

June 2002

San Francisco Bay Area Housing Crisis Report Card

Key Findings

72% of Bay Area governments are failing to take the most basic steps to address the affordable housing shortage.

Three local actions could double the production of affordable homes: allowing more apartments to be built, dedicating local funds to affordable housing, and adopting inclusionary zoning.

Local governments helped cause our affordable housing shortage but also have the means to turn failure into success.



Desperate for housing

A crowd gathers at San Francisco Housing Authority after the waiting list for low income housing vouchers was reopened for the first time in three years.



San Francisco Bay Area Housing Crisis Report Card

Table Of Contents

Executive Summary	1
Grades on the Housing Crisis Report Card	3
How Cities Prolong The Bay Area Housing Crisis	4
What the Grades Mean	6
Who Needs Affordable Housing in the Bay Area?	7
The Status Quo Is Failing To Provide Housing Choices	8
Housing Element Results Fall Short: New Affordable Housing 1988—1998	9
How Cities Can Make The Grade	10
Housing 101: Zoning for Housing Choices and Smart Growth	10
Dedicated Funds for Affordable Housing	12
Jobs-Housing Linkage Programs	12
Increasing Redevelopment Funds for Affordable Housing	14
Housing Trust Funds & Bonds	15
Inclusionary Policies	16
The Bay Area's Homework: Housing Reform	18
Appendix A: Report Card Grading System	20
Appendix B: Regional Housing Needs Determination	21
Notes	24
Glossary	25

Copyright Non-Profit Housing Association of Northern California, Greenbelt Alliance 2002



The Non-Profit Housing Association of Northern California (NPH)
369 Pine St., Suite 350, San Francisco, CA 94104
(415) 989-8160 • www.nonprofithousing.org



Greenbelt Alliance
530 Bush St., Suite 303,
San Francisco, CA 94108
(415) 398-3730 • www.greenbelt.org

Nine County Housing Advocacy Network
East Bay Housing Organizations
Association of Homeless & Housing Service Providers of Contra Costa County
Marin Housing Council
Napa Valley Nonprofit Housing Coalition
Housing Leadership Council of San Mateo County
Council of Community Housing Organizations, San Francisco
Santa Clara County Collaborative on Affordable Housing and Homeless Issues
Sonoma County Housing Advocacy Group
California Affordable Housing Law Project

Executive Summary

Local Government Inaction is Worsening the Bay Area's Housing Crisis

This *Report Card* reveals why the San Francisco Bay Area continues to have a housing crisis, and how local governments can help end it. A major cause of the crisis is that 72% of the region's cities and counties are failing to take basic steps to address the Bay Area's affordable housing shortage.

There is a set of proven solutions that can provide a range of housing choices for everyone, from young working families to grandparents on fixed incomes. These solutions can increase the overall supply of housing, including permanently affordable housing, yet all too many local governments have declined to adopt them. The *Housing Crisis Report Card* examines the extent to which cities and counties are adopting common sense strategies for affordable housing. It takes a closer look at 40 key cities and counties, selected because they are among the largest and fastest growing places in the Bay Area. **Of these 40 cities and counties, only seven made the housing Honor Roll, while nearly three-quarters earned unsatisfactory marks.**

According to the Association of Bay Area Governments, to house its growing population this nine-county region will need to add over 230,000 new homes from 1999-2006. Of those, at least 72,000—nearly 10,000 per year—must be affordable to lower-income families. If local governments do not act, homelessness will rise and young families with children will continue to be priced out of the region. Low wage workers—who are disproportionately people of color—will be unable to live near their jobs, and commutes will only get longer.

Strobridge Court Apartments in Castro Valley was built by BRIDGE Housing as a mixed-use development adjacent to BART, which also incorporates an historic home. Photo: Tom Jones/California Futures Network.

The Housing Crisis Can be Solved

Three straightforward local government actions could double the creation of affordable homes in our existing cities and towns across the Bay Area. They are:

- 1. Creating Housing Choices:** In order to increase the overall supply of housing, allow apartments and condominiums to be built where they are now prohibited.
- 2. Dedicating Local Funds to Housing:** Use jobs-housing linkage fees, housing trust funds, and additional revenues from Redevelopment Areas to create new affordable housing.
- 3. Adopting Inclusionary Zoning:** Require that new housing include at least 15% of all homes as affordable to lower income residents.

As the examples that follow show, these policies are already in place and effective in some Bay Area cities and counties that are serious about solving the housing crisis. They should be in effect in every one of the Bay Area's 109 jurisdictions.

Failing to Plan, Planning for Failure

The *Housing Crisis Report Card* is the first comprehensive look at housing elements in the Bay Area. **California law requires each city and county to plan for its "fair share" of housing for people of all income levels.** The housing element is the state-mandated plan for meeting housing



Housing is considered affordable if it costs no more than 30% of household income. Using that definition, “affordable housing” in this Report Card means housing affordable to lower income households, those earning less than 80% of area median income.

needs. Bay Area housing elements were due to be updated in 2001 for the first time in ten years.

By law, cities must provide for a broad spectrum of housing by using their zoning power to accommodate a range of housing choices, removing local government obstacles to housing, and carrying out programs to assist in the development of affordable housing. At the end of the 1990s, 39% of Bay Area cities were out of compliance with the “fair share” housing law. And this *Report Card’s* findings show that less than one-third of the needed affordable housing was actually built.

The problem of failing to plan for a diversity of housing types, including affordable housing, is getting worse. **Today, 89% of Bay Area cities and counties are not complying with our state’s “fair share” housing law.**¹ This report puts Bay Area leaders on alert that the region’s housing crisis will worsen unless they act to adopt needed solutions.

