

*Regional Policy Background Papers – July 2013*  
**Housing the Workforce in the Bay Area**

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*This paper is part of an ongoing series of policy background papers to inform the initial Plan Bay Area process. The papers are working documents providing information, analysis and ideas for discussion and should be seen as material for consideration rather than a reflection of regional policy.*

## 1. Introduction

This report was prepared as background for completion of *Plan Bay Area*, an integrated land use and transportation plan required per California law, Senate Bill 375. With *Plan Bay Area*, the regional agencies for the first time are closely linking long-term land use planning, transportation investments, and housing production to achieve the region's sustainability goals. The land use component of *Plan Bay Area* is outlined in the *Jobs Housing Connection Report (May 2012)* which contains a long-term vision for the Bay Area's growth. A central goal of *Plan Bay Area* is to house the entire population at all income levels by 2040.

This policy background report asks, what is the need for housing in the future? It explores how the wages from projected job growth might impact household incomes, what levels of housing affordability will be needed, and potential strategies to meet our housing needs. The discussion presented here is illustrative of the issues, but time and data limitations dictate that the parameters used are rough indicators rather than precise estimates.

Section 2 outlines the methodology and background applied in the paper, as well as some limitations. Section 3 briefly reviews the spatial pattern of housing production in recent decades. Section 4 describes projected regional growth, including housing needs by income category, and the likely amount of housing supplied given recent production trends. Section 5 describes where new housing could be located to improve access to jobs, and challenges to producing housing in these locations.

The sixth and last section suggests a few potential strategies that could support the availability of housing for residents in the future. These strategies include: 1) policy changes that could increase new housing production; 2) investing in existing areas with good job access, but where housing may need rehabilitation and neighborhoods may need improvements to schools, streets, sidewalks, sewers or other public infrastructure; and 3) expanding financial resources to subsidize affordable housing through identifying replacement resources for redevelopment, possibly including a Regional Affordable Housing Trust Fund.

## 2. Note on Methodology and Limitations

This report provides estimates of growth in housing supply and demand by income categories. The methodology used to make these estimates makes several assumptions that change the distribution of growth among different household income groups. First, only wage income is considered. Other forms of household income (proprietor's income, interest and dividends, capital gains, for example) are not included. Second, occupation and wage distributions within sectors are treated as stable over the 30 year time period—in fact, during the previous two decades, some sectors saw significant declines in low wage occupations relative to high wage, even as sectors that were predominately low wage may have grown more quickly than higher wage sectors. Third, household income is based on the assumption that on average, households have 1.3 workers, all employed in the same sector. Should households tend to have workers with greater mixes of occupations, the balance among moderate, low and very low workers could shift. Finally, HUD defines each income category relative to median income in that year—an upward shift in income overall could improve housing affordability to households in each category,

regardless of their distribution among categories of “very low,” “low,” or “moderate” income relative to the median.

On the supply side, the paper draws on an analysis built from a limited number of production options. Affordable housing needs are assumed to be filled through some level of assistance, be it federal, state and locally assisted production of income restricted units, inclusionary requirements at the local government level, or vouchers for rental housing. Other strategies for meeting housing needs—secondary units, crowding, budget reallocation, in-commuting—are not factored for in the analysis.

### **3. Recent housing development trends**

Because housing is a long-lived durable asset, the distribution of affordable housing is largely an artifact of changing development patterns, economic conditions and demographic and cultural trends over time. The second half of the twentieth century brought dramatic changes to urban form in the United States: decline of many older central cities, growth of suburban areas, and competition among jurisdictions for residents and businesses to expand tax bases. Encouraged by rising incomes and housing mortgage tax deductions that increased with income, larger houses became the norm for development in suburban locations. The increasing poverty in declining central cities substantially dampened the market for new housing development and limited residential investment in these areas.

When moving, households tend to pursue housing they can afford which in many cases results in communities that have relatively homogenous incomes and house prices. Some communities house high-income residents, while others house lower-income residents. Lack of affordable housing in higher income communities however, requires workers in lower paying jobs such as retail sales and restaurants to commute farther for jobs, with a wide range of consequences, from environmental impacts to higher costs for services.

Because of high land costs in locations near employment centers and greater availability of undeveloped land outside of the larger employment concentrations, more housing has been produced in areas far from the region’s employment centers circling the Bay. These areas accommodated substantial new housing production at more affordable prices, but at a cost of increased commutes. Some older neighborhoods remained close to jobs but suffered from infrastructure, market, and regulatory constraints to housing production. These areas did not produce as much housing, but remained more affordable. However, these older homes are more at risk of severe damage in a major earthquake than their newer counterparts, which could reduce the existing affordable housing stock after a major disaster.

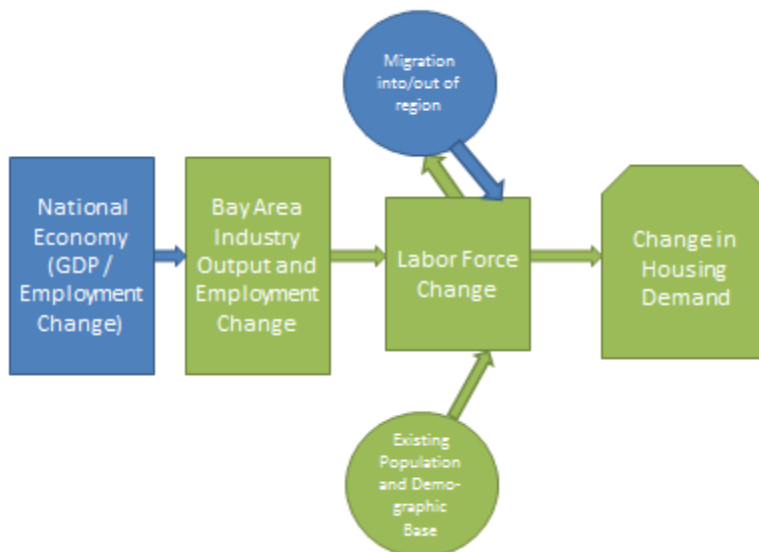
In the future, this trend of housing and employment dispersal could slow or even reverse for several reasons. First, the region is geographically constrained with fewer “greenfield” development sites left while traffic congestion continues to worsen. Second, some businesses in growing technology and professional services sectors are showing a preference for locating in central cities close to transit. Third, tremendous demographic change is projected as the Baby Boomers age and their children

mature. These trends could increase demand for more compact housing in central areas near transit, shopping, and services<sup>1</sup>, while freeing existing single family housing for a new generation.

#### 4. Projected Regional Growth

By 2040 ABAG projects an additional 1.1 million jobs, 2.1 million people, and 660,000 new homes. Employment projections are based on forecast national employment growth by industry sector and the region's share of that growth. Population and housing projections are in turn based on labor force needs as generated by projected job growth, as well as natural increase and migration among the non-working aged population, as shown in Figure 1.<sup>2</sup>

FIGURE 1. REGIONAL PROJECTIONS FLOW DIAGRAM



Growth in high-tech and other knowledge intensive industries will drive growth in the service sectors that support these industries. Overall, knowledge industries pay more and create higher income households, while these households demand lower wage services such as retail, restaurants, and childcare, thereby increasing affordable housing demand. Projected regional economic growth could be

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<sup>1</sup> *The New American Dream*, Urban Land Institute, Arthur Sullivan 2011.

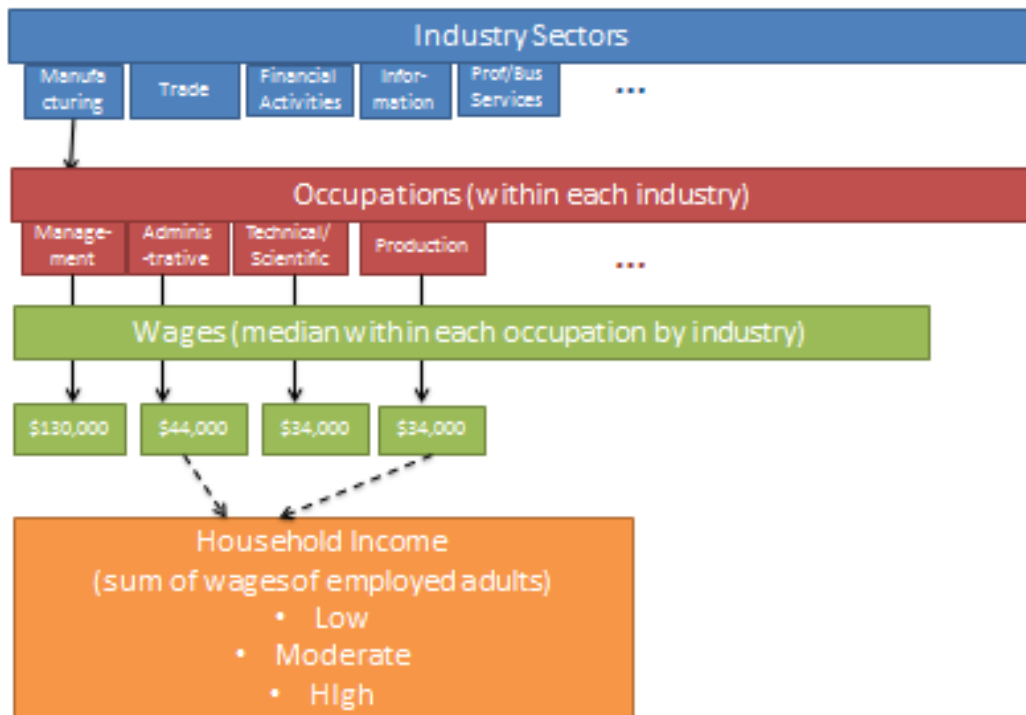
<sup>2</sup> These projections assume no major housing loss from a significant earthquake. The Bay Area has a 63% chance of one or more magnitude 6.7 earthquake before 2036, which could render 150,000 existing housing units uninhabitable. Additionally, a major disaster will lead to population loss and job loss. Losses of this magnitude will significantly impact these projections.

compromised if the region does not produce enough housing affordable to these support-service workers.

