation (RHNA)**

The Regional Housing Needs Allocation (RHNA) is a state-mandated process to identify the total number of housing units by specific income-affordability level that each jurisdiction must incorporate into their affordable housing plan, known as a Housing Element. Based on housing needs calculated by the California Department of Housing and Community Development (HCD), each region is assigned a total number of housing units that will need to be allocated to each jurisdiction across all income levels.

In the most recent RHNA process, housing production in the above-moderate income range well outpaced production in all other income ranges. Notable counties include Alameda and Santa Clara counties, which met their higher-income range but performed poorly in all lower-income ranges, and Orange...
County, which produced three times its above moderate housing need, thereby tripling the amount it needed for that income range. Across the board, every county performed poorly in meeting their very low- and low-income housing ranges from the previous RHNA cycle.

Success in Addressing the Regional Housing Needs Allocation (RHNA) in Selected Areas

The data regarding housing production and RHNA is complicated. Many counties outperformed their RHNA requirements at the moderate and above moderate-income levels, including Los Angeles, Monterey, Orange, Fresno, San Francisco, Alameda and Santa Clara. However, most of the RHNA numbers were calculated during the recession and therefore underestimated job growth and housing need. Additionally, in most instances, the higher level of production can be attributed to a handful of cities. For example, in Alameda County, cities such as Dublin, Fremont and Oakland permitted two to five times the amount of above moderate-income units compared to the RHNA allocations. The same pattern occurred in Los Angeles County, where Los Angeles, Pasadena, and Santa Monica overproduced. Santa Ana produced 17 times its above moderate-income RHNA and Irvine alone accounted for 1/3 of the units in Orange County. Two state laws being implemented in 2019 (SB 828 and AB 1771) amend the RHNA process to include more accurate data requirements to adequately address job growth and housing needs, including additional fair housing goals^29.

<table>
<thead>
<tr>
<th>Counties</th>
<th>Very Low Income (%)</th>
<th>Low Income (%)</th>
<th>Moderate Income (%)</th>
<th>Above-Moderate Income (%)</th>
<th>Total (%)</th>
<th>RHNA Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alameda</td>
<td>39</td>
<td>39</td>
<td>23</td>
<td>308</td>
<td>156</td>
<td>01/31/2015 - 01/31/2023</td>
</tr>
<tr>
<td>Fresno</td>
<td>14</td>
<td>14</td>
<td>112</td>
<td>98</td>
<td>66</td>
<td>12/31/2015 - 12/31/2023</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>20</td>
<td>20</td>
<td>12</td>
<td>172</td>
<td>84</td>
<td>10/15/2013 - 10/15/2021</td>
</tr>
<tr>
<td>Monterey</td>
<td>44</td>
<td>16</td>
<td>28</td>
<td>128</td>
<td>72</td>
<td>12/31/2015 - 12/31/2023</td>
</tr>
<tr>
<td>Orange</td>
<td>32</td>
<td>30</td>
<td>285</td>
<td>315</td>
<td>197</td>
<td>10/15/2013 - 10/15/2021</td>
</tr>
<tr>
<td>Riverside</td>
<td>5</td>
<td>3</td>
<td>30</td>
<td>63</td>
<td>33</td>
<td>10/15/2013 - 10/15/2021</td>
</tr>
<tr>
<td>Sacramento</td>
<td>5</td>
<td>9</td>
<td>75</td>
<td>66</td>
<td>45</td>
<td>10/31/2013 - 10/31/2021</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>5</td>
<td>16</td>
<td>47</td>
<td>71</td>
<td>42</td>
<td>10/15/2013 - 10/15/2021</td>
</tr>
<tr>
<td>San Diego</td>
<td>11</td>
<td>21</td>
<td>11</td>
<td>108</td>
<td>53</td>
<td>04/30/2013 - 04/30/2021</td>
</tr>
<tr>
<td>San Francisco</td>
<td>60</td>
<td>97</td>
<td>47</td>
<td>291</td>
<td>164</td>
<td>01/31/2015 - 01/31/2023</td>
</tr>
<tr>
<td>San Joaquin</td>
<td>5</td>
<td>9</td>
<td>13</td>
<td>60</td>
<td>31</td>
<td>12/31/2015 - 12/31/2023</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>19</td>
<td>25</td>
<td>45</td>
<td>238</td>
<td>109</td>
<td>01/31/2015 - 01/31/2023</td>
</tr>
</tbody>
</table>

Source/Notes: RHNA data via HCD for Annual Permit Reports up to 2018, by permits issued, valid as of 6/25/19. Data include total RHNA met and is prorated based on remaining number of years in each jurisdiction’s RHNA cycle, across all income levels. Some regions’ RHNA requirements are lower due to the previous recession lowering expected job growth and its corresponding impacts on housing needs.
According to California Housing Partnership Corporation, the following are the affordable housing needs of select California counties based on current demands. Overall, California needs 1.4 million affordable rental homes to meet current demands, a large portion of which are needed in Southern California in Orange, Los Angeles and San Diego counties.

### Affordable Homes Needed to Meet Current Demand in Selected Areas

<table>
<thead>
<tr>
<th>Counties</th>
<th>Affordable Homes Needed to Meet Current Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monterey</td>
<td>7,386</td>
</tr>
<tr>
<td>San Joaquin</td>
<td>25,489</td>
</tr>
<tr>
<td>San Francisco</td>
<td>28,869</td>
</tr>
<tr>
<td>Fresno</td>
<td>35,380</td>
</tr>
<tr>
<td>Alameda</td>
<td>52,591</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>58,583</td>
</tr>
<tr>
<td>Sacramento</td>
<td>63,118</td>
</tr>
<tr>
<td>Riverside</td>
<td>64,452</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>65,382</td>
</tr>
<tr>
<td>Orange</td>
<td>111,996</td>
</tr>
<tr>
<td>San Diego</td>
<td>136,631</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>516,946</td>
</tr>
<tr>
<td>California</td>
<td>1,400,000</td>
</tr>
</tbody>
</table>

### Affordable Homes Currently At-Risk

In addition to new affordable housing rental needs, there are currently affordable homes that soon will lose their affordability restrictions. Overall, California is at risk of losing almost 10% of currently affordable homes, with the highest percentage of affordable homes lost in Orange and Los Angeles counties, followed closely by San Joaquin, Fresno and Santa Clara counties. 

---

*Note: The numbers in superscript correspond to the page numbers where the data was sourced.*
### At-Risk Affordable Homes in Selected Areas

<table>
<thead>
<tr>
<th>Counties</th>
<th>Lost Affordable Homes</th>
<th>At-Risk Affordable Homes</th>
<th>Total Affordable Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alameda</td>
<td>683 (3%)</td>
<td>346 (2%)</td>
<td>22,476</td>
</tr>
<tr>
<td>Fresno</td>
<td>929 (7%)</td>
<td>897 (7%)</td>
<td>12,927</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>5,256 (5%)</td>
<td>12,121 (12%)</td>
<td>97,709</td>
</tr>
<tr>
<td>Monterey</td>
<td>0 (0%)</td>
<td>293 (5%)</td>
<td>5,579</td>
</tr>
<tr>
<td>Orange</td>
<td>475 (2%)</td>
<td>3,532 (15%)</td>
<td>22,856</td>
</tr>
<tr>
<td>Riverside</td>
<td>452 (2%)</td>
<td>581 (3%)</td>
<td>18,661</td>
</tr>
<tr>
<td>Sacramento</td>
<td>958 (4%)</td>
<td>1,018 (4%)</td>
<td>22,952</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>267 (2%)</td>
<td>573 (4%)</td>
<td>13,108</td>
</tr>
<tr>
<td>San Diego</td>
<td>1,641 (5%)</td>
<td>2,320 (7%)</td>
<td>32,876</td>
</tr>
<tr>
<td>San Francisco</td>
<td>115 (0%)</td>
<td>1,584 (6%)</td>
<td>25,165</td>
</tr>
<tr>
<td>San Joaquin</td>
<td>84 (2%)</td>
<td>346 (7%)</td>
<td>5,226</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>719 (2%)</td>
<td>2,059 (7%)</td>
<td>29,207</td>
</tr>
<tr>
<td>California</td>
<td>15,044 (3%)</td>
<td>34,554 (8%)</td>
<td>420,476</td>
</tr>
</tbody>
</table>

### Regional Summaries

Supplementing our analysis, over 30 affordable housing leaders, representing different regions throughout California, were interviewed throughout this landscape analysis process. The following are some of their thoughts on how the California housing crunch has affected the various regions in which they work.

**Orange County**

Orange County has a healthy economy, which has resulted in a strong demand for housing, especially affordable housing. Although two cities, Santa Ana and Anaheim, have over 300,000 in population, the majority of cities are small or mid-sized jurisdictions. Each operates independently of one another. Of the 34 jurisdictions in Orange County, some have tremendous wealth, but there remain localized pockets of poverty and overcrowding.

Throughout Orange County there are diverse and unique populations. The need for affordable housing is most felt in Santa Ana and Anaheim due to their older housing stock, overcrowded households and substandard homes. These two communities are also dealing with displacement issues due to the lower cost of land relative to the countywide average and new development opportunities occurring in neighborhoods that have not previously seen investment.

Orange County is in the middle of a robust development cycle, but everything being built is priced for higher income residents, not for most working families. There also is a need for homelessness resources as the only reliable funding for the homeless is from mental health services.
Central Valley

Although Central Valley housing is considered less expensive compared to other California regions, it is not affordable to many low-income residents. The perception of “less expensive housing” is due to the relatively higher cost of housing in coastal communities and has led to the belief that the need for affordable housing in the Central Valley is not as urgent as it currently is. As a result, the region features mostly sprawling, greenfield developments with long commutes to jobs in the coastal cities. The impact has been increasing household sizes as families double and triple up in homes and a continued lack of investment in repairing and upgrading deteriorating substandard housing stock.

Additionally, despite the need for specialized housing, especially farmworker housing, local governments are under-resourced and, specifically, lack funding for affordable housing opportunities. This includes under-funding of the infrastructure to support housing development, including water, sewer, electricity and more.

Mobile home parks, some of the most at-risk housing situations in the state, are especially susceptible to being lost. The housing crunch and development pressure are further exacerbated by California’s High Speed Rail project, which is underway. Even before it is complete, the rail project will have a significant impact on housing and the local economy.

Los Angeles County

With $355 million annually allocated in the County of Los Angeles for homelessness for 10 years from Measure H and $1.2 billion in bond funding for 10,000 units of supportive housing in the City of Los Angeles, more resources currently exist in this region for affordable housing than ever before. The challenge, however, is allocating the funding and ensuring access to resources that lead to the most effective use. There is positive momentum in cities surrounding Los Angeles, where there is political will to develop affordable housing. However, it is significantly harder to work in the City of Los Angeles due to its size and the resulting bureaucracy.

Recently, Los Angeles has received great attention due to several affordable housing related issues, including its A Bridge Home program, which is providing temporary housing for homeless individuals distributed equally among the city’s 15 council districts. Other issues include displacement pressures in Chinatown due to the expiration of affordable housing restrictions and the potential for Los Angeles passing a “Vacancy Penalty” that would charge a fee to owners of vacant homes (often times used for investment purposes) to fund affordable housing.
**Riverside County**

Riverside County is most immediately impacted by the spillover growth impacts from nearby Los Angeles and San Diego counties and has an overall lack of resources for affordable housing development. However, just recently two California grant programs awarded over $32 million to fund over 275 affordable homes in the City of Riverside. The two programs are No Place Like Home, which supports permanent supportive housing for homeless individuals or those in need of mental health services, and Affordable Housing and Sustainable Communities, distributed by the Strategic Growth Council for transit-oriented affordable housing using the state’s greenhouse gas Cap-and-Trade funds.47

**Salinas Area**

The housing market in Salinas is split, with larger expensive single-family homes serving commuters from Silicon Valley and a depressed rental market serving local residents. Generally, infill development is not feasible in the region. The economy is not strong and poverty is high. Many jobs are in the agriculture sector. Salinas is partway through approving a nearly 10,000-plus home neighborhood called the Future Growth Area.
Why Isn’t the Market Solving the Problem?

The housing crisis affecting California today is a result of decisions that have accumulated over the past decades and still impact us today. Meeting California’s current shortfall of 1.4 million affordable rental homes will take more than the free market. With California’s limited land availability, high construction costs and pronounced needs, especially at the low end of the income spectrum, solutions to the housing crisis will need to be both high quality and plentiful to have an impact.

The heart of the problem is the market will always provide the most profitable housing product type first. Developers simply cannot compete for land or labor if they are not maximizing revenue. As a general rule, the most profitable housing type will be luxury housing. Once this market is exhausted, the next most profitable product will be near-luxury housing. Even if all of the higher price housing demand is met, the market will still not produce affordable housing because construction costs are too high.

Nonetheless, new housing does provide an important benefit. Both by reducing the demand overall and filtering (the process where housing becomes more affordable over time as it ages), which can reduce the overall increase in housing costs.

Land, Labor and Materials Costs in California Result in Higher Priced Homes

The price of land and construction-related costs such as labor and materials are significant contributors to the high cost of building housing in California. California’s abundance of natural beauty also contributes to the high cost of housing — slightly less than two-thirds of the land in California’s urban areas is undevelopable due to geographic constraints and preservation practices (mountains, bodies of water, open space preserves, etc.) while less than 1% of the land in California’s coastal urban areas is vacant and available for development.

Land is also a zero-sum supply in California — other than building up, there is no way to generate more land in areas with housing demand. That reality generates direct competition between market-rate and affordable housing developers for the same sites, which means for every market-rate luxury development, there is one less affordable housing development that can be built on the same site. Plus, higher density zoning, once viewed as an answer to affordable housing development, now results in more market-rate rental housing. Cities have previously zoned for 30 or more units per acre, thinking it would help facilitate low-income developments, but in the current and foreseeable housing market cycle, market-rate developers are interested in those higher density sites as well.

Construction and labor costs also are significant factors in the rising cost of housing in California. The shortage of skilled labor on the development and construction side of housing, coupled with the high demand, results in a lack of available professionals, from project managers to architects to tradespeople, who are all involved in constructing homes. This shortage was exacerbated after the Great Recession led to droves of professionals leaving the housing industry and not coming back when the housing market returned to pre-Recession levels,
In a high-cost environment it is important to secure lower-cost debt. This type of debt includes social impact bonds or policy-related investments (with lower returns required), low-income tax credits and soft debt that does not need a return (or can be rolled over consistently). Moreover, pre-development funding is in short supply and much needed during these economic times. It allows developers to get a leg up on production by funding design-related work and due diligence of sites and determining potential funding sources.

The challenge to providing lower-cost capital is mainly the lack of entities willing to provide that level of funding. For those few who do provide the capital, as the fund builds to include more funders, the more requirements are built in, further constraining the monies. As a result, the fund grows in capital, but becomes less flexible, risk tolerant and patient. The challenge to finding pre-development funding is that the money is invested in opportunities that in many cases do not lead to any housing development, including investments in architects to design a proposal, due diligence to investigate the potential for development or initial holding costs to option land. In many cases, the affordable housing developers themselves finance pre-development opportunities, which is highly risky.

Addressing this challenge will include finding creative and innovative solutions that lead to new funding opportunities, not the reshuffling of existing dollars. Investments will need to come from all sectors — public, private and nonprofit — and will need to overcome the requirements of individual interests to support the needs of developers who are out there building affordable housing.

The insufficient labor force problem in California is especially pronounced when natural disasters, such as wildfire, occur. This led to significant spikes in demand for contractors, designers and architects, while significantly impacting the capacity of local city planning and zoning departments. The skills needed to build affordable housing, from planning to designing to construction, also are valuable for market-rate housing development.

It Will Take Market-Rate Housing and More

All participants interviewed agreed that it will take a suite of solutions to address the affordable housing crisis. The answer not only includes new market-rate housing or 100% affordable housing developments, but also a multi-pronged approach to community-building. Some examples include housing-related solutions such as mid-to-higher density housing, subsidized affordable housing, housing types that meet household needs, tenant protections, unique home-sharing situations, and value capture mechanisms. Other examples are housing adjacent solutions.
such as access to quality jobs, sustainable small businesses, thriving anchoring institutions, complete neighborhoods, healthy food access and other community-building policies.

“It is important to have housing policy work together and not be piecemeal — housing production coupled with preservation and anti-displacement policy. The vacuum of doing one thing first is a problem. We need to find a package of solutions that advances equitable development across the state.”

— Doug Smith, Public Counsel

**How is the Market Doing Currently?**

State law requires jurisdictions to track the number of homes permitted yearly during their Housing Element or RHNA period. New units are tracked by income category with notes whether the low and very low-income units have deed restrictions (guaranteeing affordability) or are unsubsidized affordable homes. Deed restricted units are produced because of government requirement (e.g. inclusionary housing) or incentive (e.g. tax credits). Over the course of the last RHNA period, most counties produced almost no unsubsidized affordable housing. The few units that were produced were often Accessory Dwelling Units. Jurisdictions such as San Francisco did not approve any unsubsidized affordable units at all (due to the high cost of housing in that market) while Alameda County did not permit any very low-income, non-deed restricted housing. In some counties, unsubsidized rental housing may be affordable to moderate income households. The low numbers of non-deed restricted affordable housing show that the market alone will not solve the problem.

**Data Needed on Impacts of Building Our Way Out**

Whether the answer to the housing crisis is one solution, two or a combination of solutions, each strategy can benefit from research into where some of the strategies may take us and assertions on how the filtering process of building market-rate housing impacts people at the lowest income levels. Better data on how an unrestrained market will help people at the margins is a much-needed gap to fill. Research is needed on the push-and-pull effect of policies that favor unrestrained and streamlined development of market-rate housing, as well as on subsidized and extremely low-income housing. What are the impacts of focusing too far in one direction or another and how does this impact the quality and affordability of housing overall?
The complexity of development, which differs greatly from jurisdiction to jurisdiction, means only a small set of specialty developers have the experience, expertise and willingness to risk the capital to build housing. In lieu of cities providing more certainty in approving housing developments or banks doing the same in providing reliable gap financing, developers that have local experience and relationships benefit more than any potential new entrant in the field. Therefore, due to land and construction costs, the higher-end homes being developed are the least risky to build, even if they may be the wrong product for moderate/low-income families and individuals.

As the importance in capital and financial institutions grows, especially in the development and construction of housing, investment capital will follow housing developments that promise higher returns due to the risks involved, while affordable housing for extremely low- and very low-income families will require investments from public or nonprofit sources due to the subsidies needed to “pencil out” or meet the funding gaps needed to turn a profit.

As a result, an indication of lower returns in the future will result in a decrease of investment in housing if investors anticipate any dip in housing prices. Moreover, arguments for “filtering” of new market-rate homes that will eventually create opportunities for smaller, older housing stock to open for lower-income families takes a long time to happen as more households purchase and move up to newer, bigger housing, especially in a market with a 1.4 million unit shortfall in affordable rental homes. UC Berkeley researchers have noticed that the filtering of homes can take generations to occur and never happens smoothly.
To help understand the context and trends, Baird + Driskell conducted 30 interviews with housing leaders, as well as seven interviews with representatives from foundations. The full list of interviews is included at the end of this document.

To listen to today’s housing leaders is equal parts despair and hope. A strong economy and other factors have combined to produce an acute housing shortage. Home ownership prices are over a million dollars in many communities, home ownership rates have hit record lows and nearly half of renters stretch to pay the rent. Funding for affordable housing, which has been limited since Proposition 13, took a major loss when Redevelopment Agencies were eliminated in 2012. The Agencies, which were the largest local source of funding, produced 4,500 to 6,500 units a year\(^1\).

At the same time, there are changes that have buoyed hopes. For example, a new real estate recording fee will generate approximately $250 million per year and a recently passed $4 billion bond may fund tens of thousands of units. Perhaps because the situation has gotten so bad, there is new interest in solutions. The market is experimenting with innovative products, advocates are making new inroads and more data than ever is being collected.

The key themes are shown in the sidebar and described in more detail below. It is clear there is no easy fix. The California housing market is huge and complex. No one idea, intervention or innovation will singlehandedly move the needle.

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**KEY THEMES**

The following are key themes that have evolved from our research:

1. Two distinct housing markets coexist: market-rate and affordable.
2. Affordable housing needs have been growing for decades but are now finally being noticed.
3. Impacts from past housing policy decisions still linger today.
4. Natural disasters are adding to housing challenges.
5. There is an increasing need for those most impacted by decisions to be heard in the decision-making process.
6. Affordable housing developers are still suffering from the loss of the State’s Redevelopment Agencies.
7. The State is applying an increasingly heavy hand to require cities approve more housing at higher densities.
8. Proposition 13 has led to the fiscalization of land-use decisions.
9. Many solutions are organized around three key concepts: production, preservation and protection of affordable housing.
10. Home sales are dropping throughout the U.S.
Theme 1
Two Distinct Housing Markets Coexist: Market-Rate and Affordable

Of California’s two housing markets, one is profit-driven to provide housing products for those who can afford them. That market will, generally, build the housing that provides the highest return on investment. Most of the time, this constitutes more luxury housing, if there is a demand for it. The demand for housing is so large — 180,000 new homes needed annually — that new market-rate housing construction alone will not alleviate the strain. Moreover, the private market alone is not providing housing at prices affordable to many lower-income and middle-income workers.