Investing to solve the housing crisis makes sense

Building more housing overall—and investing in affordable housing in particular—strengthens our economy by ensuring that businesses have access to high quality workers. It strengthens our communities by ensuring that the full diversity of Bay Area residents has decent housing, everyone from our children to our grandparents. And it protects our environment by guiding new growth toward our existing cities and towns and away from our beautiful rolling hills and rich farmlands.

Solving the housing crisis will take all levels of government

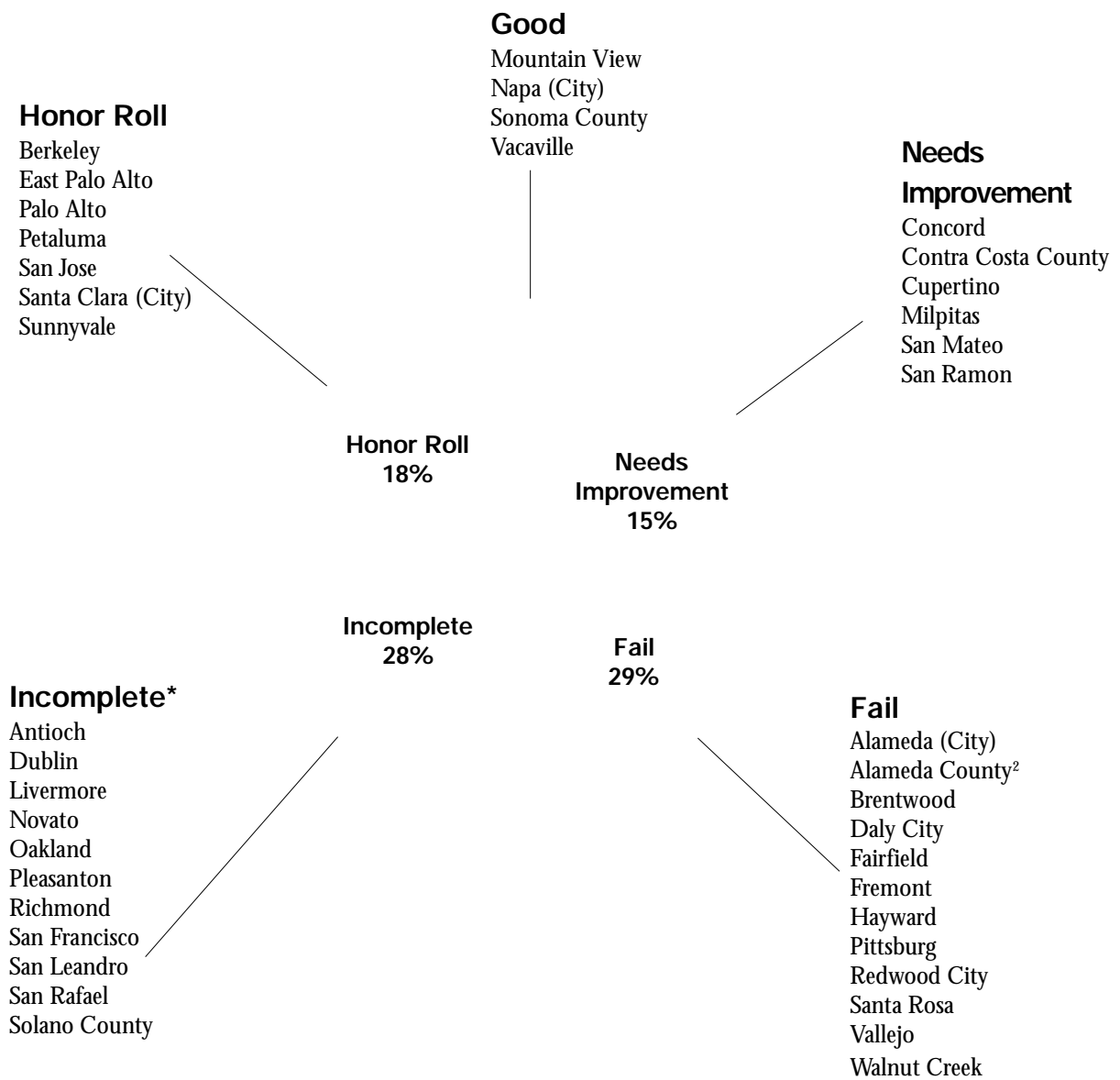
The federal and state government are two legs of a three-legged stool that supports the creation of affordable housing. The third leg is our cities and counties, and that leg’s weakness could collapse the whole stool if stronger action is not taken soon.

One important development that will start us toward solutions is recent action by the California legislature. The Governor and legislators have placed a \$2.1 billion housing bond—the Housing and Emergency Shelter Trust Fund Act of 2002—before voters in November 2002. And in Washington D.C., a National Housing Trust Fund to produce and preserve 1.5 million affordable homes has been introduced in Congress.

But as this *Report Card* shows, local government is not doing its part. Because California’s “fair share” housing law has no teeth, far too many city leaders continue to shirk their responsibilities. The alternative is a new state law with real rewards for cities and counties that are doing their “fair share” to meet housing needs—and real consequences for those that, year after year, refuse to provide housing choices for all of us.

Grades of 40 Key Cities on the Housing Crisis Report Card

These grades were developed by scoring housing elements on the 105-point report card shown in the Appendix. In the next section, the factors making up each city's grade are described below. Later sections give specific examples of local housing policies and programs that aid—or prevent—cities and counties from meeting their goals.