#### 4.1 Regional housing need from projected household income

To estimate future housing needs, we analyzed employment growth by industry sector, the expected occupational makeup of each sector, and estimated wages for these occupations to derive household incomes (Figure 2).<sup>3</sup> For example, the retail sector typically pays lower wages. Within the retail sector however, are a variety of occupations including highly paid management positions as well as lower paid sales representatives.

**FIGURE 2. TRANSLATING JOB GROWTH INTO HOUSEHOLD INCOME 2010-2040**



<sup>3</sup> *Evaluating the Effects of Projected Job Growth on Housing Demand*, UC Berkeley, Karen Chapple 2012.

**TABLE 1. HOUSEHOLD GROWTH BY INCOME CATEGORY 2010-2040**

Households	Very Low	Low	Moderate	Above Mod.	Total
Existing 2010	648,600	401,470	463,642	1,094,312	2,608,023
	25%	15%	18%	42%	100%
New 2010-2040	222,372	173,817	110,515	193,384	700,087
	32%	25%	16%	28%	100%
<b>Total Households 2040</b>	<b>870,972</b>	<b>575,287</b>	<b>574,156</b>	<b>1,287,695</b>	<b>3,308,110</b>
	26%	17%	17%	39%	100%

Source: US Bureau of the Census, 2010 Decennial Census and ABAG in-house projections using parameters derived by UC Berkeley (Wegman 2012).

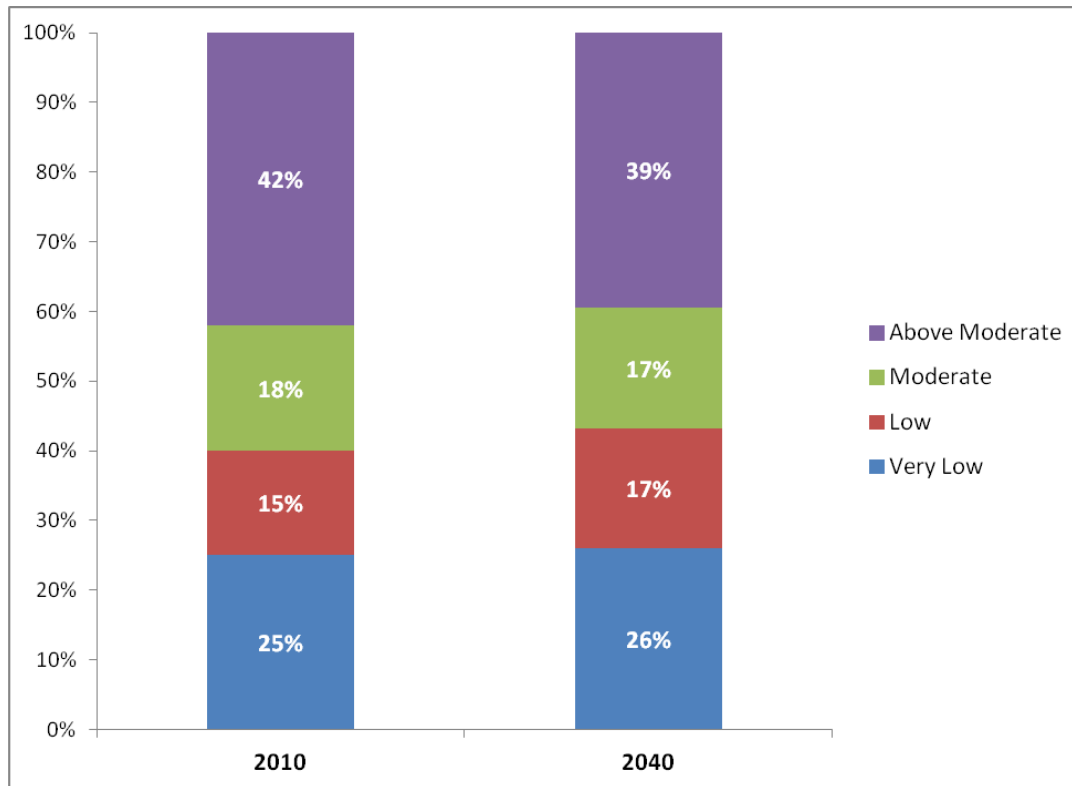
As shown in Table 1, up to 56% of demand for the 660,000 new housing units projected by 2040 may come from very low and low income households.<sup>4</sup> In 2010, according to Census figures, only 40% of households could be categorized as very low or low income. HUD records show that of low and very low income households living in all cities and incorporated areas in 2010, 75% of very low income and 56% of low income did not have their affordability needs met, based on the HUD standard of spending no more than 30% of income on housing.<sup>5</sup> By 2040, based on the assumptions described above, the share in earning categories equivalent to 2010 very low and low income households could rise to 43 percent. (See Figure 3 below)

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<sup>4</sup> Based on the HUD standard of 30% of income spent on housing. Bay Area households currently pay about 37% of their income on average for housing.

<sup>5</sup> See Cynthia Kroll, "The Great Recession and Housing Affordability," *Fisher Center for Real Estate and Urban Economics Working Paper Series*, 2013, <http://escholarship.org/uc/item/7q95j497> for a discussion of "affordability" measures and definitions. These percentages are drawn from the HUD CHAS dataset and are averaged over all incorporated places in the San Francisco Bay Area.

**FIGURE 3. TOTAL HOUSEHOLDS BY INCOME CATEGORY 2010-2040**

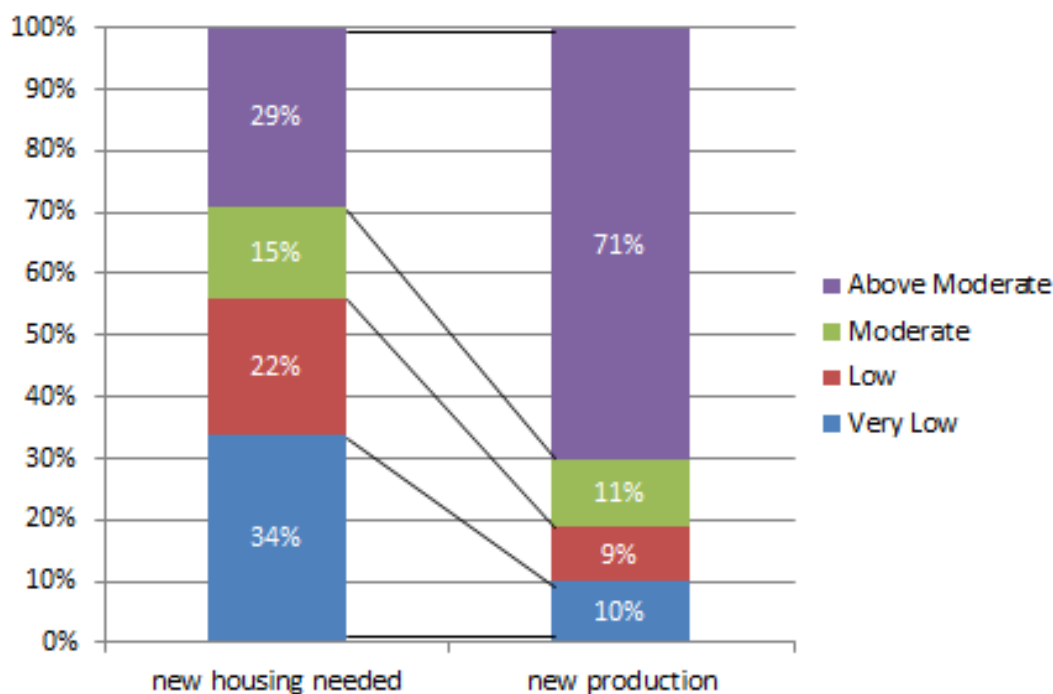


#### 4.2 Estimated housing construction

How likely is it that the Bay Area will produce enough new housing at these income levels? Between 1999 and 2008, 29% of new housing permits were for restricted housing designated for very low, low or moderate income households.<sup>6</sup> Preliminary estimates for 2009 to 2011 indicate a similar pattern. Figure 4 shows what it would look like if 1999-2008 levels of production were to continue to 2040.

<sup>6</sup> Based on figures cited in a series of ABAG publications on RHNA goals and building permits, including *A Place to Call Home* (2007), *San Francisco Bay Area Housing Annual Production* (2008), and *Testing the American Dream in the San Francisco Bay Area* (2009).