The second market is led by nonprofits, along with some for-profit developers. Affordable housing developers use tax credits and other incentives to make construction feasible, and are driven by providing housing at a particular pricing point. This market focuses on a housing product intentionally and strategically directed towards a segment of the market that cannot otherwise access market-rate housing.

Both markets are equally important as they meet the needs of different segments. Investing in one to the detriment of the other will likely harm the whole, with many instances where the two are in competition, particularly when it comes to land.

Theme 2
Affordable Housing Needs Have Been Growing for Decades but Are Now Finally Being Noticed

The housing crisis is not a new problem; low-income families in California have been dealing with housing issues even during the best of times. The difference now, however, is the new interest in affordable housing as the problem has moved from individuals with what might be considered special needs (extremely low-income, farmworkers, seniors, severe mental health concerns, etc.) to teachers, emergency services personnel and many others striving to live in communities throughout California. The heightened impact of high housing prices and rents is touching more and more people. The emphasis on providing workforce housing or middle-income housing masks, to some degree, the consistent needs of the extremely low-income. Those who, regardless of economic boom or bust, are struggling to make ends meet. The housing demand also has meant higher income households encroaching more into traditionally lower-income neighborhoods, leading to increased interaction among different socio-economic groups and awareness of the effects of the housing crisis.
Theme 3

**Impacts from Past Housing Policy Decisions Still Linger on Today**

Race, class and housing in the U.S. have been intertwined since President Franklin D. Roosevelt and the U.S. Congress first established the Home Owners' Loan Corporation (HOLC) in 1933, which included a federal loan refinancing program to help during the post-Great Depression foreclosure crisis. The program created a rating system on maps that classified areas considered safe for investment (green or A - first grade), all the way down to redlined areas (D – fourth grade).

Still today, the effects of redlining are part of the reason neighborhoods remain segregated. However, with their intact historic housing stock, formerly redlined neighborhoods in cities such as Los Angeles, San Francisco, San Jose and San Diego are now facing gentrification in the current hot real estate market. The result is displacement of families from neighborhoods that once were deemed too dangerous for investment. The location of these neighborhoods and the scarcity of land elsewhere contribute to the impact of these policy decisions.

Theme 4

**Natural Disasters Are Adding to Housing Challenges**

As the consequences of climate change are increasingly felt, as witnessed by California’s single worst wildfire season in history, the need to connect long-term natural disaster prevention with affordable housing is more important than ever. Wildfires and flooding in areas that already have a short supply of housing further exacerbate the housing crisis in affected communities. Together in 2018, the Camp Fire in Northern California and the Woolsey Fire in Southern California destroyed over 15,000 homes and displaced over 300,000 people, totaling up to $13 billion in insured losses. This danger is especially relevant for families living in what can be considered unsubsidized affordable housing, such as mobile home parks. Further, there are no disaster recovery plans that include long-term means to re-house individuals impacted by these natural disasters, making all the housing issues in these areas more pronounced.
Theme 5
There is an Increasing Need for Those Most Impacted by Decisions to be Heard in the Decision-Making Process

Residents impacted most by the housing crisis often times do not feel their voices are being heard, in part because of the imbalance of power between landlords, homeowners and property owners compared to tenants. This is despite the fact that renter households outnumber homeowners in most of California’s major cities, including cities like Long Beach, Los Angeles and Oakland, where the renter share is approximately 60%. The inherent difficulty of raising local voices to statewide attention make a collective voice for those affected most by affordable housing policy decisions difficult to hear. Moreover, a large number of California cities transitioned from homeowner majorities to renter majorities between 2006 and 2016, including Stockton, Anaheim, Santa Ana, San Bernardino, San Diego, Sacramento and Fresno.

The increasing percentage of renters overall shows the difficulty of homeownership during this housing crunch. At the same time, it opens up the potential for moving renter-friendly policies forward. Additionally, it is important but challenging to involve people who work in a community, but cannot afford to live there, in the discussions.

Theme 6
Affordable Housing Developers Are Still Suffering from the Loss of California’s Redevelopment Agencies

Cities lost one of their main tools for financing affordable housing when Governor Jerry Brown discontinued redevelopment agencies in 2011, in an effort to balance the State’s budget. This was, and is, a problem, since affordable housing public subsidies from government sources make up the bulk of the money available for affordable housing, and redevelopment agencies were the largest source of these funds. At one time, redevelopment agencies in California were required to set aside 20% of their tax increment proceeds to fund affordable housing development, which equaled roughly $1 billion annually or about 4,500-6,500 affordable housing units yearly moving forward. Redevelopment agencies also gave jurisdictions the power to buy and hold land, allowing them to compete with market-rate developers and purchase lower cost land during economic downturns. With the arrival of Governor Gavin Newsom in office in 2019, there has been some discussion of reviving California redevelopment agencies in some form.
Many affordable housing advocates believe that tenant protections above all else are the lowest-hanging fruit with the most potential for immediate impact in the affordable housing field. The displacement of an existing family from a home and a community creates another need for affordable housing, typically elsewhere, and most likely in a community that is lower-income with fewer housing opportunities. Tenant protections cost the least to implement, as opposed to raising the billions of dollars necessary to build affordable housing in a high-cost region, yet tenant protections also are the hardest to implement.

The most impactful form of tenant protection is rent control or stabilization, an ordinance that protects tenants from excessive rent increases, while allowing landlords a reasonable return on their investment. The ordinance limits rent increases to a certain percentage yearly and allows for a full increase to market rents once a tenant vacates a stabilized housing unit. Due to ongoing debates over the impact of rent control on property owners and the rental construction market, passing rent control ordinances is no easy task.

However, short of rent control, jurisdictions can employ other tenant protections that will benefit low-income tenants, including:

- **Just Cause Eviction Ordinances:** Allows landlords to evict tenants only under specific reasons or “just causes,” such as a failure to pay rent or a violation of agreed-upon lease terms.

- **Rent Review Boards and/or Mediation:** Rent review boards (sometimes called rent mediation) allow for mediation between tenants and landlords on issues related to rent increases. The process encourages both parties to work towards a voluntary agreement and does not typically include a binding decision. Jurisdictions, as well the state, will need to increase infrastructure to implement new tenant protections in the pipeline. This would include increasing internal capacity through technical assistance as well as educating the community with help from legal service organizations.

“California has gained nearly 900,000 renter households since 2005.” –California Housing Partnerships Corporation, April 2016.
Theme 7
The State is Applying an Increasingly Heavy Hand to Require Cities to Approve More Housing at Higher Densities

In recent years, the State has taken increasingly strong action to get cities to build more housing, including the creation of more accountability and data tracking of housing built, as well as removal of certain barriers to the development of housing. Both prongs of state-level encouragement — accountability and streamlining — are putting more pressure on local jurisdictions, which are beginning to grapple with the potential loss of local control over land use and housing decisions if they fall behind in keeping up with local housing demands.

Governor Newsom has been actively pursuing enforcement of state housing laws, including a recent lawsuit against the City of Huntington Beach in Orange County for reducing the number of homes allowed on land previously designated in their Housing Element for higher density residential housing. The rezoning meant that the City no longer had enough land zoned for homes shown in their approved Housing Element, making them out of compliance and susceptible to legal action by the Governor. Enforcement lawsuits such as this, coupled with new affordable housing funding available only to cities that encourage the development of affordable housing, are changing the overall climate for housing development in California.

Theme 8
Proposition 13 has Led to the Fiscalization of Land Use Decisions

Local jurisdictions rely on local taxes to pay for a significant portion of their services, such as police and fire protection and local public school funding. Sales taxes from commercial and retail businesses and property taxes on all uses, whether residential or office space, are typically reliable incomes for cities and counties. However, in California, Proposition 13, a voter-initiated limit on property taxes passed in 1978, has for 40 years pushed local jurisdictions away from property taxes and into other local tax options. The limit on property tax reassessment has led to a California in which longer-term homeowners and businesses have been paying significantly less in property taxes than new homeowners. Cities and counties instead have had to rely on sales taxes and transient occupancy taxes, meaning many jurisdictions have for decades favored the development of big-box retail, car dealerships and hotels over housing development. There is some movement to close a loophole that currently allows large commercial property owners to avoid paying their fair share of property taxes, even when properties are sold.
**Theme 9**

**Many Solutions are Organized Around Three Concepts:**

**Production, Preservation and Protection of Affordable Housing**

Affordable housing leaders and organizations have focused efforts on a three-pronged approach to affordable housing policy, colloquially called the "Three P’s: Production, Preservation and Protection." Production involves the development and construction of affordable housing at all levels, but especially at the lowest levels. Preservation is the use of funding to preserve existing affordable housing and includes re-subsidizing affordable homes that are about to lose their affordability requirement (typically constrained to 30 to 40 years). Preservation also includes acquiring and rehabilitating unsubsidized affordable housing to not only ensure its affordability, but also to improve the living conditions. Protection is a series of tenant-related policies, such as just-cause eviction and rent board mediation, which protect tenants from direct and indirect displacement.

“All three — production, preservation, and protection — need to move together in concert. Focusing only on one exclusively leads to losing housing and not a net gain. For example, if you’re building housing, but losing people, it’s like filling up a cup of water with holes in it”

— Isela Gracian, East Los Angeles Community Corporation

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**Theme 10**

**Home Sales are Dropping Throughout the U.S.**

In 2018, home sales dropped in every month except for one, including a significant drop in the last quarter of the year. In nine of the last 11 recessions, significant drops in home sales foretold economic downturns. Despite the data on home sales, it is unclear if the economy will eventually submerge into a full recession due to favorable indicators in consumer spending, unemployment rates and overall wages. Moreover, there are specific reasons for the dip in home sales, including mortgage rate increases (four times in 2018), reduction on mortgage rate deductions from the new tax laws, increasingly high housing prices and overall perceptions of the market being more favorable to sellers than buyers. It is still far too early to tell how the economy will look in the coming years, especially how the housing market will perform in reaction to the overall economy. However, in anticipation of a potential economic downtown, communities have begun thinking about preservation, including holding land and housing through community ownership, as one strategy to implement in case a recession does occur.
**CHALLENGE — Statewide Policy Solutions Must Still Overcome Local Decision-Making Impediments.**

Despite the election of a new governor who has indicated his desire to focus on affordable housing, in order to be successful, the affordable housing field will need victories on the local level.

No matter how many new state laws are passed by a pro-housing Governor, each of the 58 counties and 482 cities in California has its own set of elected officials, planning commissions, rules and staff. One way of quantifying the level of commitment a jurisdiction has for affordable housing is to measure the number of anti-displacement and affordable housing-related policies they have in place.

The Urban Displacement Project, a collaborative effort of University of California, Berkeley, UCLA and Portland State University, measured the number of policies cities in Los Angeles County have in place, ranging from First Source Hiring Ordinances to Below Market Rate Housing requirements. From a list of 14 affordable housing/tenant protection policies, the County and its 88 cities typically passed only one to three policies each, with the City of Los Angeles passing the most number — 10 of 14 total — far more than other cities. With many cities not even having passed one affordable housing-related policy, it is no surprise some affordable housing advocates speak of a lack of commitment to affordable housing, especially from local government representatives.

Overcoming local decision-making obstacles will take local grassroots influence from affordable housing advocates, as well as pressure from the State to enforce and enact statewide affordable housing policies.
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Part II
STRATEGIC OPPORTUNITIES AND BIG IDEAS

Prepared for the James Irvine Foundation
Baird + Driskell Community Planning
In October 2018, The James Irvine Foundation hired Baird + Driskell Community Planning to complete a housing landscape report that looks at housing trends, opportunities and innovations in California. Building on previous work, including research done for the Irvine Foundation, the materials prepared provide the basis for discussion. Rather than a definitive report—there is no such thing when it comes to a topic so large—these materials begin the conversation. They are intended to help frame the issues, spotlight openings and provide a basis for discussion.

The information presented has been packaged in three separate, but highly interrelated, documents covering the following: (1) Background and Challenges; (2) Strategic Opportunities and Big Ideas; and (3) Key Levers and Resources.

Special thanks to Leslie Payne of The James Irvine Foundation for guidance throughout the researching and writing of the report.

Baird & Driskell Community Planning
Jeff Baird
Josh Abrams
Vu-Bang Nguyen
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Strategic Opportunities and Big Ideas for Philanthropy

Entering the field of affordable housing in California can be a daunting task. With the average unit costing almost half a million to construct, even a $1 million grant does not go far. There are, however, many funding opportunities for a foundation entering this sector that can incrementally help fill gaps not currently being met by the public, private and nonprofit sectors. This impact can take many forms: helping existing entities raise money, building capacity for nonprofit organizations, ensuring communities have a voice through effective communications and the narrative around affordable housing, developing policy-related investments using endowment funding or creating an affordable housing fund.

Interviewees were in strong support of seeing more philanthropic partners enter the affordable housing field in California, especially mentioning the transition of the Ford Foundation and MacArthur Foundation away from directing funding in this area. Many also noted that the Ford Foundation’s prioritization of long-term investments in organizations involved in power-building and organizing not only brought gross dollars to the field, but priorities, advocacy and analysis as well.

Through interviews with seven foundations and 25-plus nonprofit organizations currently focused on affordable housing, we gleaned key insights and strategic opportunities for philanthropy to consider when entering this field, including 10 distinct opportunities we refer to as “Big Ideas” in this report.
These big idea opportunities for philanthropy include activities with which foundations, currently funding affordable housing or new to the field, are very familiar. Many of these initiatives were recommended by nonprofits currently funded to increase affordable housing opportunities, as well as foundations presently funding many such activities, bringing together the unique perspectives of both funders and grantees. Some key opportunities include:

- **Data, technology and research**: Support research and data on the number of affordable housing units approved, both permitted and constructed, as well as research on the impacts of policy decisions.

- **Leadership development and technical expertise**: Promote leadership development programs intended to increase the capacity of community leaders, elected officials and appointed board members and commissioners, providing them with the tools, technical assistance and networks to navigate this complex field.

- **Grantmaking to advocacy organizations**: Consider grant funding that is both long-term and focused on policy advocacy, with a special emphasis on community organizing.

- **Communication and narrative change**: Provide resources for communication support that more effectively and powerfully conveys the need for affordable housing, especially across sectors such as health, jobs and education.

- **Cross-sector collaboration and coalition building**: Strategically advance conversations and create more housing opportunities by encouraging collaboration across sectors, especially with existing networks whose interests align with the development of affordable housing and can benefit from its solutions, such as health, education, workforce development and business.
The 10 Big Ideas we feel merit special attention and consideration are:

- **Create Public Municipal Bank Financing for Affordable and Alternative Housing:** Public banks provide cities and counties, including under-capitalized and high-poverty regions, with a mechanism to remove their holdings from Wall Street banks and deposit them in regional public banks that commit to community-supportive priorities such as increasing the supply of capital available for local affordable housing.

- **Create a Regional Director of Affordable Housing Strategy:** This position, placed at a nonprofit advocacy organization, can connect local advocacy with efforts at regional and statewide levels and create opportunities for shared and coordinated implementation of housing strategies while enhancing a region’s influence over state legislation.

- **Mobilize Low-Income Residents of Affordable Housing Developments:** This achievable model for impacting civic engagement will advance equity in housing by accessing affordable housing developments and their residents to engage in the democratic process and deliver positive electoral and policy outcomes for affordable housing.

- **Create a Community-Engaged Housing Justice Research Network:** Drawing together researchers and community-engaged organizations can result in solutions grounded in community-lived experience and confirmed research findings by generating information about the consequences of proposed housing policy legislation. The partnership can systematically review potential impacts, support informed decisionmaking and help ensure that creative strategies are implemented where needed.

- **Create a Neutral Table for Affordable Housing Conversations:** This creative concept provides a structure that encourages open exchange among groups and organizations, who otherwise might not meet or meet only under politicized circumstances. In this setting, ideas can be freely discussed, with the outcome more impactful affordable housing policy solutions.
• **Create a One-Stop Shop for Statewide Affordable Housing Funding Sources:** Having a single administrative portal through which developers can apply for and receive awards will increase predictability and efficiency in housing development and rehabilitation financing.

• **Create a Workforce Pipeline for Affordable Housing Residents:** Employing a collective impact approach, affordable housing developers and owners would become conveners in a cross-sector coalition to recruit, train, place and support residents of affordable housing in living-wage jobs in growing industries.

• **Create a Public Sector Housing Development Training Institute:** This educational solution would build the capacity of public sector staff to deliver affordable housing development — whether as partner or developer — to significantly impact the speed and quantity of homes brought to the market.

• **Create an Online Affordable Housing Listings & Common Application Portal:** Digitalizing the online affordable housing search and application process provides a simple, one-stop solution for affordable housing seekers to access available listings, submit applications and navigate confusing lottery processes. It also provides valuable data to not only monitor the affordable housing application and placement process for fair housing purposes, but to inform future housing policy.

• **Facilitate the Creation of Institutionalized Collaboration Among Jurisdictions:** Such institutionalized collaboration involves working with jurisdictions to increase their ability to implement housing policy and best practices by providing a forum for peer learning and cooperation, tailored products and access to housing experts.
Data, Technology and Research

Philanthropy can play a large role in supporting data and research efforts due to its long-standing support for rigorous analysis and valuation of quantitative and qualitative analysis. Two common threads of data and research needs arose during interviews with housing leaders: data on the number of affordable housing units approved, both permitted and constructed, as well as the research on the impacts of policy decisions.

Types of data currently being tracked by organizations include housing production (number of units across economic strata, types of housing incentives, amount of affordable units being built in place versus off-site, location of multifamily housing, etc.). Currently, only the better-resourced jurisdictions have parcel level data and online permitting systems that can be accessed.

Philanthropy and academia are exploring ways to develop systems to track approvals, permitting and construction of overall housing, especially affordable units. If jurisdictions at the local level up to the State had a more sophisticated data collection process in one centralized location, that data could help inform policy-making decisions, determine what funding is needed to support the entitlement process and put pressure on jurisdictions to improve the efficiency and efficacy of their permitting process.

The 2017 California Housing Package from Senate Bill 35 and Assembly Bill 879 have brought additional annual reporting requirements to local jurisdictions, including the following data on existing developments and SB-35-related housing developments, which will help the state monitor overall housing development:

- Residential development applications (number of applications, housing units requested, housing units approved and housing units disapproved from project denial or density reduction).
- Completed entitlements, by income level (very low, low, moderate or above moderate) and tenure.
- Building permits, by income level and tenure.
- Final Certificates of Occupancy or final inspections, by income level and tenure.
- Changes to residential zoning in order to complete a Housing Element program or because of a no-net-loss requirement.

In addition to overall housing unit data, policy advocates, as part of their campaigns, often rely on data visualization and mapping that show impacts of policy changes and how the effects play out in different communities, including both stories of success and failure. This research is even more powerful when it precedes the policy-level work and helps inform the policymakers and the policy influencers. Decisions are sometimes made without an inherent expertise on the impacts of different policies, but based more on opinions. This is especially true for tenants’ rights organizing where advocates are up against significant opposition funding from associations that represent landlords and real estate agents. Pro-tenant advocates cite the need for research on housing trends and conditions as a gap that can be filled.
Leadership Development

Philanthropy has long supported leadership development to maintain the capacity of community-based organizations and to ensure there is a pipeline of equipped leaders to take over when needed. Many decisions that affect land use and housing policies are made at the local level, often by decision-makers who are only recently learning about housing issues, many for the first time. In addition to providing technical assistance and learning opportunities for decision-makers, philanthropy has an opportunity to create a double bottom line with support for both organizational capacity-building and ongoing leadership development. Successful models of leadership development programs seek out existing community leaders and provide them the tools to increase their influence through technical assistance and networking capabilities to be appointed to boards and commissions with decision-making power.

CONSIDERATION — Bringing Together the Housing Justice Movement

Recent conversations at the state level and among regional organizations have shown some fragmentation among organizations that have a common goal of increasing opportunities for affordable housing. This is especially true when it comes to affordable housing developers and organizers, who are both supportive of affordable housing opportunities, but are often pitted against each other in individual battles.

The challenge to bringing together different voices to ensure a more pronounced, single housing justice movement includes the diversity of the movement — geographically, politically and professionally — among other constraints. There are challenges to raising the voices from local affordable housing advocates to the regional and the state level, just as there is a challenge to finding common solutions to housing affordability between for-profit housing developers and community organizers.

Addressing these various challenges will require creating opportunities for all voices from the housing justice community to convene, share and collaborate. For example, it is important to convey the many financial and regulatory hoops that developers have to jump through to ensure the development and construction of affordable housing. It is equally important to convey the importance of affordable housing organizers who are on the ground trying to pass policies that will inevitably help developers. It is vital that we bring the overall housing justice movement together to hear their stories, either directly or through intermediaries such as regional organizations or research institutions.
Direct Grantmaking to Nonprofit Affordable Housing Advocacy

Foundations are, of course, best known for their direct grantmaking, with many foundations focusing these efforts on affordable housing advocacy organizations. Although some foundations provide affordable housing grants through various related programs such as health, human services, environmental, social justice/equity or community development, many (including the foundations interviewed in this report) have direct grantmaking programs for housing-related efforts. The organizations working on affordable housing include local, regional and state housing policy advocates and organizers, nonprofit developers, policy research think tanks and academic research institutes.