*Housing element not available as of 5/1/02.

How Cities Prolong the Bay Area Housing Crisis

There is broad awareness that the San Francisco Bay Area has a housing crisis, with some of the least affordable rents and home prices in the nation. What is less well known is that most cities and counties are failing to take basic steps to end the crisis.

The Role of Local Government in Providing Housing Choices for All

Cities and counties are not responsible for building housing, but under California's "fair share" housing law, they must create an environment where housing can be built for people of all income levels.³ Our cities and counties can play a key role in encouraging more housing to be built, and determining what kind of housing is built, and where it is built. They have responsibility for land use and zoning. And local governments fund affordable housing by investing federal, state, and local dollars in housing, which is often built by nonprofit developers. If elected officials exercise leadership, they can make it easier for young families to find homes they can afford, for the poor to avoid homelessness, and for rolling hills and farmlands to be free from development pressures. In short, they can plan for **a diversity of housing choices for all local residents and workers, while protecting the environment, so that our region can prosper. That is the vision that city leaders should strive to make a reality.**

The Housing Elements: Planning for Failure

This *Housing Crisis Report Card* examines how well Bay Area cities and counties are working to achieve that vision. It is **the first comprehensive look at housing elements** in the Bay Area. The housing element is a part of each locality's General Plan, its constitution for growth. It represents an opportunity for cities to rezone and change policies to favor housing for residents and local workers of all incomes. The housing element is a state-mandated plan for housing which Bay Area jurisdictions were due to update in 2001 for the first time in ten years.

When local housing elements were compared with the vision of housing choices for all, it was clear that some communities are leading the way out of the crisis with common sense approaches described in the sections below. **However, the majority of Bay Area cities and counties are declining to take simple steps that would double affordable housing production.** Their housing elements are far from visionary. Other cities have not even finished a housing element for the 1999-2006 period, despite the statutory deadline of December 31, 2001. (See Appendix B for the status of every Bay Area jurisdiction's housing element.)



Petaluma, a small city which earned a place in the Honor Roll on the *Housing Crisis Report Card*, is the site of this attractive new community. Called Old Elm Village, it was developed by Burbank Housing Development Corporation to provide 87 apartments and townhouses near downtown Petaluma. Families at Old Elm Village earn between 30% and 80% of area median income. The City of Petaluma provided part of the financing for this mixed-use, infill development. Photo: Burbank Housing.

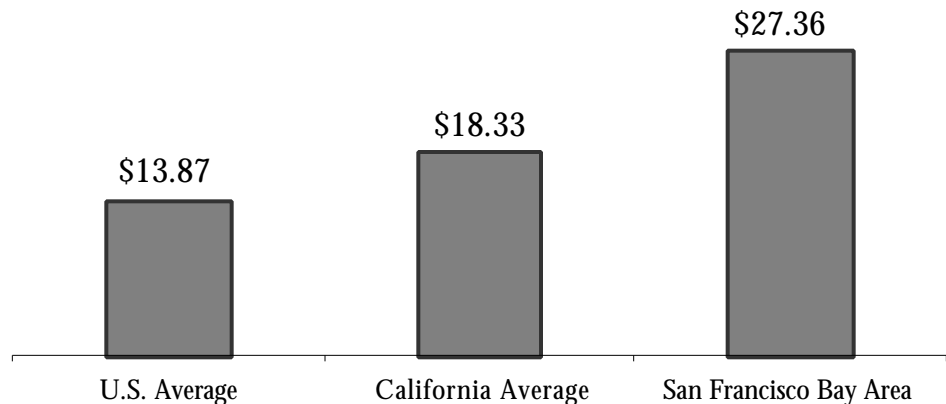
This *Housing Crisis Report Card* shows that our region's housing crisis will worsen without a major change of direction. The *Report Card* examines the extent to which Bay Area cities and counties are adopting common sense strategies for affordable housing. It takes a close look at 40 key cities and counties, selected because they are among the largest and fastest growing places in the region, where 80% of new Bay Area households are expected to settle. They include incorporated cities and also counties, which have jurisdiction over unincorporated land. **Of these 40 cities and counties, 72% earned an unsatisfactory grade of Needs Improvement, Fail, or Incomplete for their efforts to meet local affordable housing needs. And only 18% made the housing Honor Roll.**

The good news is that the proven strategies described in this *Report Card* can ensure that housing is available and within reach for many more Bay Area residents. Fortunately, many local housing elements are still in draft form. And those already adopted can be amended at any time. The grades in this *Housing Crisis Report Card* are offered to give an honest assessment of local housing performance and plans. The *Report Card* provides an

analysis of why the region is not meeting its housing needs as a whole.

Equally important, it is designed to help local officials and citizens understand how their community's efforts measure up to those of their neighbors. It is hoped that this report will inform local officials and concerned residents about the many strategies they can use to offer more choices in housing for their children and their neighbors' children. Cities that fall short should replicate the successful, common sense strategies of others in order to increase the supply of housing—especially affordable housing—by investing in our existing cities and towns while preventing sprawl.

What a Full Time Worker Must Earn to Afford a 2 Bedroom Apartment, 2001



Source: "Out of Reach 2001," National Low Income Housing Coalition

What the Grades Mean

According to the Association of Bay Area Governments (ABAG), nearly a quarter of a million new homes are needed in the Bay Area by 2006.⁴ About half of the need comes from current residents, such as young adults starting families of their own. The other half of the need stems from new arrivals moving into the region to fill jobs here. ABAG divides up the needed housing among its member local governments—and further breaks it down by income:

- Above moderate incomes are at least 120% of area median income
- Moderate incomes are from 80% to 120% of area median income
- Low incomes are from 50% to 80% of area median income
- Very low incomes are below 50% of area median income

(The term “lower income” includes both low and very low income households.)