**FIGURE 4. ESTIMATED NEW HOUSING DEMAND AND SUPPLY BY INCOME CATEGORY: 2010 TO 2040, ASSUMING 1999-2006 LEVELS OF PRODUCTION**

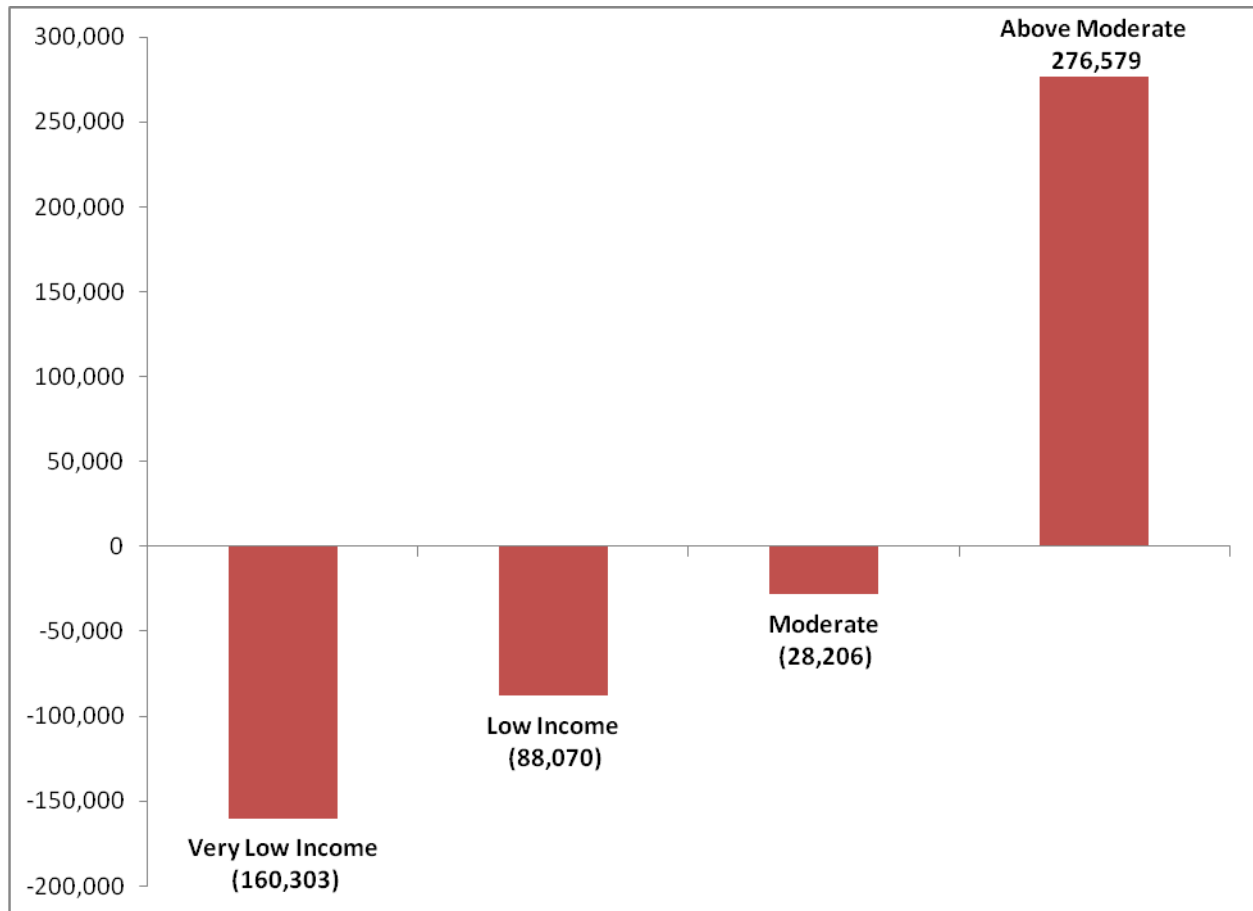


As mentioned in Section 2, the methodology for these estimates is far from precise. Furthermore, in addition to the various assumptions underlying the estimates, market fluctuations can also sharply change the housing market profile. While it is not necessarily the case that all market rate, unrestricted housing is built for above moderate income levels, prices for unrestricted units can be quite volatile. In some periods, for example in 2005 and 2006, even new unrestricted market rate housing built with the intention of providing affordable housing for moderate income households was bid up to a price well beyond affordable levels. In the period immediately following the housing bust, during the recession, some of this unrestricted housing fell to prices well within affordability ranges for moderate income households, while rents became less affordable. By 2013, housing prices were in strong recovery, partially spurred by investors, who have been purchasing for sale units for the purpose of rental. This may help to stabilize rents in some markets.

If we project these recent trends to 2040, producing enough housing for lower income households seems unlikely. Figure 5 shows the net difference between projected housing need and supply as estimated from these recent trends. By 2040 the Bay Area may produce 660,000 homes as projected by ABAG, but these homes may only be within reach of upper income households.



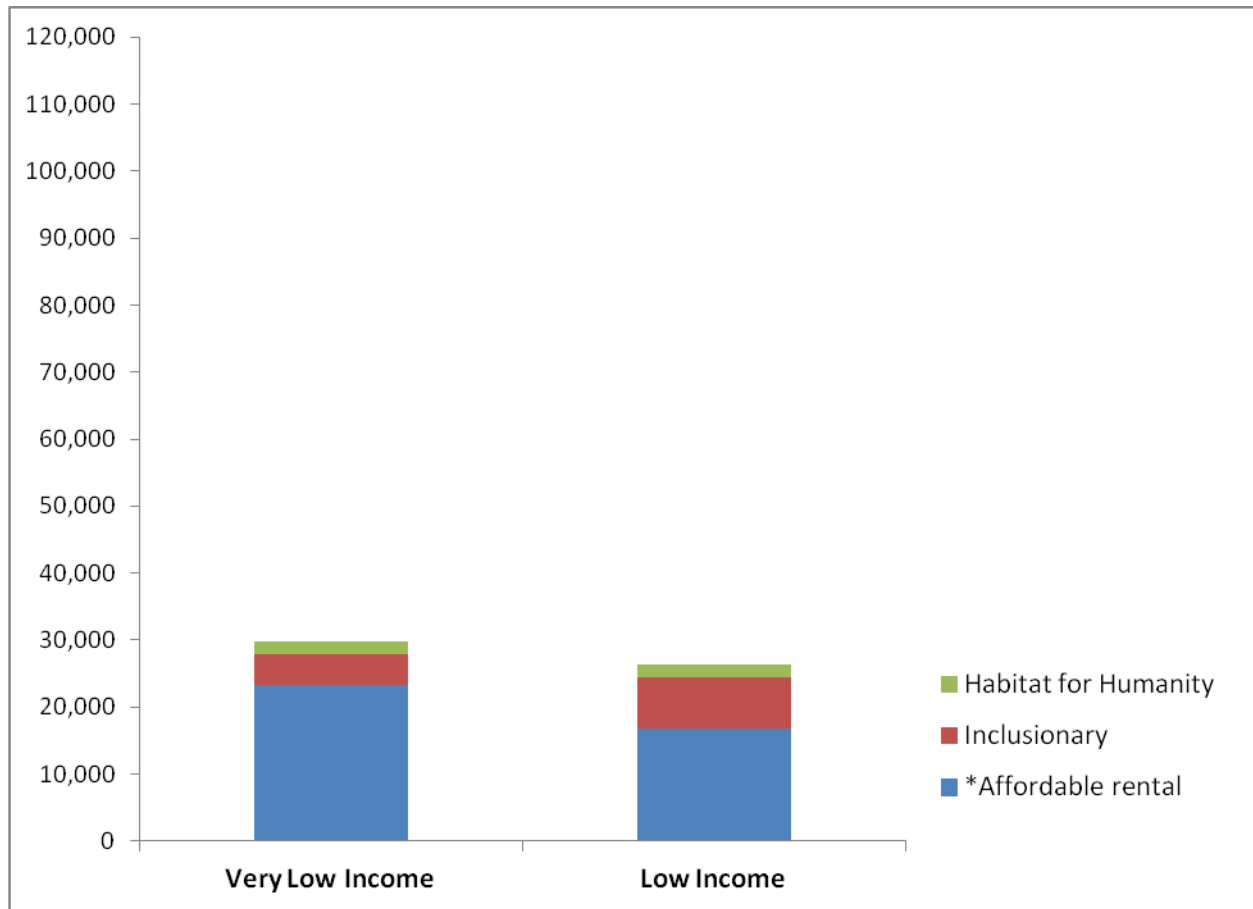
**FIGURE 5. NET DIFFERENCE: 2040 HOUSING NEED COMPARED TO 1999-2006 PRODUCTION TRENDS**



The majority of new housing affordable to lower income households will continue to be created by non-profit housing developers utilizing available public subsidies for housing production. Because lower income households have the greatest housing need, we estimated the amount of housing these subsidies could create. From a sample of 27 affordable housing developments constructed since 2006, we analyzed total development costs per unit and the average amount of subsidy required per unit. We then compared this to projected funds available in the future, absent redevelopment funds, to estimate total production.<sup>7</sup> Figure 6 shows the number of units current subsidies might produce: these subsidies include federal and state level funding (shown below as affordable rental), housing from inclusionary programs, and housing units produced by Habitat for Humanity which notably produces larger family sized dwellings.

<sup>7</sup> See *Affordable Housing Demand and Supply Analysis 2010-2040*, Jacob Wegman 2012.

**FIGURE 6. ESTIMATED 2040 REGIONAL AFFORDABLE HOUSING PRODUCTION WITHOUT REDEVELOPMENT**



\* Subsidized by state and federal level programs.

As documented by the Non-Profit Housing Association of Northern California, inclusionary programs have largely produced rental housing for lower income households.<sup>8</sup> The recent Palmer decision however, which invalidated the rental inclusionary program in Los Angeles, casts doubt on whether inclusionary programs will continue to produce new rental housing in the future.

Together, these subsidies and housing programs could produce approximately 56,000 units for very low and low income households. UC Berkeley analysis shows that an additional 3,400 units for moderate income households could also be produced by these programs.<sup>9</sup>

<sup>8</sup> See "Affordable by Choice: Trends in California Inclusionary Housing Programs", Non-Profit Housing Association of Northern California, 2007.

<sup>9</sup> *Affordable Housing Demand and Supply Analysis 2010-2040*, Jacob Wegman 2012.

## 5. Housing the Bay Area's Population Growth

### 5.1 Household growth by county and income category

So where should we build new housing to improve access to jobs, which is a key requirement of Senate Bill 375? To answer this question, household growth by county and income category was estimated from 2040 projected employment as part of *Plan Bay Area*.