As part of an overall direct grantmaking strategy, the majority of affordable housing advocacy organizations suggest philanthropy focus on two points of emphasis: long-term commitments to nonprofit advocacy organizations and support for community organizing as part of an overall affordable housing strategy.

Long-Term Commitments

For nonprofit organizations that have been working on affordable housing, the housing crisis is not new. Low-income families have been fighting for affordable places to live even during the best of economic times. The difference today is the housing crisis is more widespread and touches upon a broader economic stratum. One result has been the introduction and formation of new forms of advocacy groups, including those that represent middle-income interests.

Although there is interest in the formation of new organizations to support additional voices for affordable housing, the most efficient and effective form of capacity building is nurturing what exists rather than starting something new. There are leaders and organizations that have been working on housing for a long time, in many cases just out of view or adjacent to the affordable housing field, all of whom depend on philanthropy for continued support. The organizations interviewed agreed on the importance of long-term, consistent commitments, especially to base-building groups and organizations that cut across sectors. According to the California Community Foundation, a key funder of affordable housing, under-invested groups include organizations working on base-building, democratizing development, displacement and inclusive development.
CONSIDERATION — More Cross-Sector Coordination to Advance Solutions is Needed.

Increasing access to affordable housing opportunities will require that more groups and organizations, including business leaders, are engaged in talking about solutions. Housing is a big issue to many business leaders, as workers decide to leave or turn down opportunities in California due to housing costs. Other necessary voices include sectors most affected by the lack of affordable housing, including health, criminal justice, foster youth, environment and transportation.

The challenge is creating a safe space that allows for strategic and productive conversations. For example, although the business community typically has not chosen to directly use its voice in support of affordable housing, recently Marc Benioff of Salesforce funded the Prop C measure to support homelessness in San Francisco.

Filling this gap in representation from all sectors affected by affordable housing, and encouraging more discussion, will require broadening the diversity of voices from all sectors to embrace those “across-the-aisle” individuals and organizations. Additionally, this may lead to more inside/outside strategies as different sectors work together to implement policies.
**Staying the Course to Fund Implementation and Monitoring**

In addition to capacity building, there is a need to continue measuring success and outcomes once policy wins (and losses) are implemented. Although calculating the number of affordable housing units developed is an important measure of success, ensuring monitoring is equally as important. Monitoring at the level needed to ensure ongoing success of policy wins takes investments in ongoing capacity, especially for coalitions that will monitor and push at local, regional and state levels.

Once success is achieved, it is important not to pivot, but to continue supporting organizations and community leadership. There are dual outcomes and benefits to building organizational capacity, especially in coalition with other organizations. Support of continued monitoring and implementation work does not always seem exciting, but if it is not done, successful outcomes may not be realized, despite being as important as the initial policy win itself.

**Community Organizing**

A common thread of affordable housing policy/advocacy and organizing nonprofits is, “Philanthropy does not always fund the community organizing we need on-the-ground.” Several organizations we interviewed state that funding is more likely for intermediaries, research and advocacy, while funding for organizing often is seen simply as a gap that needs to be filled. There is a mindset in the housing movement that the answer will all come from policy, funding or some other innovative solution, but the backbone of implementation of these solutions requires a significant level of local, regional and state organizing. This is especially true for grassroots organizing, base-building and leadership development.

Investing in the expansion of capacity or existing efforts, rather than seeding new innovative ideas to make them tangible is a strong proposition. Almost all the interviewees mentioned support of existing staff time or the addition of one or two additional staff will go a longer way to reaching their respective goals than nudging an organization to follow a new path or idea.

In addition, seed money to start a new idea is not always as impactful as investing in organizing community members or ensuring an organization can continue doing its best work, which has been proven effective. There is a tendency to try coming up with a new solution people have not thought of before, when, in fact, the power may lie in building their base.

For many communities, housing has been a crisis for decades, but now more people are suffering, including middle-class families. Faced with this expanded need, organizations have noted that they need long-term commitments, especially when they are working on policy change that requires multiyear campaigns and building coalitions. These organizations count on long-term partnerships with foundations, as well as guidance on planning for the future, which may include funding potential or changes in the political wind that many foundations sense before community-based organizations. These needs are doubly true in under-resourced regions across California not located in the coastal or metro regions. Inland California lacks the level of resourcing that organizations in larger regions have available.

The Program for Environmental and Regional Equity at the University of Southern California has found that providing local organizing groups with capacity has the most impact, especially compared to funding organizations that do not have a history in a particular community.
**Program and Mission Related Investments**

Mission-related investments (MRI) and program-related investments (PRI) are two tools that private and community foundations can develop for affordable housing opportunities. These investment opportunities have different requirements attached — MRIs are financial investments, a foundation’s “other 95%,” while PRIs are treated more as grants with specific charitable standards. Yet they can both be used to fund affordable housing-related opportunities, such as pre-development capital, acquisition funds, pooled loan funds and other forms of capital. Additionally, PRIs are considered a charitable purpose and, thus, according to the Internal Revenue Service, count toward a private foundation’s annual minimum payout requirements. As a result, they are not intended for significant investment purposes and cannot be used for lobbying.

**CONSIDERATION — Support for Critical Services is Just as Vital to Low-Income Families as Housing**

Affordable housing developers who provide wraparound services for their tenants, as well as service providers themselves, have seen a strong need to raise funding for support services that generally are not funded as part of an affordable housing development. Services such as workforce development, job training, case management, mental health and after school care do not see the same level of cash-flow funding as the affordable housing development resources being allocated today in California.

The challenge to funding for these services is the lack of support during the launch of an affordable housing development, since so many resources are used to develop and build the actual housing. It is critical, however, to provide support during the first two to five years of a development’s launch, since these services will be needed in the long-term for 50 to 60 years without interruption.

Overcoming this challenge will include collaborating between affordable housing developers and service providers to ensure funding supports both equally. Focusing on the overall betterment of an individual or family in an affordable housing development will lead to continuing support even after the home is built. Thinking of affordable housing as a continuum means the job is not over when the affordable home is built — it is only beginning — as other services are implemented to hopefully raise families toward economic prosperity and empowerment.
**Pay for Success**

The Pay for Success financing model is an opportunity for philanthropy to provide interest-free funding for affordable housing development. Pay for Success is a funding model that pairs a local government with nonprofit service providers who partner with loan investors. Essentially, government is passing over the role of service provider, and the accompanying financial risks of providing the services, to a nonprofit (in this case an affordable housing developer). If the project is a success, the government pays out according to their contract and investors receive interest on their loans. If the project is a failure, the government pays nothing. Due to the need for success to receive funding from the government, the service provider is incentivized to deliver a quality project — in this case, a development that will alleviate the social and financial impacts from a lack of affordable housing for homeless or low-income populations.

The Pay for Success model is ideal for affordable housing funding because it provides risky capital upfront, buffers government from risk, bases successful outcomes on pre-determined quantifiable metrics over a longer period of time, increases accountability from service providers and allows for successful programs to be quickly scaled up. Moreover, due to the partnerships between government, outside investors and nonprofit service providers, this model can potentially increase the amount of philanthropic and private funding contributed to affordable housing. As the interest returns from the initial investments after successful completion, the capital can be redistributed back to more affordable housing developments.

The funding also can be used to maintain affordable housing and fund wrap-around support services as the intent is to ensure social metrics of success, which in this case is housing underserved communities.

**Develop More Affordable Housing Funding Opportunities**

One foundation’s yearly grantmaking budget, if directed only to brick and mortar projects, likely will not lead to development of a substantial number of affordable housing units. That very same foundation, however, through strategic investment into developing an affordable housing fund, can create long-term financing. This is especially true when it comes to seeding the formation of a fund. One example is the recently established Bay Areas Partners’ Regional Fund, developed by the Chan Zuckerberg Initiative, Facebook Inc., and the Ford Foundation. The fund, which is managed by the Local Initiatives Support Corporation (LISC), is raising $500 million it hopes will provide flexible housing funds for a wide range of opportunities they see as a need in the market, including missing-middle housing, preservation of homes coming off rent restrictions and high-value supportive housing. The fund covers the five-county Bay Area and supports an income range between extremely low to middle-income households.

**Create and Convene a Table**

One of the many prominent tools philanthropy has is its ability to convene. In areas with differing opinions and fragmented stakeholders, but overall alignment on a common goal, philanthropy can bring people together. This is true of the affordable housing arena. Philanthropy can create a safe space for differing opinions to discuss, collaborate, negotiate and facilitate — essentially a collaborative space, coalition/partnership, convening table or even an incubator for collective ideas to grow. The idea of a convening is not entirely new, but organizations working on affordable housing have struggled with one key aspect of bringing stakeholders to this space — funding support.
Organizations typically are not funded to help support the creation of a collaborative and convening space to address these concerns and, when they are, they often are supported at differing funding levels. Some members of a coalition are given flexible support and can put in hours on local, regional and statewide policy efforts. For others, finding that level of support is a stretch. Instead, they more typically are funded to work on their own programs while working in coalition spaces, in many cases, without funding support.

**Technical Expertise**

Philanthropy has the opportunity to ensure long-term technical expertise in the public, private and nonprofit housing sectors. In many cases, the resources and tools provided to a jurisdiction or a housing developer are only as good as the people (considered as "champions") who administer and implement them.

Jurisdiction staff must participate at every stage of the affordable housing process, from planning approvals to building permits to code enforcement. The primary mechanisms to plan and implement new housing require upfront investment from local government, which many smaller cities do not have. How local planning and housing departments set up their processes and carve out tasks among city staff have significant impacts on how effective departments are at administering their affordable housing plans and programs. This is especially true for smaller cities with limited staff experience to face the additional flow of resources that include additional accountability requirements like data reporting or administrating loan programs.

Not only is local staff affected by a lack of technical capacity, there is pressure on elected officials to solve the affordable housing crisis, but not enough education on the issue to help them to fully understand the issue. Questions like: "What does parking have anything to do with it?" and "What are the impacts of rent control?" come up consistently, with not many answers coming in response.

There is a potential for collaboration among smaller cities who can benefit from shared staff, resources and best practices. This is especially true in cities where real estate prices are directly impacting recruitment of city staff, as in the City of San Jose. The State is hiring 100 staff members at the California Department of Housing & Community Development, while Los Angeles County is hiring hundreds of people as well.

On the affordable housing development side, nonprofit developers are hiring to meet the demands of planning and development of housing, along with administrative positions on the financial side of development. Developers have noted a drop in skilled tradespeople, post-Great Recession, which has created labor scarcity and implicates workforce development issues. This also is true for the number of available, experienced project managers, whose job it is to compile the financial resources, entitle developments and assist in the construction of affordable housing. With a significant shortage in skilled people who can perform that role, planners and project managers are being promoted beyond their capacity.

Philanthropy can support the training needed, across the full spectrum of development and building, as well as the development of recruitment strategies that can bring more experienced tradespeople into the field, starting at the academic level.

One example of supporting technical capacity is the Policy Fund, developed by the San Francisco Foundation, which will provide grants to jurisdictions to implement activities such as small site acquisition, preservation of affordable housing and other gaps noted during
an engagement process with government staff members. Additionally, the Foundation is creating a mid-career fellowship that will be sited with jurisdictions to move forward the work established by the Policy Fund.

With this opportunity comes another: to diversify the technical fields associated with the development of housing, especially affordable housing. Although the products built by the industry are, in many cases, for low-income families and communities of color, the staff who provide the financing, recommend the policy changes, seek the entitlements, clean up the land, lead the construction or ensure legal compliance are typically not people of color or from low-income communities. That creates a disconnect between the communities affordable housing is being built in and the people providing the technical and production work. Philanthropy can play a critical role in creating a pipeline for people of color, especially those from low-income communities, to enter the technical and production fields associated with affordable housing.

**Communication and Narrative Change**

At every level, from local to national, broader strategic communication and narrative change are essential in support for affordable housing — a need philanthropy is able to fund. The affordable housing field must learn how to talk more effectively and powerfully about housing, especially affordable housing. This is especially urgent when it comes to connecting the need for affordable housing to other industries that people are interested in, such as health, jobs and education. Philanthropy can support the voices needed for building political will to benefit affordable housing, especially in building the voices of tenants, who make up the majority in many of the larger California cities.

Philanthropy can help not only with the framework for the solution, but also with what is possible based on different communities and places. For example, in some communities with a strong job market and high-performing public schools, local “Not in My Backyard (NIMBY)” sentiments may clash against the growing “Yes in My Backyard (YIMBY)” movement. Philanthropy can support an active affordable housing communication campaign with a local community-based organization that generates a useful and impassioned membership base.

**Engage Donors**

Individual donors, smaller family foundations and donor-advised funds at community foundations can play a significant role in funding support for affordable housing opportunities. Individual activist philanthropists often can provide sizeable grants, much larger than typical foundation grants. These donors are potentially very powerful because they have seen the effects of the housing crisis and many have at least considered supporting the affordable housing effort, but are faced with the same obstacles as larger institutions interested in stepping into a vast and overwhelming crisis. Donor education and engagement are critical to ensuring a smooth entryway.

**Lobbying**

Although there is a strong distinction between supporting education efforts and lobbying, many foundations are not funding education efforts due to a fear of veering too closely to lobbying activities. A lot of work can be done on the policy and legislation side that is purely educational to address affordable housing issues. That being said, the need is growing to support lobbying efforts, including ballot measures, lobbyists in Sacramento and political candidates. Two significant funding measures recently passed for affordable housing funding
that started out with modest seed funding. Measure A and its $1 billion affordable housing bond in Santa Clara County began with a modest philanthropic investment in polling, while Measure HHH in Los Angeles started with a convening of affordable housing developers that was seeded by philanthropy.

As an affordable housing movement, multiple organizations working at the state and regional level have mentioned there are not enough lobbyists for this issue in Sacramento. There has not been an increase in the number of lobbyists, especially from organizations that represent housing justice or social equity, based on the growing need and resources pouring into the field. Typically, organizations have to “work around” lobbying, which is not a position they want to take on. Lobbying is a core part of systems change and is the stark reality in the affordable housing policy field. According to the Alliance for Justice, both private and public foundations may fund charities that lobby under certain conditions.

Cross-Sector Collaboration and Coalition Building

Philanthropy, over all other entities, is best equipped to support cross-sector collaboration and coalition building. The affordable housing field can benefit greatly by collaborating across sectors, especially with existing networks whose interests align with the development of affordable housing and can benefit from its solutions, such as health, education and business. For example, supporting advocacy among people who have experienced homelessness by intervening before evictions take place will create collaborations with the homelessness sector. Moreover, working with individuals coming off feeder systems like probation, foster care and the public healthcare system will help prevent them from cycling into the streets, and unlock resources from these sectors who will see the benefits from housing individuals.

In the education field, funders have noted that a stable home improves academic success. Conversely, students from kindergarten to college-level living in unstable housing conditions feel the impact on their academic success, which, in turn, impacts the success of their fellow students, even those in more stable housing.

Cross-sector collaboration with the workforce development community can include the co-location of workforce development and job training centers in affordable housing developments, as well as construction and development training to increase the pipeline into the housing development and construction workforce. Collaboration with the immigrant-integration community can help navigate the difficult process of legal documentation associated with tenant requirements that are attached to certain affordable housing funding sources.

Collaborating with local, regional and state government also provides a partnership for success. Governments on all levels typically have a strong level of trust with philanthropy that goes much further and deeper than with other nonprofit organizations. Foundations have a strong influence on the public sector due to their unique ability to partner in ways that other entities cannot. Whether it is creating complicated funding structures, convening across several sectors or resourcing new innovations in government through seed funding, philanthropy carries a weight of impartiality, a focus on local communities (especially among community foundations) and a familiarity with capital that allows it to partner with government, especially local jurisdictions. Moreover, a philanthropic partnership provides government with political protection that can enable experiments with new, innovative ideas or forays into controversial subject matters.
10 Big Ideas

Through the course of over 30 interviews with organizations, agencies, foundations and practitioners working in the affordable housing field, 10 distinct ideas were identified that we feel merit special attention and consideration by The Irvine Foundation and others who may be interested.

The following Big Ideas provides a summary of each opportunity, reasons why it is being considered, key components, and how it can be implemented.

An initial cut for these 10 Big Ideas were either written in partnership with, or wholly by, partner organizations that were interviewed. The text has been edited by Baird + Driskell so they are presented in a common format. We took this approach to ensure the ideas are presented as accurately as possible. The ideas are not proprietary and are meant to encourage more conversation and potential implementation by anyone in the affordable housing field.
What criteria did we use to select a Big Idea?

Big Ideas should be transformative in addressing needs in the affordable housing field — and each Big Idea should:

- Provide an innovative solution that addresses a current gap or need.
- Identify a need that is currently not being met by any organization, entity or agency.
- Avoid dependency on a specific organization for implementation.
- Enable implementation by multiple organizations.
- Contain a variety of potential activities, including grants to a 501c3 nonprofit and a range of activities that can be implemented by foundations, the public/private sector, 501c4 and lobbying entities, etc.
- Be an entirely new initiative or currently be in the pilot phase of being implemented.

The discussion of the Big Ideas that follows is not presented in any particular order.
Big Idea 1
Create Public Municipal Bank Financing for Affordable and Alternative Housing

What is Public Municipal Bank Financing for Affordable and Alternative Housing?

Public banks provide a means to leverage public deposits to increase capital available to under-capitalized California regions, such as the Central Valley, Inland Empire and Desert regions. State and local governments nationwide collectively hold $502 billion in bank deposits (not to mention $4.3 trillion in state and local public pensions). The vast majority of these deposits are held in a few Wall Street banks.

Public banks provide cities and counties — including the deposits of California cities, counties and local agencies in under-capitalized and high poverty regions of the state — with a mechanism to remove their holdings from Wall Street banks and deposit them in regional public banks committed to community priorities such as increasing capital available for local affordable housing.

A network of local and regional public banks create access to credit for affordable housing and creative housing solutions, like community land trusts (CLT), limited-equity housing cooperatives (LEHC) or other new ways of constructing housing. Public banks can implement policies that allow them to lend to such entities at more favorable rates. Additionally, creative ownership structures, such as CLTs and LEHCs, can facilitate permanent affordability for both the land and the housing.

The formation of a Public Municipal Bank requires public comment on the mission and priorities of the to-be-formed institution. A public bank’s charter would be granted and renewed based on its track record of fulfilling its mission. While such a bank would not focus entirely on affordable housing, it can be required to provide credit to meet the affordable housing needs of its local population, among other priorities.

Public banks can use public deposits to create credit and to partner with local financial institutions and community development financial institutions (CDFI) to make loans to benefit that community. In other words, the public bank is designed to provide long-term benefits to the community, instead of maximizing profits. This approach allows under-resourced regions to create supplemental credit to spur the development of affordable housing.

With the capital infusion of a public bank, local financial institutions and CDFIs can create new first-time homebuyer programs, 100%
affordable housing gap financing and associated infrastructure loans to speed up affordable housing development in these regions.

For example, the Bank of North Dakota (BND), currently the nation’s most successful public bank, just celebrated its centennial in 2019. The BND is an arm of the State of North Dakota, and not a separate legal entity. Its unique operational structure has allowed it to focus on a core mission of increasing capital in rural areas of North Dakota, in partnership with local banks. As a result, North Dakota has six times more local financial institutions per capita than the rest of the country.

“The Bank of North Dakota has earned a profit every year since 1971, and over the past few decades the bank has typically paid between $30 million to $50 million a year back into the state's general budget.” Such profit returns can be an enormous benefit for counties and cities in low-capital rural regions of California.

Why is Creating Public Municipal Bank Financing for Affordable and Alternative Housing Important?

Based on the BND model, California public banks can partner with community banks and credit unions to provide credit for needs that are not well served by private-sector banks.

Currently, big banks use public deposits in for-profit lending for the benefit of shareholders. Public banks would allow reclamation of that deposit base and lending power to benefit the community and, especially, to pay for pressing local needs, such as affordable housing, which private-sector banks consider insufficiently profitable.

California public banks can also engage in direct lending to local governments for housing-related infrastructure upgrades such as sewer and storm drains, electrical lines, wildfire prevention, disaster recovery and home rebuilding, clean energy infrastructure and other Green New Deal investments. Investments also can include the rehabilitation of older housing stock, especially housing with subpar living conditions, which is of particular concern in under-resourced regions in California. The same regions that deal with low local capital and poor housing stock can benefit from a public banking system.

California’s housing crisis is one example of how decades of underinvestment in our communities has resulted in nearly half of all households struggling to afford housing, with the number of people experiencing homelessness increasing even as the state’s resources continue to grow. Readily available
What are the Key Components of Creating Public Municipal Bank Financing for Affordable and Alternative Housing?