People of different incomes seek different types of housing, and need different types of help to access it. Many families below median income need financial assistance to buy their own home, while those with lower incomes (up to 80% of median income) often need affordable rental housing.

Putting Forty Key Cities to the Test

The Bay Area as a whole is expected to grow by 230,743 households from 1999 to 2006. (The breakdown by city and income is given in Appendix B). This report examines housing elements from 40 of the largest and fastest growing communities in the region. These 40 localities are where 184,000 (or 80%) of those households are expected to settle. The localities studied include incorporated cities and also counties, which have jurisdiction over unincorporated land.

How Cities were Scored

The housing element grading system was developed by the Nine County Housing Advocacy Network, a unique grouping of housing service providers, advocates, legal professionals, smart growth environmentalists, and representatives of the public sector and faith community. To develop the *Report Card*, Network members examined what policies and approaches either encouraged or hindered the development of affordable housing locally. These were used as a yardstick to grade housing elements from the Bay Area’s most important housing markets. Therefore, *Report Card* grades can help



The Carroll St. Inn near Sunnyvale’s town center offers affordable housing to people with very modest incomes, including single people living and working in the community, seniors on fixed incomes, and single parents with one child. Its 119 mini-studios were developed by Mid-Peninsula Housing Coalition. Financial assistance from the City of Sunnyvale—which made the *Housing Crisis Report Card* Honor Roll—helped make the Carroll Inn a reality. Photo: Tom Jones/California Futures Network

citizens and local officials understand how their community's efforts measure up to those of their neighbors.

Report Card grades reflect whether a community:

- has results-oriented housing production programs which include measurable outcomes, timelines, a responsible agency or official, and source of funds;
- has enough land to meet all of its housing need identified by ABAG, zoned appropriately for all income groups;
- uses “smart growth” strategies—including infill housing development, compact housing types, mixed use zoning, zoning for higher densities near transit, and decreased parking requirements;
- commits local funding, such as Redevelopment funds, to low and/or moderate income housing;
- has adopted “inclusionary zoning” requiring all new housing to include homes affordable to low and/or moderate income families;
- has programs to preserve and stabilize existing affordable housing;

- solicited input from the public in developing its housing element and commits to annually reporting to the public on progress in implementation, as required by law; and
- has developed unique initiatives to meet local affordable housing needs.

Grades are a measure of cities' plans for the future; they do not reflect past performance in building affordable housing, which is discussed in the next section. More information about the grading methodology can be found in Appendix A.

Who needs affordable housing in the Bay Area?

Median Household Income (3 people, 1 wage earner)	\$64,200
Very Low Income (less than 50% of median)	
Child Care Worker	\$20,000
Retail Salesperson	\$23,500
Delivery Truck Driver	\$27,600
Medical Assistant	\$27,900
Low Income (50% - 80% of median)	
Emergency Dispatcher	\$41,800
Elementary School Teacher	\$48,000
Firefighter	\$50,300
Loan Officer	\$50,800
Median Income (80% - 100% of median)	
Computer Support Specialist	\$55,200
Landscape Architect	\$56,100
Police Patrol Officer	\$63,600
Registered Nurse	\$63,800

Source: Smart Growth Strategy Regional Livability Footprint Project “Alternatives Report,” 2002. Data from Bay Area Economics, California Department of Housing and Community Development & California Employment Development Department. Incomes are calculated as the simple mean of the five Bay Area primary metropolitan statistical areas (PMSAs).

Status Quo Failing To Provide Housing Choices

Every city and county sets goals for building housing for families of all income levels. The numerical housing goals are stated in every housing element, and typically equal the projected housing needs calculated by the Association of Bay Area Governments (ABAG). Most local governments don't directly build housing. Instead, **cities and counties can meet their goals by creating an environment where housing can be built by developers**, both for-profit and non-profit.

Year after year, many localities fall far short of their affordable housing goals. **From 1988-1998, only 32% of the planned affordable housing was actually built in 40 key Bay Area cities and counties.** Only Richmond succeeded in building all of the affordable housing needed, while Brentwood and Petaluma came close. At the same time, many communities exceeded their goals for "above moderate" income housing, affordable only to those families earning over 120% of median income. From 1988-1998, 40 key Bay Area cities produced 117% of the above moderate income housing needed, but only 32% of the affordable housing needed. For instance, Antioch, Brentwood, Contra Costa County, Fairfield, Fremont, Livermore, Napa, Pleasanton, San Jose, Santa Clara, Santa Rosa, Solano County, Vacaville, and Walnut Creek all surpassed their goals for above moderate income housing, while not meeting their affordable housing goals.

These 27 apartments in downtown Berkeley house seniors earning less than half of area median income. The developer, Affordable Housing Associates, was able to provide four more apartments by not including any parking in the building, which is close to BART, shops, health care, and services. Photo credit: East Bay Housing Organizations.



(Note that *Report Card* grades evaluate city and county plans for the future, and do not take into account jurisdictions' past success or failure in producing affordable housing.)

As shown in the table, most cities and counties had a housing element certified by the state Department of Housing and Community Development (HCD), yet still fell far short of meeting their affordable housing goals. Of the 40 key cities and counties, those with certified housing elements built 34% of needed affordable housing while those without certified elements built a mere 9%. Many cities neglect to implement the programs they commit to in their housing elements, even though they are legally required to do so.