*Plan Bay Area* expects communities to provide housing for the households and jobs they generate. Growth in high-tech and other knowledge intensive industries is projected to fuel growth in the service sectors that support these industries. As the service sector pays lower wages compared to other industry sectors, this will create additional demand for affordable workforce housing.

**TABLE 2. HOUSEHOLD DISTRIBUTION BY COUNTY AND INCOME CATEGORY, 2010-2040<sup>10</sup>**

County	Household Growth 2010-2040	VLI	Low Income	Mod Income	Above Moderate Income	Annual rate of growth 2000 to 2010	Projected annual rate of growth 2010-40
Alameda	152,347	28%	26%	16%	30%	0.6%	0.8%
Contra Costa	87,989	34%	28%	14%	24%	1.2%	0.7%
Marin	9,176	42%	25%	7%	25%	0.4%	0.3%
Napa	5,014	27%	33%	8%	32%	1.2%	0.3%
San Francisco	100,543	17%	38%	12%	32%	0.6%	0.8%
San Mateo	65,462	43%	16%	18%	24%	0.4%	0.7%
Santa Clara	223,405	41%	14%	21%	24%	0.8%	1.0%
Solano	26,101	24%	33%	11%	33%	1.2%	0.5%
Sonoma	30,050	34%	23%	13%	31%	0.9%	0.5%
SF Bay Area	700,087	32%	25%	16%	28%	0.8%	0.8%

Source: ABAG estimates from Chapple 2012, Wegman 2012, and California Department of Finance data.

Table 2 shows where the 700,000 households projected between 2010 and 2040 would be distributed were household growth linked to projected job growth at the county-level by sector and occupation. The table also shows the proportion of households in each income category if they were to fill the jobs projected within the same county. Overall, the annual rate of growth projected for the next 3 decades is similar to that experienced during the past decade (a period when total employment declined). Most of the more urbanized counties (Alameda, San Francisco, San Mateo and Santa Clara) show slightly

<sup>10</sup> The projected household growth at the county level has changed slightly since this report's first writing. At the county level the totals do not coincide exactly with the most recent figures, but the regionwide totals and proportions of growth by income level are unchanged. The most recent countywide totals as of the writing of this paper are Alameda 160,190, Contra Costa 88,790, Marin 8,840, Napa 7,430, San Francisco 101,530, Santa Clara 214,190, Solano 26,950, and Sonoma 34,910.

higher growth rates than in the previous decade while the counties more distant from the urban centers show decreases in growth, consistent with expectations for employment location patterns under the Plan Bay Area strategy.

### **5.2 Challenges to this growth pattern today**

Regional coordination to support investment in Priority Development Areas (PDAs) can help build new housing for a range of households with different income levels. Growth in PDAs expands access to employment by transit and other affordable transportation modes. Although local plans for PDAs share many common goals, PDAs vary in the quality of their schools, streets, sidewalks, and other infrastructure and their desirability for new households.

To better understand the ability of these areas to accommodate growth, we looked at several indicators of market strength including median household incomes, median housing values, the renter housing burden, and worker commute lengths. Appendix A contains a summary of these results.<sup>11</sup>

Because regional variation in housing values is positively correlated to job access, quality of infrastructure and schools, and level of education, strong markets tend to be the best areas for lower income households to reside to maximize their economic opportunities. Regulatory barriers to building more housing however, can also make it more difficult to build more housing despite resident demand and developer interest. These areas may need to review policies to streamline their entitlement process or significant infrastructure investments.

Other areas have reasonable access to job centers, but suffer from longstanding concentrations of poverty and disinvestment that make them less attractive. In the future these areas will need substantial infrastructure and other investments to attract and retain more middle income workers and to improve advancement opportunities for lower income workers.

## **6. Strategies to house our workforce**

While producing more housing at all income levels increases housing affordability, market rate production alone has not historically met the needs of many income groups. Looking forward, it seems likely that enough housing will be provided for new households earning above moderate incomes. The greatest unmet need for affordable housing is among lower income households. Without new programs, this situation will continue, especially given the compromised status of inclusionary programs and the loss of redevelopment. Future housing needs compatible with *Plan Bay Area's* growth pattern could be met by strategies that: 1) reduce barriers in the permitting and construction process for both market rate and subsidized housing; 2) stimulate housing production for both existing and new residents in

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<sup>11</sup> The renter housing burden in Appendix A is measured as the percent of renter households paying more than 30% of income on housing. Commute length is indicated by the percent of workers in households commuting 30 minutes or more daily to work.<sup>12</sup> The decentralization of workplaces and residences in the San Francisco region over time now means that locations most accessible to jobs in the region are located in the East Bay slightly south of San Francisco where land prices are relatively moderate. Areas with better local schools (as reported by the Academic Performance Index) are also much more valuable on average.

locations that could provide transit access but have experienced disinvestment; and 3) improve the funding base for affordable housing projects.

As a first step to address these issues, we sketched three strategies to house the future workforce that could enhance household job access and economic opportunity. Because of the impact of existing policies on new construction, we first estimated the amount of additional housing we might expect if permit streamlining and parking policies were modified and a replacement to redevelopment was created at the state level. As a substantial amount of housing could be provided in existing areas with good job access but little market interest due to disinvestment, we also analyzed how investments could be provided in these areas to improve market conditions by rehabilitating existing housing and improving neighborhood amenities, while avoiding displacement. We also looked at examples of affordable housing trust funds to see how a regional trust fund might help to close the gap between future housing supply and demand.

*Strategy 1: Promote permit streamlining, parking requirement modifications, and replace redevelopment funds to increase total housing production at all income levels.*

### Permit Streamlining

Job access alone does not determine land prices.<sup>12</sup> A study by John M. Quigley of single family housing prices, found that restrictive regulations and entitlement delays substantially increase housing values.<sup>13</sup> For example, a reduction in the delay between application and approval for residential construction from the current average of 16 to about 8 months could increase the affordability of housing by \$22,000 on average across the Bay Area, with much greater reductions in high priced areas like Palo Alto. A study by SPUR concluded that these delays are often caused by miscommunication between local jurisdictions and developers, unclear permitting procedures, changes in the building code while the site is under construction, and inadequate staffing.<sup>14</sup>

Using the findings from this study, we estimated that permit streamlining could produce an additional 16,000 units to meet lower income household needs. The impact would likely be greater for the moderate and above moderate income categories.<sup>15</sup>

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<sup>12</sup> The decentralization of workplaces and residences in the San Francisco region over time now means that locations most accessible to jobs in the region are located in the East Bay slightly south of San Francisco where land prices are relatively moderate. Areas with better local schools (as reported by the Academic Performance Index) are also much more valuable on average.

<sup>13</sup> John M. Quigley, et al., "Economic Geography, Jobs, and Regulations: The Value of Land and Housing." UC Berkeley 2011.

<sup>14</sup> "Building Department Review and Inspection: Reducing Uncertainty and Increasing Efficiency." SPUR. 1999.

<sup>15</sup> Also, reducing the number of reviews required for approval from an average of 3 to 1.5 would decrease average house prices by about 14%. Affordability in traditionally more restricted areas, like San Francisco and Palo Alto, could increase by more than double that number.

### Parking policies

The cost of providing parking also adds to the cost of new housing. One study has estimated that 20% of the total development cost of some affordable housing projects goes toward the construction of parking structures, facilities that in some cases are 50% vacant at peak occupancies.<sup>16</sup> A second study based in San Francisco found that building an additional parking space can add as much as \$30,000 to housing costs.<sup>17</sup> A study by Wegman estimates that allowing for more flexible parking policies could reduce overall construction costs by up to 5%. This could yield an estimated 4,000 units for lower income households, as well as expanding housing stock at higher income levels.<sup>18</sup>

### Redevelopment and Prop 1C replacement

There are various ongoing efforts to develop a replacement to redevelopment that could be used to support PDAs. One of the first was SB 1156, a measure that would have created an alternative way to generate tax-increment financing revenue or sales tax for affordable housing and other purposes, as a replacement for redevelopment funds. While SB 1156 was vetoed by Governor Brown in November 2012, different versions of the same legislation are still under consideration in Sacramento as the Governor has expressed a desire to ensure funding for the Sustainable Communities Strategies.

In summary, SB 1156 would have allowed a city and county within a region with an adopted and approved SCS to form a Sustainable Communities Investment Authority to enable tax-increment financing within a designated area, generally ½ mile from a major transit stop or high quality transit corridor.<sup>19</sup> Once designated, these areas would be subject to Community Redevelopment Law requirements, including directing at least 20% of all proceeds to affordable housing production. Beyond this minimum 20% housing set-aside, funds could be used for projects that implement the goals of an SCS, such as improving jobs-housing balance and reducing air pollution and vehicle miles traveled to improve public health. A Sustainable Communities Investment Authority would require that a local jurisdiction adopt the following:

- A land use plan that is consistent with the use designation, density, building intensity, and applicable policies in the SCS.
- An ordinance creating a jobs plan that requires all entities doing business with the Sustainable Communities Investment Authority to enter into an agreement describing how the project will "further construction careers that pay prevailing wages and create living wage permanent jobs" and implement a community outreach program for disadvantaged residents.
- A "sustainable parking standards ordinance" that reduces parking in transit priority areas to encourage transit use to the greatest extent feasible.