**Payment Plan:** Local governments typically have limited options for how to pay for their most urgent priorities, and usually rely on local tax policy (spending tax revenue, issuing tax credits or issuing bonds). A public bank expands these options and lowers costs by paying for public expenditures through low-interest loans instead of more expensive payback options. Public banks would not compete with community banks or credit unions, but instead can partner with them to increase overall strength and capacity within the local economy.

In contrast, the goals for lending can be tailored to local needs. In some communities, for instance, it may be more appropriate for loan policies to prioritize rebuilding homes after wildfires, while other communities’ loans need to focus on purchasing land for shared or social housing.

Another benefit of the localized approach to funding, which contrasts to a top-down, big bank approach, is that a network of local public banks can create flexibility for localities, recognizing that those closest to and most impacted by issues understand appropriate solutions. For example, a series of local public banks can provide a network that could cover the Central Valley, a large region that otherwise cannot be served by just one public bank. Public banks, by virtue of their founding charter, create mandates to address pressing local issues that bring together appropriate stakeholders.

sources of credit from private-sector banks are not incentivized to invest in community-oriented projects like affordable housing or retrofitting and upgrading our older housing stock. This type of investment has lower returns and requires greater coordination to increase the number of housing units available, address affordability requirements, coordinate with subsidized funding sources for both capital improvements and operating subsidies and support other specialized needs of an affordable housing development.

Effective Outreach: A final operational component of public banks is the outreach process required to determine the mandates and lending priorities of a to-be-formed bank. These mandates will likely include a focus on pressing local issues, like affordable housing and infrastructure.
How Can Creating Public Municipal Bank Financing for Affordable and Alternative Housing Be Implemented?

Potential steps for implementing this Big Idea include:

- **State-level engagement**: Engage with and educate state legislators and their staff about public banking, and urge them to enact California Public Banking Alliance’s legislation to create a new state charter for public banks. After having passed AB 857, the Public Banking Act, continue to engage with state legislators and expand efforts to cities, counties, and joint powers authorities to begin the process of forming public banks.

- **Business plan development**: Work with identified city and regional partners such as San Francisco, Los Angeles, Oakland and Berkeley to develop business plans for public banks. Hire a consultant to develop business plans for these cities. This may cost $50,000 - $75,000 per business plan.

- **Analysis of affordable housing credit needs**: Consult with nonprofit affordable and supportive housing developers, advocates for community land trusts and limited-equity cooperatives, representatives from local financial institutions, CDFIs, affordable housing lenders and local public officials (especially housing and community development professionals) to determine what credit needs are not being met by existing sources of financing, especially in regions that do not currently have access to lower cost, reliable capital for affordable housing. Based on these findings, develop and distribute guidance on public bank loan policies that encourage lending to support development of affordable housing and innovative housing solutions. One item of note is that low-cost, long-term, "paperwork-light" enterprise capital, which a public bank can provide, is one of the biggest needs of housing developers and service providers.

- **Education and outreach**: Build support for public banks in California communities affected by the housing crisis. Conduct outreach and education events targeting community members and local government officials.

- **Affordable housing partners**: Reach out to organizations interested in affordable housing development such as: Non-Profit Housing Association of Northern California (NPH), Alliance of Californians for Community Empowerment (ACCE), Partnership for the Bay’s Future, and California Housing Partnership.

Potential partners to implement public banks include the California Public Banking Alliance (CPBA), various community land trusts, CDFIs, community development banks, Beneficial State Foundation, and the California Credit Union League.
Big Idea 2
Create a Regional Director of Affordable Housing Strategy

What is the Regional Director of Affordable Housing Strategy?

Installing a Regional Director of Housing Strategy at an advocacy organization could serve to strengthen local advocacy efforts to regional and statewide opportunities such as regional housing policies and state legislation. A Regional Director could be particularly effective in influencing strategy in California housing markets that function as a region, such as the Bay Area, Los Angeles, Inland Empire and the Central Valley.

Why is this Big Idea Important?

There is a growing need for a regionally coordinated strategy to tackle the affordable crisis — no city by itself can address such a large problem alone. Creating a Regional Director of Affordable Housing Strategy would open up opportunities to bring housing conversations into regional focus where they belong. Many affordable housing advocacy organizations operate at a city or county level, while others work at the state level, ignoring broader concerns that a regional director could spotlight.

Metropolitan Planning Organizations (MPO) influence housing policy at the regional level, including Regional Housing Needs Allocation — just one process that could benefit from strategic input. Key affordable housing policymaking also often takes place at the regional level, such as the passage of AB 1487, which creates a regional housing agency for the Bay Area counties, along with such legislation as SB 35, which would streamline housing construction in some cities and counties, and SB 50, which would increase housing near transit hubs.

In order to operate at the regional level, an organization requires dedicated staff tasked with working at the intersection between the state and local entities. A regional director, focused on affordable housing, would support affordable housing organizing efforts at the city and county levels, while primarily coordinating between counties and connecting California regions to state-level policy advocacy in Sacramento. Affordable housing policy/advocacy and community-based organizing at the regional level typically are not funded at the extent needed, despite its importance. With the regional nature of housing impacts, such organizing holds the potential to influence the distribution of affordable housing resources more equitably, advocate for shared resources at the state and federal level for more collective power and accurately address needs.

An example of this important role in the region is PICO California, a multi-racial community organizing network, and its Bay Area Director of Regional Strategy.
What are the Key Components of Creating a Regional Director of Affordable Housing Strategy?

Coordination, Communication, and Collaboration: It is essential to link funders, nonprofits, government and the private sector across multiple issue areas and geographies, with a focus on affordable housing policy. This is especially true because a glut of affordable housing organizations and nonprofits in general operate at the regional level.

State-level Policy Advocacy: A tidal wave of state legislation and likely ballot initiatives is currently aimed at easing the statewide housing crisis. Having a voice at the regional level is critical to participating in the statewide conversation. Bringing city-level policy-advocacy to the state level is difficult due to the many needs at the local level, but a regional policy advocacy perspective will help raise the voices of previously unheard communities.

Regional Housing Policy with Regional Government Entities: California’s various regional government entities cover 98% of the state’s population. The regional entity may include representatives from various issue areas (such as transportation), levels of government (local to federal), and geographies (one to multi-county). A handful of regional entities encompass several counties in the larger California regions, including the Southern California Association of Governments (SCAG) and the Metropolitan Transportation Commission (MTC) in the Bay Area. A Director of Regional Housing Strategy would be able to provide input on behalf of individual organizations into any planning processes that a regional government entity is leading.

How can Creating a Regional Director of Affordable Housing Strategy Be Implemented?

The steps to creating this new position are both doable and straightforward, while requiring a sensitivity to the players in the affordable housing landscape.

- Analyze various regions throughout California to identify those with the greatest need for regional capacity building in this issue.
- Analyze current organizational capacity of nonprofits working in affordable housing with an eye to their local and state-level policy/advocacy efforts, base-building capacity and existing regional influence.
- Analyze regional government entities throughout California and evaluate needs for regional policy/advocacy and interventions in communities that would benefit from affordable housing.
- Select an existing organization with local- and state-level organizing capacity in affordable housing to implement this position, based on organizational and geographically analyses.
- Develop the position with support from regional partners, including public sector and nonprofit advocacy organizations, to ensure successful collaboration among the current stakeholders.
- Ensure the position is involved in organizations at all civic levels and issue areas, building in effective connections with the selected organization’s goals and values as well as its partners and networks.

Potential partners with local and state-level capacity that can benefit from a Regional Director of Affordable Housing Strategy include Alliance of Californians for Community Empowerment (ACCE), PICO California and Tenants Together.
Big Idea 3
Mobilize Low-Income Residents at Affordable Housing Developments

What Does Mobilizing Low-Income Residents at Affordable Housing Developments Involve?

Inclusive, responsive government is contingent upon an empowered and engaged citizenry, but too often the voices of low-income people are not heard at the ballot box. This big idea addresses this problem by mobilizing residents of affordable housing.

Affordable housing developments are aggregated points of untapped voters across California and mobilization is a scalable model for impactful civic engagement to achieve broader support of policies that will advance equity in housing. Given the magnitude of the state’s housing crisis, these developments and their residents are inherently a prime, place-based opportunity to engage the historically disenfranchised — i.e. predominantly low-income and people of color — in the democratic process and deliver positive electoral and policy outcomes for housing.

Member organizations with direct access to affordable housing developments are the critical piece to creating a successful civic engagement and voter mobilization project — because such organizations reflect a network of building owners and resident services staff that is scalable across the state. Coordinated outreach through these member organizations is an unprecedented voter education strategy that uniquely amplifies property-level voter engagement.

To facilitate coordination, organizers can use a robust database of developments to visit such voters in a place they feel comfortable, mobilize them through civic engagement programs, build a regional network through strategic organizing and measure electoral participation following election dates. Imagine a network of affordable housing residents who can be tapped locally, city by city, to influence local policy and development decisions, including the approval of new affordable housing developments, as well as state-level housing policy decisions.
Why is Mobilizing Low-Income Residents at Affordable Housing Developments Important?

Grassroots civic engagement addresses the political representation of underserved populations, with deeply rooted economic inequality — just one of many challenges that have reduced participation in the formal institutions of democracy, including voting. Voter education of affordable housing residents represents an exciting opportunity to build an inclusive 21st-century democracy in the most populous state of the country. Many regions would benefit from this networked form of regional organizing, including the Bay Area and San Diego, as well as Greater Los Angeles, which represents the largest population base in California as well as the greatest concentration of poverty and housing need.

People living in affordable housing are direct stakeholders in the state’s housing crisis and making their voices heard helps to ensure that more equitable policies will be enacted so more Californians can experience the benefits of safe and affordable housing. Through regional organizing and outreach efforts, residents involved in civic engagement efforts transform their own lives and learn the power of collective action, laying the foundation for lasting social change. Giving voice to those who have benefited from the advancement of affordable housing has only grown in importance as the state’s housing crisis has exacerbated.

The collective strength of regional organizations stands to benefit greatly from enhanced civic participation of residents because it amplifies the voice of regional organizing networks and their advocacy presence. Consider the scale of impact: nearly 400,000 low-income units have been developed through the state’s Low Income Housing Tax Credit program, as administered by the California Tax Credit Allocation Committee (CTCAC). Developers within the network of the Southern California Association of Nonprofit Housing (SCANPH) network have constructed more than 160,000 units in over 1,000 buildings in Los Angeles County alone, which speaks to the potential for organizing a network across the five counties of Southern California. An estimated 432,000-plus low-income people reside in affordable housing developments within this region. Based on past resident engagement work across developments, an estimated 500 new voters per county can be turned out to participate. The potential impact in the Greater Los Angeles region — which for a network such as SCANPH includes Los Angeles, Orange, Ventura, Riverside and San Bernardino counties — comprises nearly 50% of the state legislature, almost 30 congressional districts and nearly 200 local governments.

What are the potential costs of mobilization? Staff cost is roughly $75,000 for mobilization in Los Angeles County and will require additional funds per county to hire an organizer to operate on a full-time basis or seasonally with election cycles.

One notable concern is ensuring that activities related to voter turnout and mobilization fall within the bounds of 501c3-eligible conduct of nonprofit regional affordable housing organizations. Additionally, differentiation in political priorities between counties and even cities can make mobilization a challenge across the region beyond major statewide issues, such as a statewide ballot measure or funding source.
What are the Key Components of Mobilizing Low-Income Residents at Affordable Housing Developments?

This Big Idea requires a systems-based approach to strategically targeting developments so that mobilization of residents is impactful when it comes to affecting policy, aggregating power and enabling more participation of underrepresented people in the democratic process. A tangential outcome is addressing low voter turnout and registration rates among low-income voters. To target developments, the following approach can be built to scale across the state as cursory steps to broader implementation:

**Build a property database** of regional association member housing portfolios for a comprehensive understanding of regional developments, units and estimated residents.

**Cross reference voter registration records** with property information to prioritize buildings with the lowest voter turnout and strategize prime targets for mobilization. This allows a regional organization to measure direct impact of organizing work at a development if voter registration and turnout increase.

**Work closely with resident services staff**, property management companies and nonprofit developers within a network of affordable housing builders. These partners can be provided off-the-shelf voter engagement materials to support location-specific staff in engaging potential voters across the breadth of a property portfolio.

**Support ongoing civic engagement work** of residents through the facilitation of a resident network and volunteer program called RUN: Residents United Network, a program of Housing California, to be implemented in regions throughout California. Investing in a full-time political organizer for significant California regions to oversee RUN and its growth will enable regional organizations to build a stronger base of member-oriented action through a synergy of efforts between RUN and regional organizations.

As such, regional organizations are in a position to deliver the following:

- Voter targeting, call or mail lists and social/electronic media contacts.
- Voter registration and education on the rights and responsibilities of voting.
- Communication of approved, collective positions on ballot measures, state legislation and local/regional ordinances or policies.
- Information on issues related to affordable housing production and preservation.

In terms of staffing, interns typically have provided data research support to collect needed information for the property database. To bring the project to scale, hiring at least one organizer per county is recommended.
How can Mobilizing Low-Income Residents at Affordable Housing Developments Be Implemented?

Developers have already shown strong support of these efforts by providing access to their property portfolios, resident services staff and, most importantly, residents. Consequently, implementation is not possible without engaging resident services and property management staff as liaisons, well in advance. To do so, RUN has been a successful program of engagement that runs parallel to the implementation of a networked regional organizing strategy via a property-based structure. The growth of a residents’ network like RUN has largely been accomplished through outreach to regional member networks throughout California, resident service providers and community-based organizations.

Such growth has primed implementation steps for success, including:

- Expand a regional organization’s list of member property portfolios and resident voter database for outreach. For example, SCANPH developers are active and interested participants that range greatly in size. About 60 affordable housing developers in SCANPH’s membership have an existing relationship with their political organizer to bring the network to scale.
- Grow and increase the scale of a resident leader volunteer base that effectively engages a rich, under-tapped volunteer cohort.
- Build relationships and work with resident services staff across member developments.
- Improve curriculum for leadership training and voter education materials.
- Build the capacity of local resident staff through train-the-trainer sessions so that resident services providers can oversee activities at their own properties.
- Maintain an ongoing field organizer who can continue to facilitate and coordinate consistent and structured resident engagement within the region.
- Engage in city and county initiatives on housing and homelessness on a broader level and engage resident leaders in more public hearings and forums.
Big Idea 4
Create a Community-Engaged Housing Justice Research Network

What is a Community-Engaged Housing Justice Research Network?

A Community-Engaged Housing Justice Research Network brings together researchers, practitioners, organizers and advocates to meet a critical, current gap in the field of equitable development. The goal is to advance a coherent research agenda to support more equitable development and housing justice movements.

Why is Creating a Community-Engaged Housing Justice Research Network Important?

At present, no umbrella or peer network for equitable development research and reframing exists to connect researchers to advocates and practitioners. Such an umbrella is important to focus and prioritize the empirical analysis needed to move the needle on policy and philanthropy with regard to neighborhood stabilization. Researchers performing community-engaged analysis of housing affordability and neighborhood change need to be able to learn from each other to be more effective, especially across disciplines and venues — all of which can lead to establishing stronger relationships with activist and policy networks. Community-engaged research and analysis on anti-displacement strategies can then inform campaigns and decisions.
For example, with the introduction of SB 50, proposed legislation to increase allowable density near transit in California, immediate research was needed on the bill’s potential impacts on communities to help inform residents, advocates and policymakers.

This focused Research Network would support and build the field of engaged research for housing justice in several ways, as it works to: facilitate cross-discipline learning among researchers, build researcher-community relationships (especially where these connections do not yet exist), develop a research agenda grounded in social justice values, enable more systematic responsiveness to requests for research and produce policy briefs and framing papers that advance the field.

Such a network is critical to helping solve the housing crisis, in large part because it emphasizes solutions grounded in community-lived experience and research findings. This network would generate immediate knowledge about proposed pieces of housing policy legislation and their potential implications, in order to inform stakeholders. The network also would generate and disseminate knowledge about the implementation and effectiveness of innovative anti-displacement policy strategies to help ensure that creative strategies are enforced where they are needed.

What are the Key Components of Creating a Community-Engaged Housing Justice Research Network?

Creating an effective Research Network requires such elements as:

A feedback relationship with community-based organizations (CBO) and a community-engaged research network to produce policy briefs and framing papers. The plans would include engaging at least eight university-based researchers and at least 10 advocacy organizations in its first year, coming from different parts of the country. As participation will be national, so will the scale of the impact, with network members contributing framing papers and policy briefs to the core debates around housing, displacement and equitable development around the country. Anticipated cost for the first planning year is about $325,000 ($115,000 for the coordinating universities’ staff time, communications and convening costs; $60,000 for the other six participating universities for capacity-building and convening travel; and $150,000 for the 10 CBOs for capacity-building and convening travel).
A partnership of researchers, CBOs and existing practitioner networks. The resulting dialogue would form a systematic pipeline from community conversations about housing instability and neighborhood change to a policy research agenda and from research to outreach in order to disseminate findings. Short-term outputs include translating a research agenda into research proposals and helping to match practitioners and local researchers.

A system to determine research priorities based on community needs. Partnering with CBOs through existing networks will help base decisions on immediate advocacy and organizing needs for communities throughout a network. A feedback loop can raise concerns from impacted communities while research-based solutions are recommended to community organizations best suited to implement policy. While current research emerges from relationships between researchers and community-based organizations and networks, at the moment these conversations are not systematized, and no space exists to bring groups together to collectively prioritize.

Policy briefs from researchers on emerging policy proposals, as well as existing innovative policy strategies, informed by research questions identified in the network research agenda. These briefs would outline key policy debates, what can be learned from on-the-ground implementation and potential implications of proposed legislation. Briefs would also discover existing innovative policies, particularly those that are receiving much attention and potentially being replicated.

Framing papers that reorient questions and possible answers on housing and neighborhood change. These framing papers will include briefs on the intersections between displacement and lenses such as racial equity and climate change, and summarize the research — increasing the evidence to advance policies/programs that strive for more equitable outcomes.
How can Creating a Community-Engaged Housing Justice Research Network Be Implemented?

We envision five essential steps:

- Partner with universities working in collaboration, like the Urban Displacement Project or UDP (UC Berkeley and Portland State University) to produce framing papers, such as a series on the intersection of race and gentrification.
- Approach other existing networks for partnership, such as the Government Alliance on Race and Equity, the National League of Cities’ Race, Equity And Leadership (REAL) initiative, Grounded Solutions Network, Right to the City and PolicyLink’s All-In-Cities Anti-Displacement Policy Network.
- Convene researchers and practitioners to facilitate conversations toward development of a housing justice research agenda. Increasing research capacity in places that currently do not have people conducting community-engaged housing justice research is a priority, including adding other universities from related issue areas that will expand the UDP network.
- Survey network partners on research needs and questions based on the most pressing issues they see in order to collaboratively scope responsive proposals.
- Produce policy briefs on emerging policy proposals, as well as on existing innovative policy strategies.
Big Idea 5
Create a Neutral Table for Affordable Housing Conversations

What is Creating a Neutral Table for Affordable Housing Conversations?

The creation of a safe, open and productive environment for stakeholders working on affordable housing to discuss, debate and negotiate policy, absent of pre-conceived notions. Such a Neutral Table ranges from small one-on-one discussions between two individuals to larger convenings with multiple stakeholders representing various issues, constituents and sectors. The goal is to provide a space that allows groups and organizations who otherwise would not have met or would likely only meet under politicized circumstances to have open discussions where ideas can be freely exchanged, hopefully leading to impactful policy solutions.

Why is Creating a Neutral Table for Affordable Housing Conversations Important?

The conversations where affordable housing is the main topic typically are not being held in neutral settings. When the table is set for such a conversation, there is usually an agenda that leans in one direction, since stakeholders are typically participating from their organizational point of view. The Neutral Table is a space where stakeholders can have an honest conversation without being overly political. Here an individual or organization can talk honestly, divorced from politics and money.

The following are three key areas where a Neutral Table potentially could help generate new ideas for housing affordability:

- **Diversity of Voices**: These include not only diversity in race, class, gender, sexual orientation, but also in sectors and industries affected by housing affordability. Bringing in new voices potentially will lead to fresh, innovative solutions from under-represented communities who will be empowered to speak, as well as communities that represent other affected sectors such as the environment, youth or health.

- **Geographic Range**: Since affordable housing discussions can occur at various geographic levels — from a neighborhood community center to a statewide conference — a nimble and Neutral Table will allow for new ideas to be born, no matter how small a table they are generated from.

- **Safe Space**: When the repercussions of policy decisions are played out in a safe space, new ideas can be fully heard. This allows for “bad” ideas, pie-in-the-sky solutions or other unattainable answers to be aired until a potentially successful housing policy solution is realized.

Allowing groups to talk about what changes they want to see will be helpful to crafting better policy long-term and allow stakeholders to discuss how certain policies will affect others. The Neutral Table will be especially helpful at the state level, where these tables are created by bill authors, sponsors and legislative staff. Neutralizing these settings will be furthered if they are led by individuals with the skillset to negotiate and facilitate with diverse stakeholders.
What are the Key Components of Creating a Neutral Table for Affordable Housing Conversations?