In addition, current state law doesn't require city housing plans and programs to address all of the factors needed to build affordable housing. For instance, housing element compliance doesn't require that cities fund affordable housing development, or adopt effective policies such as inclusionary zoning. (These approaches and others are described in the next section.) For this reason, the *Housing Crisis Report Card* uses a broader set of criteria than does HCD to evaluate housing elements.

Cities ignoring state law may have to answer in court

Unfortunately, the state has not taken a strong role in enforcing its own housing element law. There are few automatic consequences for a local government that does not adopt a housing element meeting the minimum legal standard—or does not implement the programs and policies called for therein. However, such cities do risk being sued and being ordered to halt development of lucrative commercial projects until affordable housing programs are in place.

One recent example of such a case involves the Sacramento suburb of Folsom. After adopting a housing element in 1992, which HCD rejected, Folsom proceeded to build thousands of market rate homes. Folsom lost a suit brought by Legal Services of Northern California and the California Affordable Housing Law Project on behalf of a low income, disabled renter. The judge imposed a development moratorium on 600 acres of land until a court

settlement was reached. In the recently announced settlement, the City of Folsom agreed to:

- Rezone 128 acres of land for compact housing at densities feasible for 2,900 low and very low income multifamily homes. Sites will include land currently zoned for single family housing as well as commercial sites. Folsom also named zones where shelters are allowed.
- Increase its Redevelopment Low & Moderate Income Housing set-aside above the state minimum of 20%. Over the next five years, Folsom's 25% set-aside will amount to one million dollars.
- Create a housing trust fund, with a new job-housing linkage fee of at least \$1.10 per square foot on commercial and industrial development.
- Adopt an inclusionary housing ordinance requiring new residential developments to include 10% very low income units plus 5% low income units, or pay in-lieu fees.

These bold steps forward should better allow Folsom to reach its projected housing goals of 2,889 new homes that are affordable to lower income families by 2006.

Given the many incomplete or inadequate housing elements in the Bay Area, more such lawsuits can be expected. Any private attorney representing a resident—or would-be resident—of a locality can bring such a suit against that locality if it has not complied with California's "fair share" housing law. State law gives lawyers the right to collect attorney's fees if they prevail in such public benefit cases.

A far stronger "fair share" housing law is needed

The threat of such suits ought to spur recalcitrant jurisdictions into coming up with effective housing plans. Yet that threat alone has not been enough, as evidenced by the fact that only 11% of the Bay Area's 109 localities have adopted a housing element that meets the requirements of state law. **California's "fair share" housing law would be far more effective if targeted incentives and consequences were tied to localities actually meeting—not just planning for—their need for a full spectrum of housing.**

Housing Element Results Fall Short: New Affordable Housing 1988—1998

City/County	Affordable Housing Need Met, 1988 - 1998	Was Last Housing Element in Compliance?
Alameda (City)	51%	YES
Alameda County	19%	YES
Antioch	65%	YES
Berkeley	64%	YES
Brentwood	84%	YES
Concord	37%	YES
Contra Costa County	16%	YES
Cupertino	15%	YES
Daly City	73%	YES
Dublin	2%	NO
East Palo Alto	5%	YES
Fairfield	30%	YES
Fremont	27%	YES
Hayward	7%	YES
Livermore	48%	YES
Milpitas	26%	YES
Mountain View	15%	YES
Napa City	24%	YES
Novato	15%	NO
Oakland	49%	YES
Palo Alto	40%	YES
Petaluma	81%	YES
Pittsburg	51%	YES
Pleasanton	51%	YES
Redwood City	24%	NO
Richmond	310%	YES
San Francisco	25%	YES
San Jose	42%	YES
San Leandro	no data	NO
San Mateo	16%	YES
San Rafael	17%	YES
San Ramon	6%	NO
Santa Clara (City)	12%	YES
Santa Rosa	16%	YES
Solano County	2%	NO
Sonoma County	7%	NO
Sunnyvale	68%	YES
Vacaville	17%	YES
Vallejo	68%	YES
Walnut Creek	39%	YES
Average	32%	83%

Sources: Housing Element from each locality (updated in 2001/2002) and city staff; ABAG website, www.abag.ca.gov/planning/housingneeds/pastproduction.htm; Bay Area Economics, 2002; Bay Area Council 1999. Period covered is typically 1988-1998, but may vary depending on availability of data. Affordable housing refers to low and very low income housing.

How Cities Can Make The Grade

It takes land, money, and pro-housing policies to get affordable housing built. This section describes the basic steps local governments can take to meet the challenge. Cities at the “Head of the Class” are those that are encouraging and supporting the development of all kinds of housing, especially affordable housing. Their effective policies and programs are often the result of both leadership by local government, and efforts by local advocates such as East Bay Housing Organizations, the Santa Clara County Housing Action Coalition, the Sonoma County Housing Advocacy Group, the San Francisco Council of Community Housing Organizations, faith-based housing advocates, smart growth environmentalists, and many others.

Even some cities that received a poor overall grade or an incomplete on the *Housing Crisis Report Card* do have individual policies that are effective and worthy of replication around the region. **The fact that some Bay Area governments are making the grade shows that all Bay Area governments could.** “Reform School” cities, whose housing elements omit the results-oriented housing strategies described below, have lessons to learn from the approaches of their peers.