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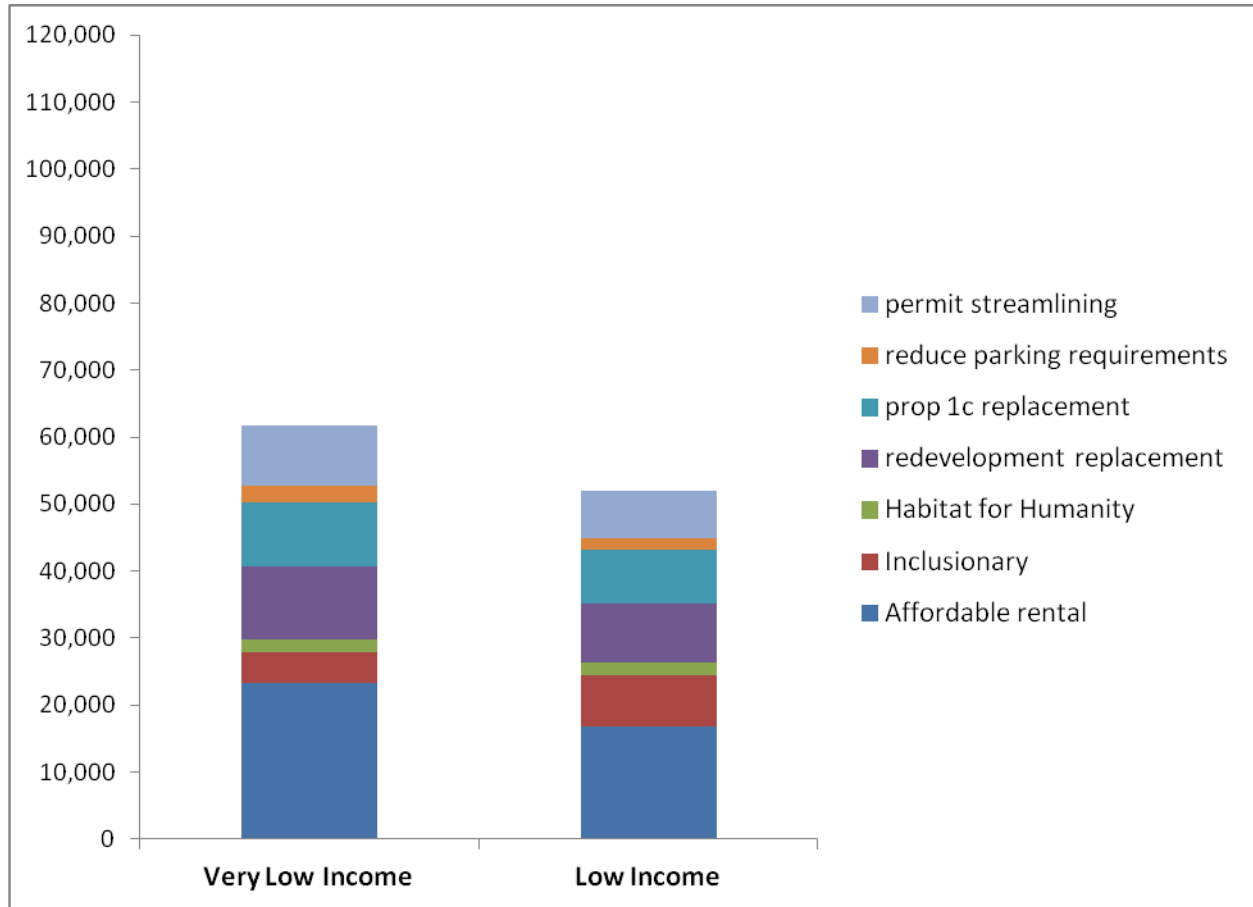
<sup>16</sup> Litman, T. 2009. Parking Requirement Impacts on Housing Affordability. Victoria, British Columbia, Canada: Victoria Transportation Policy Institute.

<sup>17</sup> "Reducing Housing Costs by Rethinking Parking Requirements." SPUR. 1998.

<sup>18</sup> Jake Wegman, Solutions to the Bay Area's Affordable Housing Shortfall, Berkeley 2012.

<sup>19</sup> As defined in Resources Code 21155.

**FIGURE 7. ESTIMATED 2040 HOUSING PRODUCTION: INCREASING NEW CONSTRUCTION THROUGH PERMIT STREAMLINING, CHANGING PARKING REQUIREMENTS, AND REPLACING REDEVELOPMENT**



Adopting a redevelopment replacement program and replacing \$500 million of Prop 1C bond funds could create more than 37,000 homes for lower income households.<sup>20</sup> Figure 8 shows that in combination, permit streamlining, parking reform, and replacing redevelopment and Prop 1C funds could create over 57,000 additional homes.

***Strategy 2: Rehabilitate the existing housing stock in disinvested areas with good access to jobs.***

New households can also be accommodated by older housing in existing neighborhoods. However some of this housing is vacant because of foreclosure proceedings or housing condition. Many of these areas also need investments to improve the quality of infrastructure, schools, and neighborhood safety. Wegman’s analysis estimates that about 35,000 foreclosed units could contribute to low and very low

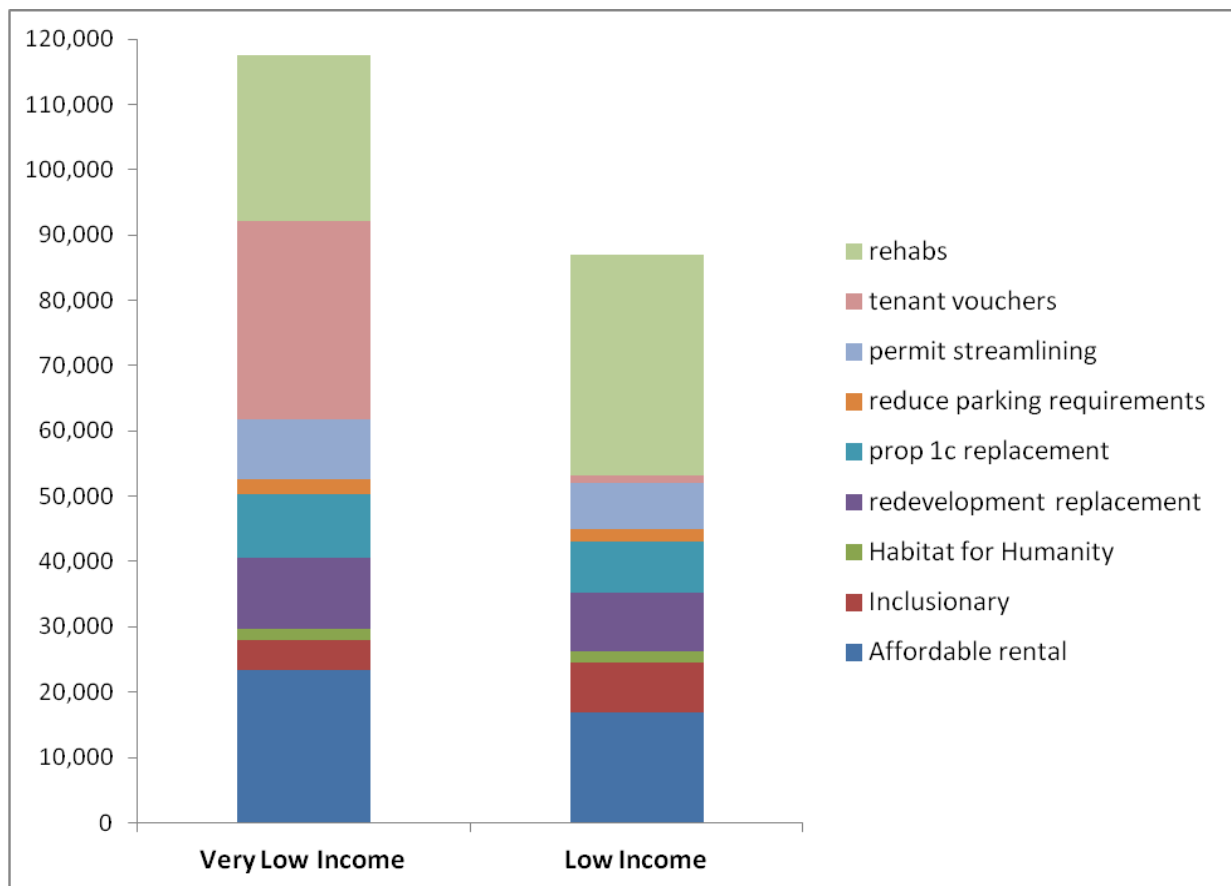
<sup>20</sup> Jake Wegman, Solutions to the Bay Area’s Affordable Housing Shortfall, Berkeley 2012.

income housing needs. For the sake of discussion, we assume an additional 25,000 older homes could become available through a “filtering” process to lower income households as existing neighborhood residents move up to new market rate housing.

For households that cannot afford higher priced neighborhoods, housing choice vouchers can make that housing affordable to them. Assuming that funding for housing choice vouchers continues at the same rate and that the Bay Area receives the same share, we estimate that over 31,000 households could be housed within the existing housing stock (Figure 9).<sup>21</sup>

Investing and preserving affordability in areas with good job access, and augmenting affordability with housing choice vouchers combined could provide an additional 90,000 affordable homes.

**FIGURE 8. ESTIMATED 2040 HOUSING PRODUCTION: ACCOUNTING FOR REHABS AND HOUSING CHOICE VOUCHERS**



In these areas improvements to infrastructure and other investments could enhance conditions for existing residents and address the conditions that suppress the full utilization of land in these otherwise

<sup>21</sup> Jake Wegman, Solutions to the Bay Area’s Affordable Housing Shortfall, Berkeley 2012.



well-located neighborhoods. Assuming funding availability, these areas also offer the opportunity to buy housing at reduced cost to provide permanent affordability. However, a strategy based on rehab of neighborhoods is particularly vulnerable to displacement issues and may need to be combined with programs that allow low and very low income households to stay in place or move to affordable units in places well served by community services and transit.