The key components of the Neutral Table start with developing infrastructure. A network of foundations throughout California will convene to help establish the backbone infrastructure for tables, locally, regionally and in Sacramento. Foundation staff, likely more familiar with hosting events and working with facilitated discussions than programmatic staff, will lead on hiring consultants and securing spaces. As tables are needed, foundation staff will have a pre-vetted list of consultants, conference spaces and organizations with policy experience to draw from.

Also critical is establishing a network of organizations working solely in the affordable housing space, those adjacent to the space, and those in issue areas impacted by affordable housing. The network can be a big tent and allow for a relatively straightforward process to join and have a seat, as needed, based on set guidelines.

Table sizes will range from one-on-one, open discussions with no note-taking to public forums and panels to larger convenings. Table time ranges will include short-term conversations, one-off tables, ongoing longer conversations and everywhere in-between. Tables can occur throughout California from small community conversations to city-wide and regional discussions and include larger geographic discussions at the state or federal level.

How can Creating a Neutral Table for Affordable Housing Conversations Be Implemented?

Here are the potential steps to implementation that we envision:

Partner with foundations throughout California representing priority regions to develop a network of safe spaces for Neutral Tables as needed.

- Develop a network of consultants to facilitate and coordinate affordable housing-related discussions, from the one-on-one level to larger discussions including panels, convenings and conferences.
- Recruit organizations to join the conversations throughout various platforms, locally to the state-level.
- Include such potential partners as foundations throughout California and advisors such as Western Center for Law and Poverty or Housing California.
Big Idea 6
Create One-Stop Shop for Statewide Affordable Housing Funding Sources

What is Creating a One-Stop Shop for Statewide Affordable Housing Funding Sources?

Big Idea #6 would create a single administrative portal through which affordable housing developers can apply for and receive funding. This change would increase predictability and efficiency in the development and rehabilitation financing process. Such an undertaking entails evaluating administrative and legal challenges, identifying opportunities to create a more efficient application and administrative process and creating an implementation workplan with stakeholders and public agencies.

According to a survey from the California Department of Finance, the State of California invests and/or administers $7.7 billion in affordable housing programs. Much of this funding is piped through 17 active financing programs, not including the Low-Income Housing Tax Credit Program and the Tax-Exempt Bond Program. All told, nearly 40 separate affordable housing finance programs are administered by 13 agencies, through which developers can access grants, soft loans and tax credits.

Each program features a different set of requirements — a separate Request for Proposal (RFP) and Notice of Funding Availability (NOFA), distinct application process and timelines and various other administrative requirements. Applying for these programs consumes hundreds of staff hours annually, due to repetitive submissions of appraisals, financial projections, pro forma spreadsheets, land surveys, entitlement packages and developer financials. Some programs are available “over-the-counter,” while others are competitive. Some feature one funding round a year, some two, and others are available on a rolling basis year-round.
Why is Creating a One-Stop Shop for Statewide Affordable Housing Funding Sources Important?

Since there is no single source of funding large enough to support all of the affordable housing development California needs, developers must frequently patch together financing from four or more sources through various government entities. Not only does this take time — often two or more years — if one funding source is not awarded, the delays from waiting for sources to reopen their application processes can necessitate expensive redemptions and financial restructuring. In addition to staff time, these extended “predevelopment” scenarios require developers to spend heavily on longer and more expensive acquisition financing products and option contracts with property sellers, along with additional surveys, studies, insurance and revised planning entitlement packages.

In a bid to reduce duplicative efforts and increase clarity, the City of Los Angeles’s Housing and Community Investment Department (HCID LA) created a managed pipeline that consolidated the application process for all available affordable housing resources. In its 2016 report “Address the Housing Affordability Crisis,” the San Diego Housing Commission recommended replicating the City of Los Angeles to boost production of affordable housing in its market noting, “This structure has allowed the City of Los Angeles to better coordinate funding for affordable housing developers by combining municipal funds with State and Federal funds based on their knowledge of deadlines and requirements, which in turn increases funding predictability for applicants.”

By consolidating the funding application process, the State can add certainty, reduce repetitive administrative work and cut millions from the development process. All of this would help developers bring more affordable homes to the market significantly faster and at lower cost.
What are the Key Components of Creating a One-Stop Shop for Statewide Affordable Housing Funding Sources?

Implementing a *One-Stop Shop* for funding will begin with a comprehensive review of all funding deadlines, legal requirements, timelines and other opportunities for added efficiency. The review will include a recommendation for development of a unified funding application and evaluation structure implemented at the state level. The goal would be articulating the specific processes where:

**All affordable housing funding programs** would be put under one umbrella at the state level.

**Developers would fill out a single application** for funding and select the relevant programs to apply for from a menu of all available funding programs available.

**The State would review all applications** during one long session annually or bi-annually.

How can Creating a One-Stop Shop for Statewide Affordable Housing Funding Sources Be Implemented?

We strongly believe these steps can be achieved by the State of California:

- Develop a research framework designed to examine the inefficiencies of the current system with various funding programs to determine baseline conditions.
- Form a task force of all relevant stakeholders (decision-makers, affordable housing developers and administrators) to design and implement the initiative.
- Negotiate a single, common funding application and make it widely available to qualified housing developers.
- Create, with assistance of the task force, a series of new tools and processes:
A regular application schedule (annual or bi-annual)

- A system to integrate future funding sources
- An application evaluation system that will include but not be limited to:
  - Geographic diversity
  - Diversity of project type related to actual market need
  - Project’s appropriateness for proposed neighborhood or location
  - Project’s inclusiveness related to race, gender and disabilities
  - Availability of employment and services in a project’s vicinity
  - Environmental considerations

A variety of organizations and individuals can provide the expertise needed to develop such a One-Stop Shop. At a minimum, a task force would include individuals from a variety of housing developers (all sizes, non-profit and for-profit), government funding program administrators and decision-makers, research and systems specialists, conventional banks, tax credit syndicators and CDFIs.
Big Idea 7
Create a Workforce Pipeline for Affordable Housing Residents

What is Creating a Workforce Pipeline for Affordable Housing Residents?

Inspired by this Big Idea, affordable housing developers and owners will go beyond current practices of local-hire requirements or limited resident service programs at affordable housing sites. Instead, using a collective impact approach, developers can serve as a convener and backbone organization for a cross-sector coalition to recruit, train, place and support residents of affordable housing in living-wage jobs throughout various growing industries that offer promising career trajectories. Developers and owners of affordable housing can serve as central sources for comprehensive workforce development programs that align training and post-employment support of residents with the needs of — and hiring commitments from — local industries.

Why is Creating a Workforce Pipeline for Affordable Housing Residents Important?

Housing authorities across the United States are transferring ownership of public housing to developers. While affordable housing is a necessary part of community revitalization, housing alone cannot create sustainable social and economic mobility for residents who have been economically marginalized for decades. This transfer of ownership and management to developers — which includes a new connection to hundreds of thousands of low-income residents — creates fresh opportunities to address the housing, social, economic and health conditions that have created negative outcomes for generations of public housing tenants. Intensive workforce development
initiatives concentrated at affordable housing sites is a place-based approach that unites the various efforts of local employers, workforce development agencies and community service providers and centralizes it among a high-needs population.

The Workforce Pipeline presents a tremendous opportunity to transform the economic environment in these communities as participants work together to:

- Determine priorities with community members and needs with employers.
- Mobilize and coordinate the efforts of area workforce partners to leverage, rather than duplicate efforts of these partners.
- Train residents for jobs at all skill levels that partner industries commit to provide.
- Coordinate post-placement support to achieve sustainable change.

Affordable housing developments offer an immediate injection of construction job opportunities into a community, many the result of local hire requirements for new construction. These construction jobs can be an important first step for low-income residents in gaining employment and experience in the field. However, housing developers who limit their workforce development activities to fulfilling the local hire requirement are missing an opportunity to lead sustainable community transformation by aligning additional worker training with the needs of other local industries.

Additionally, many affordable housing properties offer resident services, such as adult education. However, these resident services are frequently limited — both in breadth and depth — and often do not work in conjunction with larger workforce systems.

By joining community residents and existing workforce stakeholders (city agencies, community-based organizations and private industries), housing developers can create a Workforce Pipeline that provides holistic support for workers that is tailored to available jobs — beyond construction. Fruitful collaborations can target entry-level jobs in healthcare, technology and manufacturing, enabling residents to participate in growing areas of the local economy and providing employers with a stable, local and appropriately trained workforce.
What are the Key Components of Creating a Workforce Pipeline for Affordable Housing Residents?

This initiative offers a model for using large-scale public improvements to transform the economic landscape of a community. Through this pilot, a consortium of public bodies (including economic development agencies and workforce training centers), private employers (such as construction and retail) and nonprofit service providers can implement the key components:

With collective impact, this initiative can be a true collaboration among housing developers, local major employers and community-based organizations. A collective impact approach would help ensure success: maintaining shared vision, coordinating strategy and activities, sharing data and metrics, committing to problem-solving and advancing best practices. Joint activities could include regular convenings and ongoing coordination between partners for planning, data sharing and tracking, ongoing job mapping, and service coordination.

The collaborative nature ensures workforce training and support services are accessible and responsive to employer and residents’ needs, especially workers with barriers to employment.

Resident leadership must sit at the table as the group leverages community needs assessment data throughout all stages to ensure that resident needs are accurately represented and met. Likewise, employers or liaisons to various sectors should be at the table to ensure that the group responds to workforce needs and opportunities. Continual job mapping is also critical.

Job training and placement are the core of this model, but post-employment supports also are important. These can include orientation to the world of work, mentoring in workplace norms, referral to needed services, financial literacy classes, coaching/mentoring and case management.

Interventions are structured around system gaps and resident capabilities. Their impacts will need to be measured, including skill levels of residents (baseline and post-intervention testing) and workforce system (training and education). Participants should also leverage existing services occurring in housing developments, such as family support services, adult learning and after school programs.
How can Creating a Workforce Pipeline for Affordable Housing Residents Be Implemented?

The following are steps to implementation of this initiative:

- Enlist committed industry partners to identify workforce gaps and diversity goals at multiple skill levels. For example, a healthcare system needs custodial and shipping staff, as well as IT and medical staff, and may want to increase the diversity of its workforce to achieve culturally competent care.
- Call upon the housing developer to convene community and industry partners, convey community-developed priorities, focus training and support services on jobs industry partners have identified, and host a shared data-tracking tool.
- Scale the model to the size of the development site and diversify to compelling local industries, such as technology in one city, healthcare in another, green construction and solar installation in a third.
- Include such potential partners as housing developers with experience in workforce development programs like BRIDGE Housing, local workforce development agencies, community-based service organizations and major employers. Community colleges offering job skills training are also prime partners, by aligning their curriculum with employee needs identified by employers.
Big Idea 8
Create a Public Sector Housing Development Training Institute

What is Creating a Public Sector Housing Development Training Institute?

If California is going to develop enough housing to truly make a dent in its affordability crisis, we need all hands on deck. That means having staff across all sectors with the housing development skills necessary to deliver on production of new affordable housing.

Effective training resources exist for nonprofit developers and for-profit developers, but not for local jurisdiction staff. The public sector is involved at almost every stage of the housing development process, including zoning, entitling, permitting and financing. In addition, many jurisdictional housing departments and housing authorities develop affordable housing directly, and many more have expressed interest in doing so. Public sector agencies face the same staffing challenges as traditional housing developers in California — not enough available workers with the skill and experience to effectively develop affordable housing. Employers have to hire workers with minimal experience who essentially learn on the job.

Without adequate training resources, it takes much longer for staff to get up to speed and deliver on their duties. Building the capacity of public sector staff to deliver affordable housing development — whether as a partner or developer — will significantly impact the speed and quantity of homes brought to the market.

This project proposes to create a housing development training program and peer learning network for local government agency staff who support and manage affordable housing development. Such a program will build the technical capacity of the public sector to develop directly or more effectively engage with developers by providing practical, comprehensive and intensive skill training in affordable housing development strategies and techniques.
Why is Creating a Public Sector Housing Development Training Institute Important?

In order to produce more affordable housing, we need trained and skilled staff to efficiently develop affordable housing. There is an unmet educational need for a comprehensive program to develop the technical development skills of public sector staff at local housing authorities and planning departments. The factors behind this include the loss of a significant number of workers in the public and private sectors in housing development-related industries during the Great Recession, along with ongoing housing policy updates locally and state-wide that require continued education to stay up-to-date and an overall lack of capacity within the public sector. Basic industry training resources are not often available to local government agencies due to limited resources, especially for smaller cities and counties. On-the-job training often strains local agencies’ resources and is limited to the specifics of a project at hand. As a result, new employees are left with a fragmented, incomplete picture of all the elements in the development process and how to carry them out. Many local governments have ambitious housing production goals that are contingent upon a deeply qualified staff with the experience and real estate development knowledge to carry out both pipeline and future development opportunities.
What are the Key Components of Creating a Public Sector Housing Development Training Institute?

The specific components of the training program include the following real estate development curriculum modules:

- Definitions of common real estate development terms
- Exploration of the key components of sound, socially responsible property and asset management
- Extensive financial feasibility and analysis instruction
- Housing finance — the "ins" and "outs" of public resources
- Instruction on how to use computerized spreadsheets
- How to select, organize and manage a development team
- Understanding and managing the development process
- Identifying and accessing funds for development

- Feasibility analysis
- Identifying sites and obtaining site control
- Syndication and equity participation issues
- Resolving planning and zoning issues
- Construction management
- Marketing and lease-up
- Introduction to property and asset management

A combination of presentations, case studies and simulations allows participants to negotiate a typical housing development deal with real-world practitioners and draws on all of the program’s skill areas outlined above. Working together in small groups, participants are able to learn from each other and build on skills developed during the training sessions. Peer learning through a cohort training model is an essential component, due to the learnings from fellow public sector employees, as well as the long-term, ongoing benefits of a robust network of practitioners.

Another important feature of the training program is that it provides for the practical application of lessons learned in the participant’s real work setting. Participants are expected to participate in an actual housing development as part of the training program.
How can Creating a Public Sector Housing Development Training Institute Be Implemented?

This specialized curriculum can be updated to focus on key professionals in the public sector, selected based on merit and on priority issues (housing and planning). To increase benefits to California, we suggest focusing on key decisionmakers in the development process (elected and appointed public officials) and on geographic relevance coupled with existing capacity (Inland Empire, Central Valley).

The implementation steps are:

- Solicit input from jurisdictional housing departments, housing authorities and developers on program design and curriculum.
- Develop curriculum and application for potential local government applicants.
- Develop training and planning schedule.
- Conduct outreach and marketing to distribute applications to housing authorities, planning departments, housing departments, building and safety departments and other public agency departments.
- Review applications and select participants.

The estimated cost to implement the Housing Development Training for Local Government curriculum is approximately $350,000 for a cohort of 60 students.

Among the potential organizations best suited to participate in the implementation of this Big Idea are such experienced training delivery partners as the Local Initiatives Support Corporation and California Housing Partnership Corporation, as well as local government agencies.
Big Idea 9
Create Online Affordable Housing Listings and Common Application Portal

What is Creating Online Affordable Housing Listings and Common Application Portal?

This useful portal expands on an existing system, developed by the City and County of San Francisco as open-sourced software, to embrace other jurisdictions interested in digitalizing the affordable housing search and application process. San Francisco’s existing system, Digital Affordable Housing Listings, Information, and Applications (DAHLIA), provides a simple, one-stop solution for affordable housing seekers to access available listings, submit applications and navigate confusing lottery processes — all from the comfort of their computer or smartphone. Expanding the system to other jurisdictions, especially at the regional or state level, will allow potential residents to search and apply for housing opportunities seamlessly without the current complexity of process-heavy and largely paper-based housing applications that low-income renters must deal with each time they apply for an available affordable home.

Why is Creating Online Affordable Housing Listings and Common Application Portal Important?

The DAHLIA web portal is an open source system that can be replicated and expanded to other jurisdictions to provide benefits including:

- **One-stop shop**: Searching for an affordable home typically means countless hours searching fruitlessly for opportunities that in the end are no longer available. Locating available opportunities onto one web portal connected to a city’s or county’s website provides a reliable, up-to-date and accessible resource housing seekers can turn to knowing they will find opportunities as available.

- **Online applications**: DAHLIA helps with the complicated and overwhelming process of applying for affordable housing by streamlining and digitizing the process. Moreover, with digitized housing applications, finding eligible applicants who qualify for opportunities based on household size, income or other criteria is far easier than with a paper-based process.
• **Improved reporting:** Using DAHLIA, housing departments can pull reports such as approval rates, decline reasons by demographics and time to unit lease up. This allows them to better track affordable housing units overall, who is in them, who has applied for them and whether the units are being placed according to local, state and federal guidelines.

• **Data-based housing policy decisions:** Understanding potential affordable housing seekers and the type of housing they seek means a housing agency can create data-driven policy that focuses resources on highest need, not on what has always been done. DAHLIA’s web analytics can tell jurisdictions who looked at what unit type(s) by household income, location and race/ethnicity, informing future affordable housing decisions. Such data, particularly when captured at the regional level, also can help advocates advance affordable housing overall.

• **Equitable housing placement:** Removing human judgment entirely from the process of selecting who receives housing helps jurisdictions meet Fair Housing requirements. Jurisdictions are able to determine after the fact how the households selected for particular housing opportunities compare to demographics of the original applicants. Did an affordable housing development with a 60% African American application rate have the same proportion of placement when tenants were selected? If not, what decisions led to that outcome? This can be applied to all Fair Housing criteria, including color, disability, familial status, gender, national origin, race and religion.

• **Emergency re-housing:** In the event of a natural disaster that results in the displacement of families from their homes, an online system such as DAHLIA can help support the rapid re-housing of families into safe and available homes quickly and efficiently.
What are the Key Components of Creating Online Affordable Housing Listings and Common Application Portal?

Key components of the Affordable Housing Portal include stakeholder convenings, human-centered system design and data analysis to inform policy:

Engaging all stakeholders involved in the affordable housing pipeline is critical to the success of implementing the system. Important participants include affordable housing developers, property managers, city housing and digital innovation staff, advocates, service providers, housing counselors and more.

Developing a system through human centered design and agile development. DAHLIA's implementation was based on robust user-centric design, created through numerous working sessions with actual affordable housing applicants and a feedback loop that included user-testing. Unlike typical government digital systems that include fully developing a software system and releasing it all at once, DAHLIA's creators used agile development that includes the principle of developing aspects of the system in phases, adjusting and improving along the way based on user testing.

Utilizing data to inform policy decisions will enable more effective allocation of housing resources. Before DAHLIA, analysts only knew who was interested in what based on paper applications, and the required research effort was high. Web analytics radically changes that once cumbersome task. For example, if listings for a particular unit type garner more hits from a target demographic, housing departments can revise their strategies accordingly. Similarly, if housing departments discover disparities between the percentages of listing visitors from a given demographic group compared to applications and units placed with that same demographic group, they can take a closer look to understand underlying causes and address inequities.
How can Creating Online Affordable Housing Listings and Common Application Portal Be Implemented?

The potential steps to implementation include:

- Develop the Affordable Housing Listings pilot, which includes convening stakeholders and facilitating development of criteria for listings.
- Develop a Common Application Portal pilot that includes all significant stakeholders and results in a common housing application.
- Work with affordable housing advocates, housing counselors and housing staff to ensure the proposed system meets the needs of potential applicants.
- Conduct user testing throughout the process to ensure the system is constantly being improved.
- Analyze housing data such as housing preferences and affordable housing seeker demographics to inform future policy.

Potential partners include Exygy, a Certified B Corp digital innovation studio in San Francisco; the City and County of San Francisco, along with other jurisdictions currently implementing DAHLIA; jurisdictions in California without an online affordable housing listings database; and Enterprise Community Partners.
Big Idea 10
Facilitate the Creation of Institutionalized Collaboration Among Jurisdictions

What is Facilitating the Creation of Institutionalized Collaboration Among Jurisdictions?

This Big Idea rests on working with jurisdictions to increase their ability to implement housing policy and best practices by providing a forum for peer learning and cooperation, tailored products and access to housing experts.

Why is Institutionalized Collaboration Among Jurisdictions Important?

The most important housing policies — from rezoning land to developing inclusionary, lower-income housing requirements as part of new development — are implemented at a local level. Helping jurisdictions to collaborate, share best practices and pool resources can overcome some of the biggest barriers to adopting new, innovative and successful housing policy by addressing jurisdiction staff’s need for additional capacity and ongoing policy education. Collaboration offers opportunities to share costs for expensive studies as well as the time and effort needed to implement policy.

A case study from San Mateo County illustrates the advantages. In 2016, several jurisdictions were interested in adopting new impact fees on commercial or residential development to fund affordable housing. Rather than each city working alone, an existing countywide housing collaboration group, 21 Elements (www.21elements.com), launched a broader effort involving multiple cities to share in the costs.
The study quickly grew from four jurisdictions to 18. Having all the jurisdictions work together allowed for a comprehensive effort, including more research and outreach. It also reduced the cost for jurisdictions by 50% to 75%. Also, when adopting impact fees, decision makers regularly cited the collaborative effort as increasing their comfort level with policy changes. The end result has been millions of dollars for affordable housing being generated every year in the Bay Area, as the collaboration led to nearby counties (Alameda and Santa Clara) adopting a similar approach.