Housing 101: Zoning for Housing Choices & Smart Growth

Each local government in California has control over land use decisions within its boundaries. This means city leaders have the power to decide where housing, shops, offices and other uses will go. Because cities and counties zone land to forbid or discourage townhouses, apartments and condominiums in all but a few areas, it is more difficult and costly to build them. The result is a chronic undersupply of housing,

Of the 28 jurisdictions that completed their housing element drafts: 50% are zoning to encourage housing choices and smarter growth; 25% need improvement; and 25% are failing to do so.

and fewer housing choices for young people and seniors needing more affordable, smaller, lower maintenance homes. Racial inequities in income and wealth, combined with exclusionary zoning practices, prevent many people of color from leaving distressed urban areas.

Zoning for housing does not have to mean paving over the Bay Area’s remaining farmlands and rolling hills. New housing should be built in existing cities and towns, and in already developed areas of unincorporated land. Many places around the Bay Area have far more available land designated for commercial uses than for residential development; some vacant and underutilized commercial sites represent opportunities for new homes and neighborhoods.

This Report Card found that many communities are failing to zone enough land to encourage enough apartments and condominiums. Such compact housing can fit nicely within and near most downtowns, along transit routes, and in neighborhood shopping areas. Putting housing conveniently near stores and public transit can reduce traffic. Yet few cities have actually made concrete plans to zone much land in just such areas to allow apartments and condominiums. Many local governments have burdensome regulations, such as requiring each apartment to have more parking spaces than is required for a single family home.⁵ Land prices are extremely high throughout the region, yet the lack of appropriately zoned land prevents the market from making more efficient use of developable sites.

Barriers to affordable apartments and condominiums are even greater. To encourage affordable housing, such as apartments for lower income workers and seniors, city and county leaders need to take additional steps. They need to zone land for densities that accommodate the particular needs of affordable housing, especially that built with an investment of public funds. **Housing element law requires that enough land must be zoned appropriately—usually for apartments—to accommodate all of a city’s need for lower income housing.** (Many jurisdictions are receiving lower grades on the *Report Card* because they did not

complete this basic task.) Contemporary affordable housing is well designed and managed, and local officials must help educate any neighbors who have unwarranted fears about affordable housing proposals. Such neighborhood opposition often delays and even derails the development of greatly needed affordable housing.

Head of the Class

Some cities are making significant progress in addressing the major barriers to housing choices and smarter growth. For example,

- Through a “specific plan” process, the City of Milpitas has just zoned a large, centrally located area of the city to encourage a mix of apartments and single family housing together with shops, parks and schools in a pedestrian-friendly design.
- The City of Santa Clara has identified over 330 acres as appropriate for new higher density residential development, most of which would be along a major transit corridor. Their housing element promotes a mix of housing with other uses, and establishes a minimum density threshold for housing near mass transit and shops.
- The City of Napa is providing incentives for infill residential development, such as height limit bonuses up to six stories downtown and four stories elsewhere for well-designed mixed-use projects. Napa will also allow for increased densities in some areas so that multifamily units can be created in a cost-effective way. The City is actively encouraging affordable housing construction through zoning mechanisms together with increased funding.
- The City of San Jose provides for flexible zoning with its Discretionary Alternate Use policies. These include:
 1. Rental housing is allowed to develop at the next highest density range, in order to encourage the production of rental housing.
 2. A 50% density bonus is allowed in a residential development with at least 20% of the units affordable to low income households or 10% affordable to very low income.
 3. 100% affordable projects may be located on any site designated for nonopen space use and without a density limit, if certain standards are met.
 4. Surplus properties owned by the City may be used for the development of affordable housing at any density if certain criteria are met.

In 2000, only 26% of Bay Area households were families with children, yet 63% of all housing permits issued were for single family detached houses, according to ABAG.

Reform School

An all-too-common finding was that the combined effect of density restrictions, 2-3 story height limits, and excessive parking requirements often make it financially difficult if not impossible for more affordably priced apartments and condominiums to be built in almost any part of town. Fremont and Brentwood are examples of cities with these barriers. Some cities—like Walnut Creek and Santa Rosa—require more parking for each two bedroom apartment than for a single family home, a requirement which is illogical since apartment dwellers are more likely to have smaller families and fewer automobiles. The City of Santa Rosa has also failed to zone enough land for apartments and condominiums, and recently refused to approve a worthy affordable housing proposal that faced unreasonable opposition from nearby businesses.

Alameda County is an interesting example of the best and worst of smart growth zoning. On the one hand, County voters recently passed an urban growth boundary designed to limit sprawl development in the eastern part of the county. The bad news is that the County has fallen woefully short on zoning enough sites for compact, infill development. Alameda County has hundreds of acres zoned at low densities that are feasible for more expensive housing. Yet its housing element does not identify nearly enough sites to accommodate the nearly 4,000 lower and moderate income families needing housing in the unincorporated areas of the County through 2006.

Dedicated Funds for Affordable Housing

How affordable housing is created

Nowadays in the U.S. nearly all new housing affordable to lower income households is created through partnerships between government funding agencies and private developers, often non-profits, that actually build the housing. The public funding role is crucial because building housing is not financially feasible at the rents or mortgage payments that lower income households can afford to pay. Legal restrictions that accompany this public investment ensure that this housing will remain affordable to lower income people for generations to come.

In order to address the longstanding shortage of affordable housing, nonprofit and for-profit developers have stepped forward to fill the need. The Bay Area is fortunate to have a very sophisticated network for providing affordable housing. Nonprofit housing developers have used the limited resources and tools that do exist—especially the low income housing tax credit program and tax exempt bond financing—to produce over 25,000 units of excellent contemporary affordable housing in the region over the last decade. This housing is mostly targeted towards families and seniors in greatest need, characterized by incomes below half of the area median. These talented developers, however, can produce only so much housing with the limited resources available.