Such investments would begin to address other factors that affect older housing, which tends to be more vulnerable in the event of a major earthquake. The loss of this existing housing could prove devastating for housing affordability. Housing should be rehabilitated not just for safety and habitability but for seismic resilience as well.

*Strategy 3: Investigate how a regional trust fund might help to close the gap between future housing supply and demand.*

In addition to the Transit Oriented Affordable Housing Fund (TOAH) established by MTC, seven of the nine Bay Area counties already have some form of housing trust fund. These include: San Mateo, San Francisco, Santa Clara, Alameda, Sonoma, Marin, and Napa.<sup>22</sup> To see how a trust fund at the regional level might be expanded to reduce the gap between affordable housing supply and demand we looked at examples of trust funds outside the region. Appendix B includes three examples of existing housing trust funds.

**Potential trust fund features**

A housing trust fund that covers the region could be operated as a voluntary program that provides partial RHNA credit for contributing jurisdictions that meet certain criteria. Contributions could take a variety of forms from dollars to land. Housing could be provided within the contributing jurisdictions boundaries or, to maximize development opportunities, near the contributing jurisdiction and within the same labor market.

This could provide flexibility for jurisdictions with scarce land available for new housing to contribute to regional housing production, while providing investments to areas that need and can willingly accommodate new units. These investments could be coupled with policies to limit and mitigate displacement, as appropriate, and provide needed funds to purchase, rehabilitate, and make homes permanently affordable while improving streets, sidewalks, schools, and other infrastructure.

Funding is the critical element of the trust fund. Trust funds can be financed in a variety of ways, such as in-lieu fees tied to residential development, commercial linkage fees, sales taxes, donations of land, to name a few examples. In this section we describe several options, drawn from the case studies in

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<sup>22</sup> Source: Brooks, Mary. "County Housing Trust Funds 2012." Center for Community Change Housing Trust Fund Project, 2012

Appendix B and other sources. These ideas should be seen as a menu of possible approaches that elected officials and community leaders could consider for the region.

### Inclusionary Zoning/In-Lieu Fees

Inclusionary programs with in-lieu fees have been widely adopted in the Bay Area. These ordinances are generally used to fund new affordable developments and rehabilitate existing homes in disinvested areas near job centers. To have the greatest impact, inclusionary programs depend on strong markets where land holds significant value that can be re-captured to subsidize greater levels of affordable housing production. In struggling communities the costs of new housing production are greater than the market price for housing; per-unit fees would further limit feasibility of unsubsidized residential construction. Currently, about 68% of San Francisco Bay Area jurisdictions are covered by inclusionary programs with various requirements and in-lieu fees ranging from several thousand to hundreds of thousands of dollars.

Varying market strength and differences in local law have led to wide-ranging results in the Bay Area from inclusionary programs. Between 1999 and 2006, one Sonoma County city produced over 1157 affordable housing units (70% of all its new housing units) through its inclusionary ordinance.<sup>23,24</sup> Other places have had more modest success, such as one suburban jurisdiction in Santa Clara County, which produced 194 affordable units through its inclusionary ordinance for the same period.<sup>25</sup> In-lieu fees funding a regional trust fund would increase flexibility in where new affordable housing could be constructed.

In-lieu fee inclusionary programs can be substantial revenue generators. A \$5,000 per unit fee on all above market rate units projected for the 2010 to 2040 period could generate close to \$1 billion for a regional housing trust fund. A sliding scale based on number and costs of units, with higher fees at the upper end, could generate a larger pool of resources. However, these programs have important limitations. First, legal challenges have narrowed their applicability.<sup>26</sup> Second, by adding to the cost of new home construction, they may reduce overall building and thus the future housing stock. Third,

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<sup>23</sup> California Department of Finance. "E8 Historical Population and Housing Estimates for Cities, Counties, and the State." November 2012 < <http://www.dof.ca.gov/research/demographic/reports/estimates/e-8/2000-10/>>

<sup>24</sup> California Coalition for Rural Housing. "Inclusionary Housing Database." 2010  
<[http://www.calruralhousing.org/?page\\_id=110](http://www.calruralhousing.org/?page_id=110)>

<sup>25</sup> Ibid.

<sup>26</sup> *The Public Interest Law Project. "Inclusionary Zoning after Palmer and Patterson – Alive and Well in California." 2010; Kroll et al. "Below Market Rate Requirements in a Down Market: What have we learned from the Great Recession?" UC Berkeley, 2010; Shigley Paul. "Court Rules L.A. Inclusionary Housing Mandate Violates State Law." California Planning and Development Report, 2009*

because of the effect on construction cost, the pool of new homes for which this approach makes sense may be reduced.

### Dedicated Sale Tax

The state, counties, and cities have it in their power to pass sales tax increases to fund projects that they deem in the public interest. In 2008 L.A. Metro passed Measure R, a half cent increase in the county sales tax, to fund transportation projects for a total of \$40 billion through the thirty year lifespan of the measure<sup>27</sup>. In 2012 Alameda County attempted to pass measure B1 which would have increased the sales tax in the county by one cent to fund transportation projects. Over its 30 year lifespan the measure would have generated \$7.7 billion in additional revenues in the county for transit expenditures<sup>28</sup>. A sales tax increase for the Bay Area (whether a quarter cent or a whole cent) could create a substantial new revenue source, part of which could be directed towards affordable housing development. Significant barriers exist, however, to increasing the sales tax. At the county level a sales tax measure could require state-enabling legislation, an additional 2/3 vote approval by the Board of Supervisors and 2/3 countywide voter approval. In fiscal year 2011-12 had each Bay Area county approved a quarter cent sales tax increase they would have generated \$300 million which could have been devoted to affordable housing development.<sup>29</sup> Additionally these monies can be used to leverage additional funds from state and federal sources as they have a major multiplier effect on the local economy.

### Document Recording Fees

Document recording fees are used throughout California to fund affordable housing trust funds. Fees are significantly easier to enact than tax increases as they only require a majority vote by the city council or the county responsible for levying them. The California Homes and Jobs Act, SB 391, for example, would impose a small document recording fee on real estate transactions that would generate \$500 million annually for affordable housing production throughout the state<sup>30</sup>. If allocated based on population share, the Bay Area could expect to receive \$100 million annually from this fee.

### Transit Oriented Affordable Housing Fund (TOAH)

The TOAH fund established with \$10 million from MTC taking a first loss position, created a \$50 million fund by leveraging investments from private sources, CDFI's and various foundations. An additional investment of \$10 million set to occur later in 2013 will grow the fund to at least \$90 million (assuming

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<sup>27</sup> LA Metro. "Measure R." 2013

<sup>28</sup> Transform CA. "Alameda County's Measure B1." 2013

<sup>29</sup> Internal ABAG calculations

<sup>30</sup> California Jobs and Homes Act 2013. "About the California Jobs and Homes Act of 2013." 2013 <  
<http://www.californiahomesandjobsact.org/about/>>

MTC's required 3:1 leverage) and possibly up to \$100 million assuming the same 4:1 leverage ratio of MTC's initial investment. TOAH enjoys several advantages including<sup>31</sup>:

- TOAH is already a regional fund operating in all nine Bay Area counties so there is no need to create a new, potentially onerous, structure for Bay Area-wide housing development.
- TOAH has already proven to be a successful, if limited, regional source of loans for affordable housing development.
- TOAH is not regarded as another level of government but as a partner for localities to meet their affordable housing needs.
- TOAH has effectively engaged private sector constituencies throughout the Bay Area to raise money for affordable housing.

If the TOAH were to secure additional funds from local jurisdictions these monies could potentially enjoy the same 4:1 leverage of MTC's initial investment. One way to address concerns that money be spent locally is to restrict the use of local funds to their respective PDAs (i.e. if San Francisco provides the TOAH with money those funds would have to be spent in San Francisco PDAs)<sup>32</sup>. If feasible, this could substantially leverage existing funding to create a regional trust fund whose capitalization could reach hundreds of millions of dollars.

### Concluding Thoughts

These three initial strategies among many others could substantially increase affordability in the Bay Area. Making deeper impacts would require key changes to land use policies in the region to reduce the time and cost of producing housing. Making it easier to build housing, particularly attached housing, of all kinds and at all price points in the Bay Area would have a tremendous impact. Efforts to foster "affordability by design," or changes to land use and building code regulations that reduce the cost of construction, could also substantially improve affordability, particularly for moderate income households. Future policy papers will explore best strategies and key policy actions to enhance the production of housing for all Bay Area households.

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<sup>31</sup> Galvao, Pedro. "Filling in the Affordability Chasm: Effectively Addressing Housing Affordability in the Bay Area." Policy Analysis Exercise, Harvard University John F. Kennedy School of Government, 2013

<sup>32</sup> Ibid.

## Appendix A

The following table contains affordability and commuting data for Bay Area PDAs. The cities are sorted by county.

**PDA HU Growth:** Projected growth in housing units for that PDA.

**Median Hsg Value:** Median housing price for the selected PDA.

**Median Hsg Value as a % of Reg Med Value:** Index of median housing value for the selected PDA relative to the regional median housing value. A value of 1 means the PDA has a median housing value level equal to the regional median. A value above 1 means median housing value is higher than the regional median, while a value below 1 means median housing value is lower than the regional median.

**Median HH Income as a % of Med Reg Income:** PDA median income relative to regional median income. A value above 1 means median income is higher than the regional median, while a value below 1 means median income is lower than the regional median

**Burdened Renters:** Percentage of renters who are paying 30% or more of their income on rent for the selected PDA.

**Long commutes:** This column contains information on the percentage of all workers in that PDA who commute 30 minutes or more to work.