One appealing feature of collaborations is that they often are self-sustaining after they become established. Once trust is built and jurisdictions see the value, they will likely contribute their own funding for ongoing sustainability. Today, 21 Elements is an American Planning Association award-winning collaboration and has been in existence for more than 10 years. It continues to play an important role in implementing affordable housing policies in San Mateo County.

**What are the Key Components of Institutionalized Collaboration Among Jurisdictions?**

Currently, several inter-city and inter-county public sector collaborations can serve as a model. In addition to 21 Elements, Enterprise Community Partners is a prime example for convening a regional cities cohort that provides housing staff from several regional metropolitan cities an opportunity for peer-to-peer exchange.

Key components of such jurisdictional collaborations include: (1) prioritizing affordable housing-related topics based on need; (2) providing a forum for jurisdictions to meet and learn; (3) learning from peers and experts throughout the region, state and nation; and, (4) funding staff to support the effort.

**Prioritizing topics based on needs** of each jurisdiction puts the emphasis on local interest, such as affordable housing research, or on projects that inherently need collaboration, such as creating a Regional Housing Needs Allocation sub-region. For example, recent topics 21 Elements focused on include: vacation rentals, accessory dwelling units (ADUs), inclusionary ordinances, affordable housing impact and linkage fees, gentrification/displacement and new California housing laws.
Developing more collaboration among city and county housing staff, especially in-person opportunities to meet, will allow for informal and formal learnings to occur. In such forums, staff can share best practices, process improvements and anecdotes that can help other staff members in their day-to-day work. This can occur peer to peer among cities within a county or be developed by bringing in guest speakers, either practitioners from outside the regions or outside the housing field entirely.

Providing a safe space for new ideas and creative learning will enable participants to freely exchange ideas, develop strategies and discuss challenges. In a space where new ideas are not welcomed, out-of-the box ideas are criticized or political impacts take precedence, participants will not have the confidence to provide input other than the tried and true or status quo.

Building in dedicated staff to implement best ideas is important to assist jurisdictions and work between meetings.

How can Institutionalized Collaboration Among Jurisdictions Be Implemented?

The following steps will engender collaboration among public sector staff, from planners to housing directors:

- Convene a group of key jurisdictions, such as in the 21 Elements or regional cities cohort models. The 21 Elements model would include working with counties to convene their cities’ housing staff to discuss policy issues with the help of an outside consultant or a regional government entity. Using the regional cities cohort approach would include a collaboration of housing directors or community development directors to work on regional topics.
• Shape the agenda as you catalog topics and issues already addressed, survey the group on what they wish to cover and work with rotating chairs to determine priorities. Lastly, create a yearly work plan, enlist speakers and organize topics for meaningful discussion in meetings.

• Take action by developing a legislative agenda, combining forces to work on a specific regional issue or developing more ambitious formal partnerships through a joint powers authority or revenue sharing. These collaborations can partner with appropriate advocacy partners to influence policies at all levels.

Potential partners include MPOs/Councils of Government, CDFIs such as Enterprise Community Partners and community foundations, along with city planning, housing or strategic planning consulting firms.
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**Footnotes**


In October 2018, The James Irvine Foundation hired Baird + Driskell Community Planning to complete a housing landscape report that looks at housing trends, opportunities and innovations in California. Building on previous work, including research done for the Irvine Foundation, the materials prepared provide the basis for discussion. Rather than a definitive report—there is no such thing when it comes to a topic so large—these materials begin the conversation. They are intended to help frame the issues, spotlight openings and provide a basis for discussion.

The information presented has been packaged in three separate, but highly interrelated, documents covering the following: (1) Background and Challenges; (2) Strategic Opportunities and Big Ideas; and (3) Key Levers and Resources.

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**Baird & Driskell Community Planning**
Jeff Baird
Josh Abrams
Vu-Bang Nguyen
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Key Levers to Increasing Affordable Housing

One of the most common themes among affordable housing leaders throughout California is a shared notion that the production of market-rate and affordable housing, among many other solutions, is part of an overall package of different policy levels that will little by little chip away at the overall housing crisis. There are many areas or actions available to housing developers, city planners, public policymakers and more that can be taken to help advance affordable housing.

In the sidebar are some of the key levers commonly used to create more opportunities for affordable housing, followed by a brief explanation of related facts, issues and gaps the lever is filling, and potential opportunities for impacts.

**Planning for Housing**

1) **Undertake Plans and Rezoning**

One of the first steps that needs to happen before new housing can be built is making sure the zoning is appropriate. For a jurisdiction, this process can be expensive and time consuming.

**Key Facts**

- All cities in California must have a General Plan but many of these are old. Half of jurisdictions have plans 10+ years old and one-fifth have 20-year-old plans and older\(^59\).
- A midsized city might spend $1 million plus staff time on its General Plan update\(^60\).

**Explanation of Issue and Gaps**

The General Plan serves as both strategic plan and guiding document. All decisions must be consistent with a city’s General Plan, including zoning, as well as with the California Environmental Quality Act (CEQA).

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**KEY LEVERS**

**Planning for Housing**

1. Undertake Plans and Rezoning
2. Increase Use of By-Right Zoning
3. Reform the California Environmental Quality Act
4. Increase Use of Inclusionary Zoning
5. Increase Use of Density Bonus Incentives
6. Implement State Housing Law Effectively
7. Address the “Fiscalization” of Land Use

**Producing Housing**

8. Lower Construction Costs
9. More Effectively Use Public Lands
10. Increase the Number of Accessory Dwelling Units (ADU)
11. Increase Use of Manufactured Housing
12. Address Supply Mismatches
13. Encourage Unsubsidized Affordable Housing and Affordability by Design
14. Maximize Use of Value Recapture
15. Increase Financing Capital
16. Lower Fees

**Preserving Housing**

17. Acquisition, Rehabilitation and Extending Affordability Covenants
18. Promote Land Banking
19. Further Alternative Housing Models

**Protecting People**

20. Create Tenant Protections
21. Intervene in Foreclosures
22. Foster Community Lawyering
23. Affirmatively Furthering Fair Housing
24. Provide Down Payment Assistance
25. Address Special Needs Housing
As a general rule, zoning constrains the market. In many ways, this is helpful. It allows for a diversity of communities, prevents sprawl and protects existing single-family neighborhoods. However, regulations sometimes prevent new development, which can be a negative. Researchers have found a direct relationship between more land use regulations and less housing.

The amount of new growth following rezoning can be dramatic. For example, Salinas is planning a new 43,000-person neighborhood and the process started with changes to the General Plan, Specific Plan and Zoning Code. The power of rezoning is similar in built-out communities as well. In 2011, before adopting a Downtown Precise Plan, Redwood City produced about 9% of the housing in San Mateo County. In the following years, it produced more than half of the County’s total housing, including over 60% in 2014. Redwood City also is a cautionary tale. In 2014, it produced 1,126 units affordable to people making above-moderate wages and two units to people below that level.

Rezoning that provides for more appropriately zoned land for affordable housing also is a precursor for potential attempts to streamline entitlement processes or allow for by-right zoning because the amount of affordable housing allowed is still dependent on the number of homes ultimately allowed by zoning.

Another important part of planning can be a programmatic Environmental Impact Report, which is done ahead of time when a plan is adopted. This frees each development that conforms with the plan from doing its own additional analysis.

Key Opportunities
Developing land use plans and undertaking consistent rezoning require an appropriate level of city staff capacity and overall funding to start and ultimately finish a plan. In many cases, this capacity is augmented by outside land use consultants who are familiar with the "ins" and "outs" of developing a plan, which typically include community engagement. Developing a plan for the future of an entire city (General Plan) or a particular neighborhood (Specific Plan) or other geography requires input from the community members the plan affects. Ensuring proper engagement takes considerable resources and capacity, typically among nonprofit community partners.

Key opportunities for investment to “Undertake Plans and Rezoning” are investing in capacity building in the public agencies that develop plans (city planning, housing, and community development departments), as well as in nonprofit organizations connected to the community that can help with engagement on plans and rezoning. Additionally, funding for rezoning and political advocacy in support of pro-planning policies would be helpful.

2) Increase Use of By-Right Zoning

The development community thrives on predictability. Cities that have eliminated subjective development review and have adopted clear, objective standards and pre-screened properties for CEQA have seen housing developments move forward more quickly.

Key Facts
- Limiting the potential for objections to an affordable housing development by neighbors may reduce the overall timeline for approving affordable housing.
- By-right zoning allows for approvals consistent with the number of homes allowed by underlying zoning, which
makes ensuring the base zoning allows for affordable homes significantly important.
➢ Removing all discretionary review of housing approval without specifically addressing affordability requirements, typically through inclusionary zoning, may increase the difficulty of local jurisdictions to negotiate for affordable housing in private developments64.

Explanation of Issue and Gaps
By-right zoning means that cities have clear rules about what is required and developers know that if they submit a proposal that follows these rules, their development will be approved. True by-right development also involves completing CEQA and other environmental review as part of the city’s planning process before development proposals are received.

Over time, many cities have added subjective rules to their zoning code. For example, the rules might say a new building must be consistent with the character of a neighborhood or provide an appropriate transition to existing buildings. It can be difficult for developers to craft proposals that meet these subjective rules. They will often submit a proposal and have to resubmit their plans a number of times based on the city’s feedback. In some cases, the proposal will simply not move forward. Some researchers argue that unpredictability, as opposed to stringency in process, imposes costs that may keep developers from advancing a project65.

Key Opportunities
Senate Bill 35, introduced by CA State Senator Scott Wiener and approved in 2017, is a streamlined approval process for affordable housing in jurisdictions determined to issue fewer building permits than their share of the regional housing needs, by each income category. Developments qualify for a ministerial approval process, which is a non-discretionary, staff-level approval that is exempt from CEQA, based on certain pre-determined requirements. To qualify, the development and the site it is located upon must meet certain criteria, including minimum densities, existing zoning, environmental impact, demolition limits, historic status, construction prevailing wages and parking restrictions. The bill currently is being tested in Cupertino, California, where a development with 2,402 homes (50% affordable), 1.8 million square feet of office space and 400,000 square feet of retail is proposed on 50 acres occupied by the defunct Vallco Shopping Center, less than a mile from the Apple headquarters66.

Senate Bill 50 or the More HOMES Act (Housing, Opportunity, Mobility, Equity and Stability) includes density requirements around transit stops while allowing local design standards, inclusionary housing requirements, demolition standards, height limits, tenant protections, affordable housing requirements, review time for displacement impacts and access to communities with high-paying jobs and high-performing public schools. Although SB-50 allows for conversion of single-family homes to duplexes, triplexes and four-unit buildings, it does not allow for demolition of a home within seven years of a person renting the unit or within 15 years of an Ellis Act eviction (due to the home being removed from the rental market). The earliest SB-50 will be voted on is January 202067.

3) Reform the California Environmental Quality Act (CEQA)
Passed in 1970, CEQA — California’s landmark environmental law — has helped preserve important resources. Unfortunately, some aspects of the law cause delays or prevent new housing from being built in urban areas.
Key Facts
➢ Over 80% of CEQA lawsuits are in developed/built-out communities and 64% of suits are by individuals, neighborhood groups or other non-environmentalists.
➢ CEQA lawsuits often target attempts to build more housing. One researcher estimated that CEQA lawsuits delayed the construction of almost 14,000 new houses in Los Angeles from 2013 to 2015.
➢ If a full Environment Impact Report (EIR) is needed, it delays housing developments by over two years, on average, without lawsuits.
➢ CEQA review can cost hundreds of thousands of dollars for typical developments and many times more for complicated ones.
➢ Local application of CEQA varies greatly between jurisdictions.

Explanation of Issue and Gaps
Before any decisions are made, CEQA requires cities to study alternatives, consider consequences and implement ways to mitigate adverse impacts. Environment is defined quite broadly to embrace such things as traffic and noise. CEQA has undoubtedly contributed to the high-quality housing many residents of California enjoy.

However, due to a series of court cases, new laws and a change in practice, CEQA’s application has become an impediment to new development in urban areas in some cases. The very process of going through CEQA is slow and expensive. Also, sometimes CEQA has required cities to deny or reduce the density of high-quality housing developments near transit.

Key Opportunities
While almost everyone agrees CEQA should be reformed, a legislative fix has been elusive. Former Governor Jerry Brown claimed CEQA reform was one of his top priorities, but only managed very modest changes. For now, one way to create more certainty in the CEQA process is in how local jurisdictions apply CEQA review. Currently, jurisdictions have only four options:
➢ Project-based exemption, determined by location and project characteristics
➢ Tiering-based exemption or reduced review due to prior CEQA review
➢ (Mitigated) Negative Declaration, a reduced review requirement based on the minimal environment impacts of the project (Negative Declaration) or on mitigations by the developer (Mitigated Negative Declaration).
➢ Full Environmental Impact Report review requirements pursuant to CEQA.

The decision to select a particular review mechanism, however, varies from jurisdiction to jurisdiction. For example, housing developments exempted from CEQA in Long Beach were larger than developments in Los Angeles that were approved through a Mitigated Negative Declaration process, Santa Monica relies heavily on full EIRs and Los Angeles approves developments more often through the Mitigated Negative Declaration review process than other jurisdictions.

4) Increase Use of Inclusionary Zoning
Generally, inclusionary zoning requires developers to provide some affordable housing when they build market-rate developments, either directly or indirectly. Since its inception in the 1970s, inclusionary zoning has been one of the main sources of affordable housing production.

Key Facts
➢ More than 900 inclusionary programs are currently in 25 states.
Explanation of Issue and Gaps
More than 170 communities in California have inclusionary zoning programs and collectively between 1999-2007 almost 30,000 affordable homes were produced (or about 2% of total units approved for construction). In the past several years, many cities have adopted new inclusionary programs because California fixed a loophole that had prevented the rules from being applied to rental developments.

Part of why inclusionary zoning is popular is because there is little or no cost to cities (though cities should budget money to implement the program and monitor the units). The main economic effect of such programs is to push down the value of developable land as the profit expectations of developers do not change, so they adjust by offering less money to landowners for property.

Inclusionary zoning is a good strategy for strong market cities, but land prices in weaker market cities may not be able to absorb the decrease. There has been considerable research attempting to understand if new inclusionary programs decrease housing production or increase housing costs. While not unanimous, the research has fairly consistently found little to no effect.

Key Opportunities
Despite the fact that inclusionary zoning leads to actual construction of affordable homes, many cities in “strong markets” have not adopted inclusionary zoning. There is a potential to work with local housing leaders to help ensure these cities adopt inclusionary zoning in areas already building market-rate housing at a considerable rate, while the market is still able to support development. For example, while 78 cities in the Bay Area have some form of inclusionary zoning, only 16 cities in Los Angeles County have inclusionary zoning policies in place.

5) Increase Use of Density Bonus Incentives
Density bonus programs allow developers to build more units if they voluntarily provide affordable housing. California has had a state density bonus law since 1979.

Key Facts
➢ California developers are entitled to a 35% density bonus for providing affordable housing.

Explanation of Issue and Gaps
California requires all cities to offer developers the opportunity to build more housing units if they provide some affordable units. There is a state-established formula that provides greater incentives if developers build more affordable units or units at a lower income level. Developers are also entitled to incentives and concessions (e.g. extra height or reduced setbacks) if they use the density bonus law. Generally, cities are supportive of the density bonus law and encourage developers to use it. A few cities have had success using affordable housing overlay zones, a version of a density bonus.

While there has not been a statewide study, there is a perception that the program is underused, especially among market-rate developers. For example, Los Angeles found that from 2008 to 2015, 21% of new developments used the density bonus to produce 4,463 units, but half of these were affordable developments and many of the units would have been built anyway. The use by market-rate developers is even lower than 20%. Cities like Santa Ana, Glendale and Sacramento found zero to one use per year. It is important to understand that use of the density bonus depends on local conditions and the individual developer. The value of the incentives must be higher than the cost of constructing the units.
Key Opportunities
➢ Regular updates to State Density Bonus Law require ongoing education not only for developers, but for local jurisdictions expected to implement newly updated policies. This education includes supporting local jurisdictions to adopt better density bonus laws. Recent updates to statewide policies include increased density bonuses for developments that include more than 20% of units for low-income college students, consistency with the California Coastal Act in Coastal Zones, floor area ratio bonuses in lieu of traditional density bonuses and special parking ratios in developments adjacent to public transit.
➢ Measure JJJ: Requires developers in Los Angeles requesting entitlements that include Zone Changes or General Plan Amendments that would increase residential density to provide affordable units or pay an affordable housing in-lieu fee.

6) Implement State Housing Law Effectively
California’s housing laws incorporate hundreds of pages of governing codes, guidelines and rules. In some cases, these laws have been effective, but in others they have not helped.

Key Facts
➢ 20% of Housing Elements have not been completed or certified by the State.

Explanation of Issue and Gaps
In 2017, California passed a historic set of bills to promote housing. These included new sources of funding, mandatory changes to streamline the development approval process, new reporting requirements and various new tools and incentives for cities.

It is a significant opportunity, but implementation has been slow. According to a recent survey three quarters of cities had not started implementing the laws, even though, in theory, they went into effect a year ago.

Furthermore, most of the attention has gone to a few of the new mandatory requirements, such as SB-35, or the funding opportunities, SB-2. Very little attention has been focused on the optional programs like Workforce Housing Zones.

Key Opportunities
State law provides a number of opportunities to pressure cities to adhere to it. Some provisions allow advocate lawsuits while others allow comments to the Department of Housing and Community Development. The opportunity is particularly large when cities are writing their Housing Elements. In the Bay Area, more cities passed compliant Housing Elements due to the Metropolitan Transportation Commission tying transportation dollars to completing Housing Elements. Moreover, there were a significant number of state bills related to housing that were passed in 2018 and 2019.

7) Address the “Fiscalization” of Land Use
The current tax structure financially incentivizes cities to prioritize commercial over residential land uses. In some cases, this has led to a reluctance to zone for housing.

Key Facts
➢ Cities rely on property taxes for most of their revenue, followed by sales tax dollars.
➢ When considering amendments to the General Plan, it is standard to complete a Fiscal Impact Analysis, which by its nature, looks at the fiscal impacts of various development scenarios.

Explanation of Issue and Gaps
Following the passage of Proposition 13, local property taxes in California fell by almost 60%. Since then, cities have struggled to find ways to pay for city services.
Local government revenue in California comes from a variety of sources. However, most of the discretionary money comes from one of four sources:

- Property taxes – 39%
- Sales taxes – 19%
- Hotel taxes – 5%
- Business fees – 5%

To truly understand the fiscal challenges of a city, one must compare new revenue with new costs. For example, retail and businesses generally generate more revenue then they cost in expenses. However, no comprehensive studies have been done on how the fiscalization of land use actually impacts land-use decisions.

**Key Opportunities**

With housing costs reaching new highs, California public schools underperforming in relation to other states, and a shift in the voter demographics to younger residents (who are less likely to own their own homes), there is significant discussion about changes to Prop. 13. A potential amendment could be a split-roll system focused on commercial property reassessment, which would exempt small businesses and residential property. The amendment to Prop. 13 could potentially raise $10 billion a year that would go back to fund public schools and affordable housing. Additionally, a form of regional tax sharing would reduce competition for higher tax-paying land uses among neighboring jurisdictions.

**Producing Housing**

**8) Lower Construction Costs**

California has the highest construction costs in the country, which makes it difficult to build both market-rate and affordable housing.

**Key Facts**

- Construction costs vary between $200 and $500 a square foot for multifamily housing in California, while in other parts of the country, construction costs per square foot for multifamily housing is lower: $145 (Denver), $150 (Phoenix), $288 (New York) and $318 (Honolulu). These are much lower than $368 in Los Angeles and $448 in San Francisco.

**Explanation of Issue and Gaps**

The main drivers for increased construction costs — the price of construction materials and labor costs—have risen over the years, especially in California. The cost of construction materials increased by over 4% in 2017 due to the rising price of cement, steel and lumber. Recent U.S. tariffs on these construction goods also will impact future costs. Construction worker wages have increased by almost 3% during that same period, and along with a low unemployment rate of almost 5%, contributes to the estimated $425,000 cost of building one housing unit (based on 2016 costs).

**Key Opportunities**

- Advocate for local or State standards that do not overburden affordable housing developers with additional costs. (Local standards mostly apply to design while State rules apply to construction technology.)
- Increase the capacity of jurisdictions to improve the Request for Proposal/Request for Quotation (RFP/RFQ) process, which typically includes a significant design element many affordable housing developers cannot meet.
- Invest in training for construction labor to meet the current demand for experienced workers and ultimately increase the pipeline for all jobs related to the building of affordable homes.
9) More Effectively Use Public Lands

Interest has grown considerably for finding ways of putting underutilized publicly owned land into production for affordable housing. While potential exists for a win-win solution, in practice this has been difficult to achieve. The State has prioritized the potential for building affordable homes on public land since the passage of the Surplus Land Act (1968) and the subsequent amendment to the Act in 2019. The Act requires public entities, such as cities, transportation agencies, school districts and more to give priority to entities that will develop homes on the land, including 25% affordable to low and very low-income residents, before selling to other entities. If the land is not sold or leased to an affordable housing priority entity, then at least 15% of the homes built in the subsequent development is required to still be affordable.