Filling the gap

Historically, federal and state investment in affordable housing has been able to fund only 40-60% of the development cost. That leaves a local funding “gap” of \$40,000-60,000 per home. While local public investment may be a relatively small portion of the overall financing in an affordable housing development, it can be the most crucial. Very often local funds are the first funds committed to a project and enable a developer to purchase land or develop architectural plans. In this way a relatively small local investment is leveraged to secure private financing as well as compete for state and federal dollars.

For example, a very low-income 3 person household paying 30% of their income to rent an apartment in Alameda County can afford to pay about \$750 for rent plus utilities. Once operating costs are deducted, that

rent can only support around \$55,000 in debt. However, the cost to build a two bedroom apartment averages about \$200,000-250,000. The resulting financial feasibility “gap” of \$150,000-200,000 is the major financial challenge of solving the affordable housing crisis.

Cities can invest in affordable housing from a variety of different local sources. Some use general fund dollars, but cities that are serious about addressing housing needs often set aside a dedicated stream of ongoing revenue for affordable housing. Affordable housing funds can come from Redevelopment tax increment funds, jobs-housing linkage fees, hotel taxes, sales taxes, general obligation bonds, and more. In the sections that follow, these sources are described in more detail—as well as which Bay Area cities are using them.

In addition to locally generated funds, cities and counties control federal block grant funds that aid in the production of affordable housing, and some use these funds very effectively. For instance, Community Development Block Grants (CDBG) funds are awarded by San Francisco and other cities to nonprofit housing developers as operating revenue. And federal HOME dollars can be invested directly in creating and preserving affordable rental and ownership housing.

Jobs-Housing Linkage Programs

Jobs-housing linkage programs are typically one-time fees that local governments place on commercial development to offset the increased housing need created by new employment. Jobs-housing linkage programs are also called “affordable housing mitigation” or “commercial linkage fees.” Just as local governments require residential developers to offset the school impacts caused by their development, businesses are required to mitigate the new housing needs created by their new job creation.

Local governments can adopt linkage fees after conducting a study demonstrating the need for them. Fees for each use—office, warehouse, retail, hotel, and so on—are set on the basis of the number of lower income jobs created by a given type of development, and are usually assessed per square foot. Local governments then use the linkage fees collected to support the creation of affordable homes. Fees currently in place in the region average over \$4 per square foot for office, retail, and

entertainment, and about \$3 per square foot for hotel, industrial, and warehouse.

Some may fear that linkage programs reduce a city's competitiveness for business. But this has not been the case in cities that have enacted linkage fees including San Francisco—which was the first major city in the U.S. to create a jobs-housing linkage program—Palo Alto, and many others. Increasingly, businesses look at multiple factors in deciding where to build a new office or factory, including the availability of affordable housing. Linkage fees represent a relatively small cost factor in a business decision on where to locate.

Because linkage fees directly link new job creation with

the provision of appropriate work force housing, they help create a better “jobs-housing balance” with the resulting benefits of less traffic congestion and reduced smog. Employees who can afford to live near where they work spend less time commuting and have more time for their families and their community.

Jobs-Housing Linkage Programs in the Bay Area

LINKAGE FEE IN EFFECT (11)

ALAMEDA (CITY)
BERKELEY
CUPERTINO
LIVERMORE
MOUNTAIN VIEW
NAPA (CITY)
PLEASANTON
SAN FRANCISCO
SUNNYVALE
PALO ALTO
MENLO PARK

LINKAGE FEE PROPOSED (20)

CLOVERDALE
COTATI
EAST PALO ALTO
FREMONT
HEALDSBURG
MARIN COUNTY
NOVATO
OAKLAND
PETALUMA
ROHNERT PARK
SAN MATEO
SAN RAFAEL
SANTA CLARA (CITY)
SANTA ROSA
SEBASTOPOL
SONOMA (CITY)
SONOMA COUNTY
VALLEJO
WALNUT CREEK
WINDSOR
TOTAL

31

Sources: Keyser Marston, Inc.; City staff and housing elements; Economic & Planning Systems (EPS) Sonoma County study.

If 40 key Bay Area cities and counties adopted a jobs-housing linkage fee of \$5 per square foot on new office development, it could result in at least 2,000 new affordable homes over the next ten years.⁶

Head of the Class

Nearly a dozen Bay Area cities already have linkage fees. Even more encouraging, 20 more

are proposing them. San Francisco, with an historically strong commercial real estate market, has the highest linkage fees at \$14.96 per square foot for office, and somewhat lower fees for other uses. The total revenue generated for San Francisco's Affordable Housing Fund is estimated at \$18 million a year. And linkage fees have enabled Palo Alto and Berkeley to invest in affordable housing—most for very low income families and seniors—to a greater extent than most cities of their size.

Sonoma County and cities within the County are taking the first steps toward adopting a countywide linkage program. The Sonoma nexus study recommends adopting a fee that would contribute 10% of the subsidy needed to provide affordable work force housing. This would amount to a per square foot fee of \$2.08 for office/commercial development, \$2.15 for industrial, and \$3.59 for retail. This could generate as much \$35.5 million over the next five years, which could be combined with other funding sources to build 1,180 affordable units. This is an excellent example of sorely needed regional cooperation.