**Table A-1: Jurisdictions by Affordability Characteristics**

County	City	PDA HU Growth	Median Housing Value	Med Hsg Value as % of Reg Med Value	Med HH inc as % of Reg Med Income	Burdened Renters (% paying >30% of income on rent)	Long commutes (% with 30+ minute travel)
Alameda	Alameda	4,771	470,678	1.03	0.98	39%	41%
Alameda	Albany	244	457,000	1	0.95	51%	46%
Alameda	Berkeley	6,292	607,432	1.33	0.77	50%	35%
Alameda	Dublin	5,952	440,000	0.96	1.42	27%	44%
Alameda	Emeryville	5,466	235,000	0.51	0.8	50%	46%
Alameda	Fremont	11,370	484,784	1.06	1.27	32%	47%
Alameda	Hayward	9,687	263,003	0.57	0.81	48%	44%
Alameda	Livermore	9,418	387,690	0.85	1.24	43%	41%
Alameda	Newark	2,774	325,000	0.71	1.07	37%	43%
Alameda	Oakland	48,066	261,126	0.57	0.65	50%	40%
Alameda	Pleasanton	3,592	657,952	1.44	1.52	33%	43%
Alameda	San Leandro	5,570	276,552	0.6	0.82	40%	41%
Alameda	Union City	795	350,000	0.76	1.1	40%	48%
Contra Costa	Antioch	4,116	177,866	0.39	0.87	52%	57%
Contra Costa	Concord	15,532	238,518	0.52	0.86	51%	42%
Contra Costa	Danville	754	763,408	1.67	1.7	39%	41%
Contra Costa	El Cerrito	1,015	450,000	0.98	1.04	46%	48%
Contra Costa	Hercules	4,173	270,000	0.59	1.16	52%	66%
Contra Costa	Lafayette	938	912,500	1.99	1.76	35%	38%
Contra Costa	Martinez	694	255,000	0.56	1	45%	37%
Contra Costa	Moraga	337	725,000	1.58	1.56	48%	49%
Contra Costa	Oakley	3,335	210,000	0.46	1.01	55%	56%
Contra Costa	Orinda	212	882,000	1.92	2.12	42%	43%
Contra Costa	Pinole	695	243,000	0.53	1.03	35%	55%
Contra Costa	Pittsburg	6,445	160,000	0.35	0.76	48%	53%
Contra	Pleasant Hill	384	365,000	0.8	1.06	43%	38%

# Regional Policy Background Paper: Housing the Workforce

County	City	PDA HU Growth	Median Housing Value	Med Hsg Value as % of Reg Med Value	Med HH inc as % of Reg Med Income	Burdened Renters (% paying >30% of income on rent)	Long commutes (% with 30+ minute travel)
Costa							
Contra Costa	Richmond	4,290	131,701	0.29	0.71	49%	52%
Contra Costa	San Pablo	1,466	155,000	0.34	0.58	59%	50%
Contra Costa	San Ramon	2,704	613,416	1.34	1.58	32%	46%
Contra Costa	Walnut Creek	3,012	418,472	0.91	1.06	39%	42%
Marin	San Rafael	2,392	562,152	1.23	0.95	53%	34%
Napa	American Canyon	1,543	302,500	0.66	0.69	30%	51%
Napa	Napa	937	302,969	0.66	0.65	49%	27%
San Francisco	San Francisco	87,172	675,943	1.47	0.94	38%	46%
San Mateo	Belmont	907	840,000	1.83	1.31	29%	33%
San Mateo	Burlingame	3,258	1,445,000	3.15	1.08	36%	36%
San Mateo	Colma	242	431,261	0.52	1.1	16%	32%
San Mateo	Daly City	3,454	431,261	0.94	0.99	45%	43%
San Mateo	East Palo Alto	856	258,000	0.96	0.64	60%	24%
San Mateo	Menlo Park	1,176	1,159,968	2.53	1.42	37%	26%
San Mateo	Millbrae	2,662	750,750	1.64	1.06	47%	41%
San Mateo	Redwood City	7,416	604,473	1.32	0.99	46%	31%
San Mateo	San Bruno	3,853	425,000	0.93	0.99	43%	32%
San Mateo	San Carlos	1,158	808,750	1.76	1.46	37%	35%
San Mateo	San Mateo	8,285	629,052	1.37	1.1	38%	34%
San Mateo	South San Francisco	6,646	435,000	0.95	0.98	44%	35%
Santa Clara	Campbell	2,915	569,000	1.24	1.05	42%	31%
Santa Clara	Cupertino	3,446	931,000	2.03	1.58	27%	32%
Santa Clara	Gilroy	1,927	390,000	0.85	0.94	53%	45%
Santa Clara	Los Altos	451	1,648,858	3.6	1.97	33%	19%
Santa Clara	Milpitas	7,397	400,000	0.87	1.22	44%	28%
Santa Clara	Morgan Hill	1,419	465,000	1.01	1.22	50%	47%

# Regional Policy Background Paper: Housing the Workforce

County	City	PDA HU Growth	Median Housing Value	Med Hsg Value as % of Reg Med Value	Med HH inc as % of Reg Med Income	Burdened Renters (% paying >30% of income on rent)	Long commutes (% with 30+ minute travel)
Santa Clara	Mountain View	8,303	734,213	1.6	1.16	33%	22%
Santa Clara	Palo Alto	7,118	895,182	1.95	1.59	31%	22%
Santa Clara	San Jose	123,157	437,738	0.96	1.04	45%	36%
Santa Clara	Santa Clara	8,426	502,169	1.1	1.12	36%	23%
Santa Clara	Saratoga	97	1,377,500	3.01	1.91	38%	37%
Santa Clara	Sunnyvale	15,824	635,952	1.39	1.19	29%	24%
Solano	Benicia	929	280,000	0.61	1.15	41%	41%
Solano	Dixon	253	215,000	0.47	0.92	55%	32%
Solano	Fairfield	10,594	200,398	0.44	0.89	44%	35%
Solano	Rio Vista	363	166,500	0.36	0.72	52%	49%
Solano	Suisun City	1,042	169,000	0.37	0.94	48%	46%
Solano	Vacaville	791	225,675	0.49	0.93	47%	37%
Solano	Vallejo	844	148,358	0.32	0.81	49%	51%
Sonoma	Cloverdale	729	238,500	0.52	0.71	48%	40%
Sonoma	Cotati	401	237,000	0.52	0.84	49%	30%
Sonoma	Petaluma	1,762	363,761	0.79	0.96	46%	44%
Sonoma	Rohnert Park	2,974	236,500	0.52	0.76	52%	35%
Sonoma	Santa Rosa	12,228	281,522	0.61	0.78	48%	24%
Sonoma	Sebastopol	386	434,500	0.95	0.7	55%	21%
Sonoma	Windsor	1,204	319,000	0.7	0.97	56%	28%



## Appendix B: Affordable Housing Trust Fund Case Studies

### Establishing a trust fund

A regional housing trust fund could be established in a variety of ways. Most housing trust funds are administered by a public or quasi-public entity. Other alternatives are a corporation or a community foundation administering the fund. The enabling legislation sets broad parameters governing the use of available funds. Regulations are then developed to guide the operation of the trust fund.

### Features of a trust fund

Housing trust funds may address housing needs through broad support of new construction and rehabilitation, as well as rental assistance. Often they include new construction, rehabilitation, preservation, acquisition, emergency repairs, accessibility, first-time home purchase, and other activities.

Most housing trust funds serve households earning no more than 80% of the area median income, but many serve other income levels. Many housing trust funds also require that new or rehabilitated units supported through the trust fund remain affordable to the targeted population for a defined amount of time or in perpetuity.

### Governance structure

Housing trust funds usually create an oversight board to govern their operations. Boards are broadly representative of the housing community, including banks, realtors, developers, non-profit development organizations, housing advocates, service providers, and low income residents. These boards can be advisory or may be delegated authority, including determining which projects receive funding from the trust fund. An annual report on the expenditures and accomplishments of the housing trust fund is typically prepared.

### Revenue sources

The most common revenue source for a state housing trust fund is the real estate transfer tax. Other options include the interest from state held funds (unnamed, unclaimed property funds and budget stabilization funds, among others); interest from real estate escrow or mortgage escrow accounts; and document recording fees.

County housing trust funds are most likely to be funded from document recording fees. Other sources include sales taxes, developer fees, or real estate excise taxes. City housing trust funds are more likely to rely on developer fees, including: impact fees placed on non-residential developers, inclusionary

zoning in-lieu fees, condominium conversion fees, and others. Property taxes, other real estate taxes, and hotel taxes are other options.<sup>33</sup>

### **Case Study #1: A Regional Coalition for Housing (ARCH), King County, Washington**

#### Inception

ARCH was created in 1992 by several suburban jurisdictions in east King County, Washington, a wealthy suburban area outside Seattle, to comply with the state of Washington's Growth Management Act that requires that all cities plan for affordable housing. ARCH is a voluntary program and member cities are free to leave when they choose.

#### Administration

Covers 15 cities. Created through an inter-local agreement, it has 2 boards: an executive board made up of the chief administrator of each member city (e.g. City Manager), and a citizen advisory board. The annual budget and work program are developed by the executive board, but must be ratified by all of the member city councils before it can be adopted.

#### Key objectives

Increase the supply of affordable housing to conform with state law.

#### Notable Features

Voluntary program. Trades more process for greater jurisdiction and community buy-in. Permanent affordability not guaranteed.

#### What it does

ARCH offers substantial technical assistance to both localities and to affordable housing developers, which ranges from housing workshops to helping jurisdictions make zoning and planning code changes. The trust fund distributes grants and low-interest loans (60%).