Key Facts
➢ Between 2005 and 2010, land prices in Oakland and San Diego were twice as expensive as the average U.S. metro area. In San Francisco it was four times as expensive.

Explanation of Issue and Gaps
Public entities encounter two obstacles to selling public land, including surplus land, directly to an entity that will be providing affordable housing. The initial step is an inventory to identify what public land is available, followed by an analysis to determine whether it is surplus. When a public entity is ready to sell a property, it will then need to overcome the immediate desire to sell to a market-rate developer, which would provide the highest income from a sale and instead sell to an affordable housing developer if the entity was prioritizing development of affordable housing in their community.

Key Opportunities
California's new “Excess Public Land” policy says that the State will identify excess public land it owns and will solicit affordable housing developers to build demonstration projects on that land using creative and streamlined building approaches. Affordable housing developers selected through a competitive process will receive low-cost, long-term ground leases of excess State property. The State also will work with local governments on land exchanges when they can lead to more affordable housing opportunities, as well as on evaluations of local government land.

10) Increase the Number of Accessory Dwelling Units (ADU)

With changes to State law, ADUs, also known as second units, in-law units, granny flats or garage conversions, have attracted considerable interest. ADUs are one of the few strategies applicable in single-family neighborhoods and a source for unsubsidized affordable housing. The units can take the form of a new detached ADU or a conversion of existing living space to an attached ADU. In either case, a new home not likely to develop otherwise is added to a neighborhood.

Key Facts
➢ Even in urban metro areas such as Los Angeles and the Bay Area, over 70% of the land is zoned for single-family homes, essentially rendering the land almost entirely unbuildable for anything other than one home per lot.
➢ The number of “underutilized” homes (number of occupants is fewer than the number of bedrooms) is at an all-time high, that even in households with a spare room (used as an office or guest room), there are still 16.4 million total homes with surplus bedrooms.
➢ As of 2014, around 60% of single-family homes are considered “underutilized” while almost 30% are considered “very underutilized”.
➢ In 2015, the most advanced ADU-producing cities (Portland, Seattle and Vancouver) approved ADUs that accounted...
for 10.9%, 2.1% and 6.3% of total issued housing permits, respectively.

➢ According to one UC Berkeley report, 58% of owners rent out their ADUs for below current market rents while 29% of ADU residents were friends or family of the owner of the main house. Available units tend to rent for 20% below market prices.

➢ Hispanic or Latino (29%), Asian Pacific American (27%) and African American (26%) families have a higher propensity of living in multigenerational households than their White counterparts (16%).

➢ ADUs tend to be recession resistant and provide housing even during market downturns.

Explanation of Issue and Gaps
Allowing an ADU in these residential zones unlocks the potential for modestly increased density. "Unlocked" neighborhoods are typically single-family communities that would otherwise not develop any significant amount of housing. Any effort to increase the development of ADUs will need to overcome potential neighborhood opposition due to the homes’ close proximity to nearby neighbors, as ADUs are quite literally located in their backyards.

Key Opportunities
➢ Targeted marketing to households most likely to build an ADU: seniors, multigenerational families, underutilized homes, homes with unpermitted existing ADUs and families in need of accessible financing tools.

➢ Streamlining ADU permitting through zoning updates, development fee exemptions and multi-jurisdictional collaboration.

11) Increase Use of Manufactured Housing

Building housing on site is inherently inefficient, with no economy of scale, weather constraints and often considerable distance from the construction site to the employee base. Building all or part of a new housing development offsite in a factory has promised to remake the construction industry for decades, but in reality, has been slow in adoption.

Key Facts
➢ Since 75% to 90% of modular construction occurs off-site and is inspected by a State housing agency, when it is delivered and built locally (where the construction is inspected by a local agency), it can yield around 12,000 square feet of built structure daily.

➢ The savings from modular construction include up to 20% in costs and a range of 40% to 50% in time, according to manufacturers.

Explanation of Issue and Gaps
Modular, off-site housing construction can lower the overall cost of labor and materials due to savings in time and materials compared to on-site construction. Although modular construction has been around for decades, the affordable housing industry will need additional help with overcoming challenges in financing, bonding, and permitting while also increasing the pipeline for the construction workforce. Additionally, the modular construction industry will need to work with local labor voices to ensure modular construction can occur smoothly in jurisdictions throughout California.

Key Opportunities
➢ Develop statewide building code standards for modular construction that will provide consistency at the local level during inspection.

➢ Work with traditional lenders to tailor financing options that address the significant upfront cost of modular versus traditional construction.

➢ Work with local labor unions and housing developers to create open dialogue on the future of modular construction and the impacts on the construction workforce, including creating more pathways for quality jobs in the construction workforce.
CHALLENGE — Creating Opportunities for Small Multi-Unit Buildings

Despite the diversity in households and needs present throughout California, a corresponding number of housing types has not kept up in meeting those needs. Specifically, the shortage of housing types extends to mid-sized housing units, including duplexes and triplexes. These provide an additional option for those looking for the benefits of a single-family home, such as more square footage and yard space, while also benefiting from cost savings in higher density development and shared land ownership.

Due to the complexity of land use planning and the approval process in California, there is more experience and potential yields when developing higher-density developments and single-family homes, but little incentive to develop opportunities in-between. Also, zoning codes do not allow mid-sized units in many places.

Addressing this challenge will include showing a need for such housing, pursuing land use policy options that encourage mid-sized housing opportunities, when appropriate, and ensuring the financial and construction sectors are well-equipped to support mid-sized homes.

12) Address Supply Mismatches

The housing products the market supplies are not always what is needed. For example, there is considerable interest in the “Missing Middle” — such as micro-units, duplexes, triplexes and four-unit buildings that can be owned and managed by an owner/occupant. Demographic shifts in the U.S. have led to more unique household formations than in previous generations, including adult children living with their parents longer, more senior parents living with their children, more unmarried and unrelated households living as roommates and multiple families (including multigenerational) living under one roof. Yet the housing market has not changed drastically to meet current demands.

Key Facts

➢ Since 1973, the average square footage of house per person has increased from 551 to 1,058 in 2015.
➢ As opposed to previous generations, which favored more traditional living arrangements, Millennials during the same age periods as Generation X and Baby Boomers are forming their own households more slowly and living at home with their parents more often and for longer periods of time, while also moving much less often than other generations.
➢ Shared living situations are occurring more often today (32% of the adult population in 2017) than ever before.
➢ In the next decade, almost 45 million potential homebuyers will reach the typical first-time homebuyer age of 34.
➢ For first-time home buyers, starter homes are moving further away from affordability,
having gained more than 57% in value in the last five years, while the inventory of homes in the bottom third of the housing market has dropped by over 23%.

➢ Average new home sizes in the 2010s compared to the 1910s has increased by 74% nationwide. In California, home size increased by 51% in San Jose, 38% in Los Angeles and 124% in San Diego while San Francisco homes had a size decrease of 28%.

Explanation of Issue and Gaps
For a generation of potential homebuyers who have spent their adult lives living at home with their parents or living in shared housing situations, the potential of buying a home, especially a starter home with a reasonable price, is currently out of reach. The market is not supplying what homebuyers need. For example, although there is a need for fourplexes, co-shared homes or other unique housing situations that would fit the forthcoming first-time homebuyer generation, the market is building larger homes to recoup the costs of high land prices.

Key Opportunities
➢ For the rental market, startups have been filling the gap for students and young professionals looking for co-sharing opportunities. The startups include Common, WeLive, OpenDoor, and CoLiving. One startup, StarCity, is currently building an 803-unit complex — essentially a "dorm for adults" — in downtown San Jose adjacent to Google’s new campus. Cities will need to be flexible to such non-traditional forms of housing, especially if it includes market solutions to the housing crunch.

CHALLENGE — Meeting the Needs of Moderate-Income Housing – “The Missing Middle.”

Financially, the public sector is focused on development of housing for lower-income levels, typically below 60% of the area median income (AMI), due to need and the lack of profit from housing the extremely low-income. The private sector, driven by the need for high returns, focuses on higher-income housing developments and the certainty from building more common housing types. In both scenarios, what is missing are housing developments marketed to incomes between 60% AMI and 150% AMI, which are difficult to consistently finance and develop.

Building moderate-income housing units — typically over three-stories and ranging from eight-plexes to 30-unit developments —will need to overcome constraints associated with building “Missing Middle” housing. These include development timeline reduction and techniques that don’t increase the price point, building higher-density housing in appropriate neighborhoods with little to no objections from neighbors, finding land that is low-cost and allows for up to 30 residential housing units and numerous other hurdles.
13) Encourage Unsubsidized Affordable Housing and Affordability by Design

Some housing products tend to be affordable by their design. For example, the units are smaller or have fewer amenities. Additionally, unsubsidized affordable housing is most often Class B or C rental apartments with 50 or more units that were built between 1940 and 1990. Some cities are seeking to promote and protect this unsubsidized affordable housing.

Key Facts
➢ Unsubsidized affordable housing is the most common form of affordable housing in the country.

Explanation of Issue and Gaps
In order to ensure communities retain unsubsidized affordable housing, unsubsidized homes at-risk of being bought and improved for higher rents will alternatively need to be acquired, rehabilitated and converted to deed restricted affordable housing. This likely will require a nonprofit entity lead, with access to considerable funds and the capacity to find, acquire, rehabilitate and convert the homes.

Key Opportunities
MTC invested in the Bay Area Preservation Pilot (BAPP) that provides low-interest revolving loans non-profit housing organizations can utilized to purchase, rehabilitate and protect units currently selling at market-rate with no affordability restrictions. The units are purchased and then protected as permanently affordable units. The fund also potentially can be used on affordable homes with expiring deed-restricted affordability requirements.

A similar effort is occurring in Minneapolis-St.Paul, where three-quarters of affordable homes are unsubsidized affordable housing. The Greater Minnesota Housing Fund works with local jurisdictions on strategies to identify and preserve homes potentially at-risk of losing their affordability. Some interventions have included local rent subsidy programs, new loan programs, property tax incentives, educational programs and short-term debt refinance programs.

14) Maximize Use of Value Recapture

When cities rezone properties, the land often escalates in value, sometimes doubling, tripling or more. In part, this is a reflection of the public investment in infrastructure and transportation. Some cities have tied increasing density to higher affordable housing requirements or other community benefits. The property owner still benefits, but the public benefits as well.

Key Facts
➢ Value recapture policies work best in areas with a strong real estate market.
➢ Should be supported by economic analyses of market value to ensure the proper zoning/planning that increases density is weighed against the cost for the required (or negotiated) community benefits.

Explanation of Issue and Gaps
The market analysis needed to ensure the proper establishment of market value for land is a process called the “residential land value analysis.” The analysis takes into account the total cost of a development, including profitability for the developer, subtracting out the gains from either selling or renting the final development; what is left is the value of the land. This analysis ensures the land owner receives a market value for the sale of the land, given the site zoning, while the community is able to capture the increased value from upzoning the land.

Key Opportunities
Applying land value recapture principles will be most effective when incorporated...
into rezoning processes, which will require jurisdiction capacity to implement changes to zoning, develop a market analysis and institute land value recapture policies. Additionally, advocacy pressure, especially from community-based organizations, will ensure the political will to implement value recapture policies. A collaboration between East Bay Housing Organizations and several Bay Area jurisdictions through the Plan Bay Area process is just one example of how a housing organization has partnered with local jurisdictions on land value recapture policies.

15) Develop More Useful Financing Capital

The financial product that nonprofit affordable housing developers, Community Development Financial Institutions (CDFI) and others working to finance affordable housing are seeking is lower cost, flexible, long-term capital that can quickly react to the market as land becomes available.

Key Facts
➢ The California affordable housing market, especially compared to its market-rate counterparts, typically requires the stacking of considerably more funding sources with different requirements and timing that do not line up well.

Explanation of Issue and Gaps
According to a national CDFI, the greatest need in the financial capital world is funding tailored to meet the requirements of entities looking to construct or preserve affordable housing. Because they must compete with a market that includes private capital with less strings attached than nonprofit or public sector sources, affordable housing proponents need capital that costs less to borrow, allows flexibility to meet changing needs and provides a level of certainty.

Key Opportunities
➢ SPARCC (Strong, Prosperous And Resilient Communities Challenges), a national initiative led by nonprofits and foundations, developed a “Capital Screen” tool to combat previous capital funding models that led to inequitable investments in low-income communities and resulting gentrification/displacement impacts. The tool evaluates investments based on three criteria — equity, health and climate resilience — and increases community engagement as part of the capital investment process. The tool screens investment opportunities based on various criteria, such as equity (housing displacement, racial segregation), health (food access, green space, medical care), and climate resilience (Green Building Standards).
➢ Despite tremendous wealth in communities throughout California, the lack of affordable housing capital remains a significant need. One solution has been a regional housing trust fund supported by technology companies in Silicon Valley and Disney in Southern California. This fund was modeled after the Housing Trust Silicon Valley and its strategy to provide upfront capital to buy land or a building. The developer is then supported until the start of construction, at which point the trust fund is paid back and the funding revolves into another load. This type of funding is crucial to jumpstart a project at a critical time, when developers are competing for land and need access to fast, flexible capital.

16) Lower Fees

From a broad perspective, relatively few inputs affect whether development is feasible. On the construction side, they include labor, materials, land and fees levied by local government agencies. Though not typical, in some cities, fees can total over $75,000 per
multifamily unit. In some cases, these costs result in lower land prices, while in others they may impede development.

**Key Facts**

- Total development fees can add up to 6% to 18% of the median price of a new home.
- Fees from jurisdiction to jurisdiction vary, even when comparing adjacent cities, with one extreme example being a parks impact fee of $350 per home in one jurisdiction, compared to $55,000 in a nearby jurisdiction.\(^{107}\)

**Explanation of Issue and Gaps**

Development fees are difficult to estimate due to the specifics of each development and the lack of coordination between different city and county departments. Even though an individual development fee may be justifiable based on a direct, proven nexus between fee and development impacts, once they are all added up, the cost of constructing a home increases accordingly.\(^{108}\) Lastly, although the costs of individual fees may not directly be passed on to a homebuyer or renter because home sale prices or rents are set by the market, overall they affect the cost of land as fees are, over time, built into a developer’s pro forma.

**Key Opportunities**

- Develop a statewide standard for determining the appropriate fees to charge development that would fund affordable housing and other mitigation-related fees. A statewide standard not only would create more certainty and consistency for developers across jurisdictions but allow smaller jurisdictions without the capacity to take on the costly and time-consuming cost of developing a nexus study to benefit from a cost analysis for setting affordable housing linkage fees.\(^{109}\)
- Provide more information on development fees to developers early on in the process, including estimating the full cost and number of fees when projects are submitted for first review. This would provide more certainty and a clear expectation of costs that developers can incorporate into their pro formas early on to determine project feasibility.\(^{110}\)
- Due to the risks involved with housing development and the overall timing of when developer fees are actually spent by jurisdictions, build in more financial flexibility by allowing developers to pay for fees towards the end of development (when Certificates of Occupancies are pulled) or even in installments when homes are sold or rented.

### Preserving Housing

**17) Acquisition, Rehabilitation, and Extending Affordability Covenants**

While most of the attention focuses on creating new housing, there are opportunities to purchase units that have expiring affordable housing restrictions or are affordable due to their poor condition. Acquiring these homes, rehabilitating them to higher-quality, livable conditions and requiring their affordability through a covenant will ensure they remain in the affordable market. For affordable housing developments that are required to maintain a covenant that ensures affordability for a given number of years, acquiring these units and extending their covenants intact does not necessarily increase the number of available units, but it maintains an existing affordable home.

**Key Facts**

- From 1997 to 2018, over 15,000 affordable homes in the rental market transitioned to market-rate homes after previously receiving either project-based rental assistance from the U.S. Department of Housing and Urban Development (HUD) or Low-Income Housing Tax Credits (LIHTC).
➢ Currently, over 420,000 affordable homes in California are funded by HUD, the U.S. Department of Agriculture (USDA) or the LIHTC Program. Of these, over 34,500 (8%) currently are at-risk of converting from affordable to market-rate (HUD: 67%, LIHTC: 25% and USDA: 9%).
➢ A large portion of affordable homes currently house senior individuals (46%) and families (42%).
➢ Homes at-risk of transition from affordable to market-rate are located in large metro areas: Los Angeles County (35%), Orange County (10%), San Diego County (7%), Santa Clara County (6%), and San Francisco County (5%). The county with the most homes converted is Los Angeles at 5,256 homes, while Fresno County logs the largest proportional loss at 929 homes or (7%).

Explanation of Issue and Gaps
➢ Although affordability covenants have requirements that span several decades, tenants living in units at-risk of transitioning to market-rate are sometimes informed only when the affordability requirement is about to end. In one particular case in Los Angeles’ Chinatown, a tenant was living in an apartment for 17 years that had a 30-year affordability requirement. He only learned of the pending loss of affordability a mere 12 months prior to the expiration date.
➢ With limited funding available to invest in affordable housing, preserving an existing unit by extending affordability covenants must compete against the development of new affordable homes. Each has its challenges. Developing a new affordable home is difficult due to the development and construction process, while extending a covenant requires negotiation with a building owner. Moreover, preserving an affordable home does not create a new affordable housing opportunity, so it cannot be considered a mitigation of affordable housing impacts from new housing or commercial development. As a result, it is unlikely affordable housing linkage fees can be used for preservation, as some communities have considered.

Key Opportunities
➢ Assembly Bill 1521 requires residents of affordable homes at-risk of transitioning to market-rate to receive advance notice of the transition. Moreover, it requires owners to give first preference to existing tenants if they make a “fair market value offer.” The law, however, requires additional reinforcement to ensure it is followed, which would require significant outreach to tenants and capacity for authorities to enforce sales to existing tenants.
➢ Expanding California’s LIHTC program will increase funding to extend affordability requirements and also allow development of additional affordable homes. This program already has led to the greatest number of affordable homes in the state.
➢ Another opportunity comes in the transition from a deed-restricted affordable housing model with time restrictions to shared-equity homeownership programs that are resale-restricted and remain in perpetuity among low-income owner-occupants, even when sold. Such a model requires a one-time investment, but the affordable home stays affordable to subsequent low-income homebuyers.
➢ There is a growing movement of cities interested in passing Tenant Opportunity to Purchase (TOPA) policies that would provide tenant assistance, including first right to purchase and financing, to support low-income renters to purchase their own home.
18) **Promote Land Banking**

By creating a legal entity that allows for public or nonprofit ownership of land, a mission-based entity focused on affordable housing can buy land when costs are low. This ensures land can be acquired during market downturns and developed for housing during market upticks.

**Key Facts**
- Land bank entities have the power to “acquire, manage, and dispose of property” and, in some cases, include the power of eminent domain.
- Key to a land bank’s ability to acquire property, in addition to acquisition from tax foreclosures, is its ability to obtain land directly through discretionary transfers from participating governments (whether through foreclosure or surplus land disposition); voluntary donations or transfers from private entities and owners; and purchases and leases in the open market116.

**Explanation of Issue and Gaps**
According to the Center for Community Progress, a national nonprofit that addresses systemic blight and vacancy, land banking is the right tool to address the following conditions:
- Weak economic conditions and properties with little market value
- Population loss and high rates of vacancy and abandonment
- Inequitable/inefficient tax foreclosure systems
- Restrictive public property disposition requirements
- Sudden “shocks” (Great Recession, Hurricane Katrina)

Land banking, therefore, is an ideal tool for jurisdictions to purchase vacant land, under-valued land or foreclosed properties during economic downturns with hopes of developing affordable housing during non-lean years117.

**Key Opportunities**
Although there currently is no independent, public or nonprofit land banking entity in California, several have been established throughout the country, including throughout the Mid-West and East Coast, with Oregon being the only state currently active on the West Coast118. In order to establish a land bank, California may need to develop new enabling legislation that will facilitate public sector and nonprofits in establishing such an entity.

19) **Increase Alternative Housing Models**

Community land trusts, cooperatives and other non-traditional housing models have long offered an option for low-income or first-time home buyers who are not able to find market-rate housing. When done right, they can build residents wealth and protect the affordable housing in perpetuity. They also are better equipped to be flexible to meet the needs of growing, untraditional housing that draws new generations of housing seekers. A common alternative housing model in the U.S. is co-op housing, which allows for homeownership that is both responsive to the demand for an alternative living model, but also an entryway to building equity through ownership.

**Key Facts**
- Millennials are forming their own households more slowly and live at home with their parents more often and for longer periods of time, while also moving much less than other previous generations119.
- Adults are more often living in shared living situations (32% in 2017), a dramatic change since the Great Recession, including parents moving into the homes of their adult children. More adults now live in shared households than in multigenerational households120.
- Of the total housing stock, 96.3% is privately owned and 3.7% is “social housing.”
➢ Nuclear families (a 1950s-era definition of a family consisting of a mother, father and two children) currently account for just 20% of total households. The remaining households include couples with no children (25%), adults sharing with other adults (20%), and single-parent families (7%).