#### How it works

ARCH's two boards make separate recommendations for projects, but funding must also be approved by the city council of each member city. Since local approval is required, each project must have significant community acceptance. This has worked well to build support among member jurisdictions but may have reduced potential affordable housing production overall.

Projects are approved based on a combination of need and opportunity – ARCH prefers but does not require that projects be located in the city that provides funds. Other factors for project approval include proximity to jobs, transportation, and services.

Funds can be used for acquisition, financing, predevelopment, rehabilitation, new construction, and on-site and off-site costs. Tenant assistance programs can also be funded. Financing for mixed income

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<sup>33</sup> Brooks, Mary. "Housing Trust Funds." *Housing Trust Fund Project*. Center for Community Change. 2013. <http://housingtrustfundproject.org/housing-trust-funds/>

projects is allowed, but the fund only pays for the parts that house low and moderate income households.

ARCH does not set priorities for housing categories. Through a set of quantified long-term goals it seeks to recognize both the need for housing as well as the depth of subsidy required. For example, the goal for special needs populations is 12% which is higher than the identified need to acknowledge the relatively high amount per capita such housing costs.

### Funding

Federal Community Development Block Grants, jurisdiction general fund contributions, and other local funds including linkage fees are used to fund ARCH. ARCH assumes that no single formula will adequately consider variation between members, so it uses ranges based on current population, projected housing growth, and projected job growth to set contribution ranges (this also acknowledges jurisdiction budget fluctuations). Funding is measured over a 5 year period so relatively low contributions in the first few years to the trust fund can be offset with higher contributions later on. Jurisdictions can also meet their contribution goals through indirect assistance such as fee waivers and donations of city-owned land.

Three formulas are used to establish the contribution range. The three formulas are based on (1) current population; (2) projected increase in demand for housing due to job growth; and (3) projected housing growth.

In the first formula, based on the current population, each member city's contribution is based on its population relative to other member cities. For example, in 1998 when the formula was developed, the population of Kirkland (43,720) was approximately 17 percent of the overall population of the region covered. Thus Kirkland's contribution would be 17 percent of the overall goal.

The second formula based on projected housing growth is similar. Each member's contribution is based on the amount of projected housing growth, in accordance with its local comprehensive plan, relative to the other member cities. For example, in 1998, Bothell was projected to add 85 new housing units annually, which was approximately 5.25 percent of the projected housing growth for the region covered (1,620 units annually). Under this formula, Bothell's contribution to the trust fund would be 5.25 percent of the overall goal.

The third formula, is based on the projected creation of new jobs. It links member trust fund contributions to the amount of projected job growth as a percentage of the total projected job growth for all member cities. For example, in 1998, Bellevue was expected to add 1,400 jobs annually, which was approximately 35 percent of all the new jobs projected to be added to all of the member cities. Therefore, Bellevue's contribution under this formula would be 35 percent of the overall goal.

The program set an initial baseline goal of \$1 million in local government contributions to the trust fund (for the low-end goal) and an initial challenge of up to \$2 million annually (the high-end goal). The baseline of \$1 million was derived from the contribution levels (to affordable housing) of member cities in the years prior to the development of the program. Using the overall goal, the low end of the contribution range for each city is calculated using the lowest funding level outcome of the three formulas. The high end of the range is the highest outcome of the three formulas. ARCH has increased the program's baseline as additional cities have joined the program. When a new city joins the program, its contribution is calculated and the corresponding contribution amount is added to the range. As of

2003 with 15 member cities the overall goal is \$1.15 million (low end), with a challenge goal of \$2.2 million (high-end).

### Results

A total of 2,580 units were constructed between 1993 and 2008. In that period, ARCH helped the cities under its purview meet 94% of their moderate income housing need but only 28% of their low to extremely low income housing gap. ARCH raised \$34 million leveraging an additional \$300 million in public and private funds.<sup>34</sup> Between 1997 and 2007 (the latest period for which complete data is available) East King County produced 32,533 new housing units of which 2,444 were ARCH funded projects (7.5% of all new housing).

### **Case Study #2: Vermont Housing and Conservation Board (VHCB)**

#### Inception

Created in 1987 by state legislature with seed funding of \$20 million.

#### Administration

Nine member board of directors with 5 citizens appointed by the governor and the commissioner of agriculture, secretary of commerce and community development, secretary of natural resources, and the Executive Director of the Vermont Housing Finance Agency authorize grants.

#### Key objectives

Provide affordable housing, conserving natural, agricultural, historic areas.

#### Notable Features

Preference for historic preservation, and projects that are part of a neighborhood or downtown revitalization plan. Areas with low incomes/high unemployment are prioritized for investment. Supported by state appropriations and 50% of the state's real estate property transfer tax. No displacement policy and permanent affordability required. Technical assistance is also offered to non-profit housing developers.

#### What it does

Distributes grants and loans. Offers some technical assistance to affordable housing developers.

#### How it works

Projects must meet several thresholds including:

- permanent affordability with long term maintenance plan via deed restrictions
  - multifamily: housing subsidy covenant restricts income/price
  - single family: ground lease separates house from land and restricts income/price
- area free of "negative features" such as excessive traffic or incompatible uses
- project must be ready to proceed with predevelopment work completed
- financial feasibility

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<sup>34</sup> Regional Coalition for Housing (ARCH), Housing 101 East King County, May 2011

Projects are then prioritized based on:

1. how well it fulfills identified need
2. contribution to neighborhood or downtown revitalization (particularly historic buildings)
3. how it serves very low income households or special needs households
4. how it meets the dual goals of land conservation and affordable housing
5. how it corrects health or safety threats

Projects should also create or contribute to mixed-income communities.

#### Funding

- state property tax transfer revenue
- federal grants including farm related funding
- loan repayments and interest income

NRCS Federal Farm Preservation Program, HOME Program, HUD Housing Opportunities for Persons with AIDS, HUD Lead Paint Grant, AmeriCorps, Transportation and Equity Act for the 21<sup>st</sup> Century, Farm Viability Program, “Mitigation Funds” (Housing and ACT 250- Land Use and Development Act).

Source-

[http://www.leg.state.vt.us/jfo/appropriations/fy\\_2013/FY13\\_Agency\\_and\\_Department\\_Budgets/VHCB%20FY2013%20budget%20pkt\\_001.pdf](http://www.leg.state.vt.us/jfo/appropriations/fy_2013/FY13_Agency_and_Department_Budgets/VHCB%20FY2013%20budget%20pkt_001.pdf)

#### Results

Since its inception in 1987 through 2002, \$155 million has been awarded to create 6,675 units of affordable housing and conserve 338,388 acres. Funds have helped leverage \$515 million from other private and public sources. Between 2002 and 2010 more than \$60 million was awarded.

Source- [http://www.cltnetwork.org/doc\\_library/p310-](http://www.cltnetwork.org/doc_library/p310-2010%20February%2015%20Supplemental%20Comments%20HUD%20SAFE%20Act%20Rule.pdf)

[2010%20February%2015%20Supplemental%20Comments%20HUD%20SAFE%20Act%20Rule.pdf](http://www.cltnetwork.org/doc_library/p310-2010%20February%2015%20Supplemental%20Comments%20HUD%20SAFE%20Act%20Rule.pdf)

### **Case Study #3: Sacramento, CA**

#### Inception

Sacramento city and county housing trust fund ordinances were adopted in 1989 and 1990, respectively.

#### Administration

Successor to Sacramento Redevelopment Agency administers both trust funds.

#### Key objectives

Raise local funds to finance the development of affordable housing near employment centers.

#### Notable Features

Housing program grounded on the assumption that economic growth is tied to the production of housing. Housing production is described as a one-time infusion of development capital that creates jobs, generates wages, and ultimately produces tax revenues derived from a stimulated economy. (The agency also used an IMPLAN-type model to estimate direct, indirect and induced economic impacts).

#### What it does

The city of Sacramento trust fund is available to households with incomes up to 80 percent of the area median income, with a preference for very low-income households. The Sacramento County trust fund is available to households earning up to 50 percent of the area median income. For both trust funds, at least 20 percent of the units in a development must be affordable to households earning less than 50 percent of the area median income. Likewise, there must be “a reasonable expectation that the prospective residents will be in the labor force in the area”. Housing funded by the trust fund may be rental or owner-occupied housing. The funds may be used for a wide range of purposes, including loans, grants, and equity participation. Preference is given to locations within one-quarter mile of existing or planned transit services

#### How it works

Both trusts are administered through the Sacramento Redevelopment Agency

#### Funding

Both trust funds raise revenue for affordable housing through fees for nonresidential development based on a nexus analysis of new very low- and low-income workers who will be attracted to the area as a result of the new development. The nexus analysis determines the extent to which the construction of new commercial projects—such as offices, business parks, hotels, and shopping centers— will attract new very low- and low-income residents to Sacramento. The fees are then used to increase the supply of affordable housing near places of employment. Funds from the trusts are generally used for new construction or substantial rehabilitation.

Because of the jobs/housing nexus, however, elderly housing is not a use eligible for funding. Also, the housing units produced with trust monies must be “located within a reasonable commuting distance of the employment generating uses that pay housing trust fund fees” (SHRA 2001c, 3). A reasonable commuting distance is defined as being within a seven-mile radius.

#### Results

Housing trust fund collections totaled \$32.6 million as of 2004, with 3,470 units constructed. Together, the trust funds have helped leverage over \$407 million from other private and public sources, over ten times the amount invested.<sup>35</sup> In the period of 1995 to 2004, the trust funds financed 2,082 units, one fifth of all affordable units built in the same period.<sup>36</sup>

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<sup>35</sup> City of Sacramento. “Housing Trust Fund Fee Increase.” September 2004.

<sup>36</sup> City of Sacramento. “Housing Trust Fund Nexus Analysis.” March 2006.