➢ The largest demographic is the single adult who lives alone, which accounts for 28% of the population.

Explanation of Issue and Gaps
U.S. households are smaller (more than 50% consist of one or two people), families are diversifying (32% of young adults live at home) and the idea of a U.S. household is shifting (20% are unrelated adults sharing a home). Yet more than 80% of apartments and homes in the U.S. are built with two-to-four bedrooms, typically with a “master bedroom” for the “parents” and smaller bedrooms for the children. These housing types, which don’t align with the current U.S. population, have led to twice as many two-bedroom housing units as studios and one-bedroom units combined. Combined with the fact that over 96% of homes are privately owned means there is a complete mismatch between the way the housing construction, financing and marketing industries has responded to the needs of most U.S. households.

Key Opportunities
The Right to the City Alliance, with its Homes For All national campaign, outlines four alternative housing models focused on housing people in its report, "Communities Over Commodities: People-Driven Alternatives to an Unjust Housing System." The alternative models are:

- Limited Equity Cooperatives: A building is secured through a collective purchase by a member base through a low-interest mortgage typically administered by a nonprofit. The Limited Equity Cooperative (LEC) that owns the building is led democratically by its residents who each have a share of the LEC, allowing them to lease their housing unit over an extended period, typically 99 years. If they choose to sell, they are limited to the amount of profit they can receive. The units are maintained for residents under a particular income level and home sales are not intended for profit gains.

- Community Land Trusts: This housing model permanently protects affordable housing by splitting the deed of the property. A low-income homebuyer owns the building, while a nonprofit organization owns the land. The property owner can enjoy the benefits of property ownership, but the affordability is protected in perpetuity.

- Tenement Syndicates: Buildings are managed by two entities: a tenant organizing group based in each house that decides on matters such as rent and building improvements while a syndicate focuses on legal matters, organizational support, loans and operations.

- Mutual and Housing Cooperatives: Cooperatives formed by groups of families collectively purchase land, construct housing and develop an ongoing management system.

Protecting People
20) Create Tenant Protections
Most of California’s largest cities have a majority of renters, but many do not have significant tenant protections. These safeguards include such policies as Just Cause eviction, rent stabilization, rent control, rent review boards and rent mediation. Although some cities have passed local rent control ordinances, a 2018 statewide ballot measure that would have allowed more cities in
California to enact rent control ordinances (Proposition 10) was rejected at the ballot.

**Key Facts**

- “Vacancy Decontrol” requirements in California rent control ordinances allow owners to increase monthly rents based on market prices when a tenant moves out of a rent-controlled unit.
- A handful of California cities have created tenant protections. Specifically, of the 88 cities in Los Angeles County, only a half dozen have the following protections: Just Cause eviction ordinance (Beverly Hills, Glendale, Los Angeles, Santa Monica, West Hollywood), rent control/stabilization (Beverly Hills, Los Angeles, Santa Monica, West Hollywood), and rent review board/mediation (Culver City, Gardena).

**Explanation of Issue and Gaps**

For many California cities, residents at-risk of displacement do not live in a jurisdiction with adequate tenant protections in place. In Los Angeles County, for example, 40% of cities do not have any anti-displacement policies in place while only about 30% have one such policy. In jurisdictions with a policy in place, affordable housing advocates have noticed that these policies are not being implemented or enforced.

Contrary to the perception of tenant protections being solely rent control or rent stabilization, other policies can help protect at-risk tenants from being displaced, including relocation assistance, limits on school year evictions for families, Just Cause eviction, rent review boards, mobile home rent control, single-room occupancy preservation, condominium conversion regulations, foreclosure assistance and housing trust funds.

**Key Opportunities**

Although Proposition 10 was soundly defeated in 2018, another rent-related legislation, Assembly Bill 1482, recently passed which will limit rent increases to 5% (plus inflation) or 10% (whichever is lower) and prohibit owners from evicting a tenant unless a just cause is given.

In addition to rent control and rent stabilization efforts, several other tenant protection measures at the local level can be won through policy advocacy and organizing. Of the various policy protections available, rent control and rent stabilization is the most direct at managing the cost of housing for low-income tenants. However, the other various protections available, including relocation assistance, can be combined to create a suite of protections for those at-risk of being displaced.

21) *Intervene in Foreclosures*

For those who face potential foreclosure of their homes, affordable refinancing or loan modification can go a long way to ensuring families stay in their homes. Although not as prominently felt as it was during the foreclosure and subprime loan crisis in 2008, foreclosure remains an issue in many communities.

**Key Facts**

- Foreclosures in the U.S. increased by 81% in 2008, causing over 850,000 families to lose their homes nationwide.
- The metropolitan areas with the highest rate of foreclosures included two areas in California; the highest rate was Stockton (9.5%) followed by Las Vegas (8.9%) and Riverside/San Bernardino (8%).
- Key foreclosure prevention laws passed by the State in 2008-09 helped homeowners, including Senate Bill 1137, which required mortgage lenders to contact homeowners in person or by phone and instituted a 30-day wait period between the first contact and the “notice-of-default” letter that marks the beginning of the foreclosure process. Another anti-foreclosure state law required lenders to wait half a year after sending a default notice before they could foreclose if
they did not offer a borrower any loan modification options.

➢ SB-1137 and the 2009 California Foreclosure Prevention Act helped reduce foreclosures by 16%, stopped an additional 124,000 foreclosures and saved over $300 billion in housing wealth.\(^{130}\)

**Explanation of Issue and Gaps**

Not only are foreclosures detrimental in the immediate term due to the loss of homes for families, they mean that another family is entering the rental market and leaving behind the stability and long-term wealth generation that homeownership provides. Moreover, during times of significant economic downturn, large numbers of foreclosed homes and entire neighborhoods are bought up by investors. This occurred during the 1990s after the savings and loan crisis\(^ {131}\) and during The Great Recession in 2008\(^ {132}\). The result is a transition of a neighborhood of homeowners to a neighborhood of renters, all with a single-entity landlord who purchased the homes entirely for investment purposes.

**Key Opportunities**

Although California has experience at the state level to protect homeowners from another foreclosure crisis, the need continues at the community level for engagement with homeowners on general education and foreclosure prevention counseling. One-on-one counseling for homeowners can help prevent future foreclosures and other interventions can help those at-risk of foreclosure evictions from entering homelessness.

**22) Foster Community Lawyering**

Community organizations and legal assistance providers can form powerful partnerships to address affordable housing issues at local, regional and statewide levels. Lawyers provide their legal knowledge to community members and community-based organizations while also learning from the experiences of those most affected by affordable housing issues. Through this collaborative process, nonprofit law firms and community organizations can pursue affordable housing policies that will have the most direct beneficial impacts on the constituents they serve by building up local power and resources for long-term capacity.

**Key Facts**

➢ The activities taken on through community lawyering, considered partnerships between nonprofit legal assistance firms and community-based organizations, may include: “research, political activity, direct action, media work, organizational development, training and leadership development, and, in some cases, the exercise or threat of unilateral action.”\(^ {133}\)

**Explanation of Issue and Gaps**

Community lawyering is a powerful tool for affordable housing advocacy and benefits all the partners working on winning policy outcomes:

➢ Lawyers and policy advocates without a grassroots base benefit from partnerships with community-based organizations by looking beyond immediate policy wins to focus on long-term power-building. Lawyers also gain community knowledge and expertise that is “ground-truthed” and more pragmatic than the conceptual nature of their policy advocacy framework.

➢ For community-based organizations and local leaders without the technical expertise to advocate for the most-needed policies, they benefit from legal and technical assistance and the leverage gained from the mere threat of legal action that the participation of lawyers brings to such a partnership.

➢ Lawyers and policy advocates, along with community-based organizations and local leaders, benefit from a long-term engaged community by creating capacity among local leaders and continued engagement for monitoring and accountability of policy outcomes.\(^ {134}\)
Key Opportunities
Throughout California, community lawyering opportunities enable lawyers and policy advocates to work in partnership with community-based organizations and local leaders. Some examples include:

➢ Faith in the Valley and Leadership Counsel for Justice and Accountability, working in the Central Valley to aid struggling renters dealing with rising housing costs while also advocating to raise the quality of the housing stock and for environmental protections for low-income communities of color.\(^{135}\)

➢ Public Advocates in the Bay Area, which co-leads a regional advocacy coalition to create an equitable Bay Area along with community-based organizations including Alliance of Californians for Community Empowerment (ACCE), Causa Justa :: Just Cause, Genesis, North Bay Organizing Project, Faith in Action, the Regional Tenants Organizing Network and more. These goals include affordable housing that provides low-income communities more access to quality jobs and schools in healthy neighborhoods.\(^{136}\)

➢ Public Counsel and ACCE Action in Los Angeles recently halted the illegal practice of blocking permanent supportive housing development by the City of Los Angeles. The practice included the denial of “Letters of Acknowledgement and Support”, which affordable housing developers were required to obtain in order to receive funding from the City, but instead were used as a tool to impede the development of affordable housing.

23) Affirmatively Furthering Fair Housing

California’s fair housing laws protect both potential renters and homeowners from discrimination in home sales, financing and rentals based on a number of protected classes: sexual orientation, sex, gender identity/expression, marital or familial status, medical condition or disability, religion, ancestry, source of income, age and genetic information. Section 8 housing selection discrimination is one significant and common form of injustice that occurs when renters with this form of subsidy seek housing, but face discrimination instead. The Affirmatively Furthering Fair Housing rule means taking intentional action to prevent such discrimination. In 2015, during President Barack Obama’s presidency, the administration required HUD grantees to develop an Assessment of Fair Housing, a housing and planning process that includes input from the community.

Key Facts

➢ The Fair Housing Act (or Civil Rights Act) of 1968 was made into law the week after Dr. Martin Luther King, Jr. was assassinated. The Act was designed to prohibit discrimination and to affirmatively further fair housing, which included dismantling segregation and creating equal housing opportunities.

Explanation of Issue and Gaps
Upon election of President Donald Trump and the subsequent appointment of Ben Carson as HUD secretary, the rule to Affirmatively Furthering Fair Housing has been in danger of being weakened.

Key Opportunities
In reaction to the potential loss of the Affirmatively Furthering Fair Housing rule after the new federal administrative was in place, California passed Assembly Bill 686, which brings the same protections previously provided by HUD into state law. According to Public Advocates, a nonprofit civil rights law firm, the “actions taken under this bill to affirmatively further fair housing can help overcome patterns of segregation, promote fair housing choice, address environmental justice, foster inclusive communities free from barriers that restrict access to opportunities and protect residents from displacement.”
**24) Provide Down Payment Assistance**

Transitioning an individual or household from renting to homeownership provides generational wealth sustainability. In some cases, families only need an initial down payment assistance program to make the leap from an expensive monthly rent payment to an almost equal mortgage payment.

**Key Facts**

➢ California has the second highest average mortgage debt in the U.S. at $347,652 (after Washington, D.C.) and the third highest average monthly mortgage payment at $1,642 (just behind Washington, D.C. and Hawaii).

➢ Senate Bill 3 provides down payment assistance including $150 million in California Housing Finance Agency (CalHFA) down payment assistance and $300 million from the CalHome Program.

**Explanation of Issue and Gaps**

Due to the high cost of housing in California, it is getting more and more difficult for Californians to qualify for a home loan, even if they are provided with first-time homebuyer assistance. In more counties throughout the state, Californians earning a higher income are more often qualifying for first-time homebuyer assistance: In 2018, 14% of CalHFA loan borrowers earned more than $85,000 compared to 30% of borrowers now. Rising income limits for first-time homebuyer programs in combination with rising household incomes has translated to six digit limits in all California counties and an especially high limit in San Francisco ($228,300), San Diego and Sacramento (both $150,000).

**Key Opportunities**

➢ Democratic presidential candidate, Kamala Harris, is proposing a $100 billion plan to support homeownership in the African-American community that includes a $25,000 federal grant for downpayment assistance for communities that historically have been redlined, potentially helping up to 4 million families.

➢ Existing housing trusts in California with down payment assistance programs, such as Housing Trust Silicon Valley, are limited to certain geographies. Supporting existing housing trusts like Housing Trust Silicon Valley to expand in other geographies or supporting an existing housing trust, such as Orange County Housing Trust, to provide down payment assistance are potential opportunities.

**25) Address Special Needs Housing**

Homes constructed specifically for a particular need are typically difficult to build due to unique financing and zoning requirements. Housing built specifically for Americans with Disabilities Act (ADA) needs, seniors, farmworkers, homeless shelters, school dormitories and on Native American tribal land are examples.

**Key Facts**

➢ One in three head of households using a Section 8 voucher and one in five in public housing is a person with a disability under the age of 62.

➢ Approximately 1% of homes in the U.S. are currently equipped to meet the needs of our growing senior population, 65 or over, who will constitute one in five of the U.S. population by 2030.

➢ Farmworkers in California average under $25,000 in yearly income, yet deal with high housing costs. There are approximately 800,000 farmworkers in the state, but it is difficult to count the total number due to the informality of some of the work, including migrant workers.

➢ Although homelessness has declined slightly in most California counties with the largest homeless populations between 2017 and 2018, an estimated 130,000 people in California remain homeless, accounting for...
almost one-quarter of the U.S. total\textsuperscript{144}.

➢ Of the 40,000 students surveyed across 57 California community colleges, 60\% were housing insecure and 19\% were homeless the previous year\textsuperscript{145}.

➢ On tribal land in California, almost one-third of individuals live below the poverty line, overcrowded household rates are higher than other parts of the state, over 8\% of homes do not have adequate plumbing and over 6\% do not have full kitchens\textsuperscript{146}.

Explanation of Issue and Gaps

➢ In Los Angeles, HUD is currently disputing the City’s use of federal funds on ADA-accessible housing, due to several housing developments not meeting the 5\% minimum requirement for accessibility to renters with mobility impairments and an additional 2\% accessibility requirement to renters with vision and hearing impairments. Moreover, there were numerous examples of renters without disabilities living in ADA-accessible units\textsuperscript{147}.

➢ Farms throughout the Central Valley are turning to H-2A Visa farmworkers to supplant migrant laborers, leading to the conversion of motels, hotels and single-family residences to homes for H-2A workers, due to the program’s requirements. These conversions, along with an overall lack of farmworker housing in Central Valley communities, has led to the displacement of low-income renters\textsuperscript{148}.

➢ Despite Assembly Bill No. 932, which allows more expedited construction of homeless shelters in jurisdictions that declare a shelter crisis, the actual construction of shelters remains difficult due to the highly contentious nature of neighborhood opposition.

➢ Despite the need for housing, many colleges do not have the resources or facilities to house their own students. The situation is much more dire for community college students because two-year colleges do not have on-campus dormitories like their four-year counterparts. Community college students must compete against the market for their housing needs, unlike four-year college students who will have access to much more affordable on-campus options\textsuperscript{149}.

➢ Throughout the history of the California LIHTC program, no low-income housing development was approved on Native American tribal land from 1986 to 2013\textsuperscript{150}.

Key Opportunities

➢ In 2014, the California Tax Credit Allocation Committee began allocating at least $1 million of the total $1 billion of tax credits to Native American tribal land, leading to the funding of at least five affordable housing developments\textsuperscript{151}.

➢ California Assembly Bill 302 allows homeless students access to sleep overnight in the parking lots of their community college campuses. The bill, however, is opposed by almost 20 community colleges due to a fear of liabilities, but if passed, would require community colleges to allow safe parking unless students are provided emergency housing grants, hotel vouchers and rapid rehousing referral services\textsuperscript{152}.

➢ In Los Angeles, where Mayor Eric Garcetti’s A Bridge Home program to build a shelter in all 15 council districts is currently underway, each shelter is met with pushback and opposition, including recent protests in Koreatown and Venice\textsuperscript{153}. 
Resources Consulted

Research for this report began with information collected from various reports on affordable housing that were recently released and introduced by housing leaders interviewed as part of this process. The interview process included over 30 organizations working on affordable housing, including several foundations that fund affordable housing initiatives in California. The following is a list of individuals and organizations that were interviewed as part of this process:

- Aimee Inglis, Tenants Together
- Alan Greenlee, Southern California Association of Nonprofit Housing (SCANPH)
- Amie Fishman, Nonprofit Housing Association of Northern California (NPH)
- Amy Denhart, Funders Together to End Homelessness San Diego
- Anya Lawler, Western Center for Law and Poverty
- Bill Pitkin, Conrad Hilton Foundation
- Cesar Covarrubias, Kennedy Commission
- Chris Goett, California Community Foundation
- Christopher Nicholson, Bridge Housing
- Cynthia Parker, Bridge Housing
- Cynthia Wong, Local Initiatives Support Corporation
- David Zisser, Housing California
- Dean Preston, Tenants Together
- Doug Smith, Public Counsel
- Elizabeth Wampler, San Francisco Foundation
- Eric Biber, University of California, Berkeley
- Evelyn Stivers, Housing Leadership Council
- Fred G. Karnas, Kresge Foundation
- Gina Dalma, Silicon Valley Community Foundation
- Giulia Gualco-Nelson, University of California, Berkeley
- Heather Hood, Enterprise Community Partners
- Kristy Wang, SPUR
- Ilene Jacobs, California Rural Legal Assistance (CRLA)
- Isela Gracian, East LA Community Corporation (ELACC)
- Judith Bell, San Francisco Foundation
- Landon Williams, San Francisco Foundation
- Laura Raymond, Alliance for Community Transit Los Angeles (ACT LA)
- Linda Tang, Kennedy Commission
- Madeline Wander, USC Program for Environmental and Regional Equity (PERE)
- Mary Lydon, Housing You Matters Coalition
- Matt Schwartz, California Housing Partnership Corporation
- Miriam Zuk, University of California, Berkeley – Urban Displacement Project
- Moira Huston-O’neill, Columbia University
- Richard Marcantonio, Public Advocates
- Samuel Tepperman-Gelfant, Public Advocates
- Shashi Hanuman, Public Counsel
- Thomas Tsun-Hung Yee, Low Income Investment Fund
- Toby Lieberman, Local Initiatives Support Corporation
- Tyrone Buckley, Housing California
- Veronica Garibay, Leadership Counsel for Accountability and Justice
Additional Affordable Housing Resources

The State of the Nation’s Housing, 2018, Joint Center for Housing Studies of Harvard University. http://www.jchs.harvard.edu/state-nations-housing-2018


Why We Must Build, Rick Jacobus, Shelterforce. https://shelterforce.org/2016/03/10/why_we_must_build/


Footnotes


63 State of California, Annual Progress Reports as reviewed by Baird + Driskell Community Planning


Inclusionary Housing, Grounded Solutions Network. https://groundedsolutions.org/strengthening-neighborhoods/inclusionary-housing


95 New US homes today are 1,000 square feet larger than in 1973 and living space per person has nearly doubled, Racio Perry, Mark, June 2016. http://www.aei.org/publication/new-us-homes-today-are-1000-square-feet-larger-than-in-1973-and-living-space-per-person-has-nearly-doubled/.


101 Advancing the Regional housing Agenda Memo, Metropolitan Transportation Commission, April 2016. https://archive.sftca.org/sites/default/files/content/Executive/Meetings/pnp/2016/05-May/PBA%202040%20-%20MTC%20housing%20memo.pdf


106 “Disney donates $5 million to help fund housing for Orange County’s homeless,” Jeff Collins, Orange County Register, March 5, 2019. https://www.ocregister.com/2019/03/05/disney-donates-5-million-to-help-fund-housing-for-orange-countys-homeless/.


111  California's Affordable Rental Homes At-Risk, California Housing Partnership, February 2019.  


113  “Should the City Use Eminent Domain to Keep Housing Affordable?,” Zoie Matthew, Los Angeles Magazine, May 21, 2019.  

https://shelterforce.org/2018/05/07/shared-equity/.

115  Building a Local Housing Preservation Ecosystem: Tenant Opportunity to Purchase (TOPA) and Local Policy, Danilo Pelletiere and Erin Wilson, Housing and Community Development Department, Washington, DC, November 2018.  

116  Land Banks and Land Banking, Center for Community Progress: Vacant Spaces into Vibrant Places, Frank S. Alexander, 2015.  
https://www.communityprogress.net/filebin/LandBanksLandBankingVer2Digital-Final.pdf.

117  “Land Banking 101: Everything You Wanted to Learn About Land Banking,” Kim Graziani, Raynetta Speed, Katelyn Wright and David Mann, Center for Community Progress, September 2016.  
118 National Map of Land Banks & Land Banking Programs, Center for Community Progress. 


120 "More Adults Now Share Their Living Space, Driven in Part by Parents Living with their Adult Children," Richard Fry, January 2018. 


123 Communities Over Commodities: People-Driven Alternatives to an Unjust Housing System," Homes for All Campaign of Right to the City Alliance, March 2018. 


128 “How Permanent Tenant Protections Can Help Communities Prevent Homelessness and Resist Displacement in Los Angeles County," Public Counsel and the UCLA School of Law Community Economic Development Clinic On behalf of Eastside LEADS and in collaboration with the Unincorporated Tenants United Coalition, June 2019. 


AB 686 (Santiago) Affirmatively Furthering Fair Housing, Public Advocates, February 16, 2017.