Also in the North Bay, a variation on a jobs-housing linkage program is the recent Farmworker Housing Initiative in Napa. Assemblymember Pat Wiggins and the Napa Valley Vintners Association sponsored a bill to allow Napa County to levy a tax on planted vineyards to provide housing for their employees.

Reform School

Some cities with significant job growth have not yet proposed jobs-housing linkage programs. These include San Jose, Milpitas, Redwood City, Dublin, San Ramon and Hayward. In addition, a few of the cities with linkage programs in place have fees set too low to address the new housing demand created by commercial development. For instance, Livermore and Pleasanton both have fees below \$1.50 per square foot of new office development.

11% of the 109 Bay Area cities and counties have Jobs-Housing Linkage programs. 89% do not.

Increasing Redevelopment Funds for Affordable Housing

Redevelopment agencies have special funding and land use powers under state law to revitalize areas with economic or physical “blight.” Seventy cities and counties in the Bay Area have established local redevelopment agencies. The key financing mechanism for redevelopment agencies is tax increment funding. Redevelopment agencies retain the tax increment, or increase in property taxes which occurs over time, within a redevelopment project area.

Under state law, redevelopment agencies must spend at least 20% of their tax increment to fund the construction and rehabilitation of low and moderate income housing.

Cities and counties that want to address the housing crisis sooner rather than later have increased this percentage to higher rates such as 30%, or even 50%. **If each of the 40 jurisdictions in this study adopted a policy of investing 30% of its tax increment funds in affordable housing it could boost production by nearly 8,000 more homes in the next ten years.** If each of the 70 redevelopment agencies in the Bay Area adopted a policy of investing 30% of its tax increment funds in affordable housing, it could mean an additional 9,000 affordable homes in the next ten years. This assumes a public investment of \$50,000 per home.

Head of the Class

For years, San Francisco has demonstrated its extraordinary commitment to affordable housing development by dedicating 50% or more of its tax increment to affordable housing. The San Francisco Redevelopment Agency’s 1999-2000 housing budget was \$39 million. Since 1989, this commitment has enabled the Agency to invest in over 7,000 affordable

Increased Redevelopment Set-Asides in the Bay Area

INCREASE IN EFFECT	(3)
Oakland, San Francisco, San Jose,	
INCREASE PROPOSED	(6)
Cupertino, East Palo Alto, Milpitas, Mountain View, Palo Alto, Santa Clara (City)	
TOTAL	9
Percent of the Region’s 70 Redevelopment Areas	13%

Source: California Department of Housing and Community Development; City/county staff and housing elements

13% of the Bay Area’s 70 Redevelopment Agencies have acted to increase their affordable housing funds above the state minimum. 87% have not.

apartments and homes with tax increment funds, both new construction and rehabilitation/preservation.

San Jose, in the last decade and a half, has used its redevelopment agency to create more than 10,000 affordable homes. Recently San Jose has increased its commitment by setting a goal of creating 6,000 affordable homes by 2004. In addition, the City has recently dedicated 30% of its tax increment to affordable housing, and has issued a challenge to its neighbors to do the same. Fortunately, San Jose’s neighbors are already well aware of the need for increased investment in affordable housing. The cities of East Palo Alto, Mountain View, Santa Clara, Cupertino, Milpitas and Palo Alto have all proposed raising their affordable housing set-asides to 30%. Finally, in the East Bay, the Oakland City Council has recently committed to a 25% set-aside for affordable housing.

Reform School

Despite all the rhetoric about trying to address the housing crisis, 91% of Bay Area localities with redevelopment agencies plan to devote only the state minimum—just 20% of their tax increment funds—to affordable housing. Clearly, there is a great deal of room for improvement throughout the region.

Believe it or not, there are some cities in the Bay Area that don’t even meet the state minimum requirement. Pittsburg in Contra Costa County devoted a mere 3% of its tax increment to affordable housing in 1999-2000. At a time when every dollar is needed, next to none is to be found for affordable housing. Concord is another city in need of a lesson on housing priorities. That City devotes more of its Redevelopment Agency housing funds to sidewalk repair than to new construction of affordable housing. While no one doubts that infrastructure is a crucial need, affordable housing funds should be used exclusively to create or preserve affordable housing.

Housing Trust Funds & Bonds

Housing Trust Funds

Housing trust funds are an innovative model for funding critically needed affordable housing. They typically benefit from a dedicated source of ongoing revenue which is committed to producing and preserving affordable housing. A variety of public revenues can be dedicated to affordable housing, so that it does not have to compete every year with other general fund priorities. For instance, the City of San Francisco commits a portion of its hotel tax revenues to affordable housing development.

The Housing Trust of Santa Clara County is a unique public/private partnership which has raised over \$20 million, two-thirds of it from the private sector, and the remainder from public funds including the County of Santa Clara and each of the 15 cities in the County. The initial \$20 million will achieve the following objectives:

- Provide first-time homebuyers assistance for 800 families.
- Create affordable rental housing for 3,000 Silicon Valley families.
- Provide incentive loans to build transitional and permanent housing for the homeless or persons at-risk of homelessness.

The Trust will leverage over \$190 million in additional housing development funds through grants and loans to developers. And it will replenish itself as an ongoing funding source as first-time homebuyer and affordable rental home loans are repaid, and additional funding is secured.

General Obligation Bonds

While bonds do not provide a permanent source of revenue for investing in affordable housing, they can add significantly to locally generated funds. San Francisco has supplemented its affordable housing funds using voter-approved general obligation bonds. In 1996, San Franciscans passed a \$100 million bond to create and preserve 2,400 affordable apartments, homes, and shelter beds. Currently, plans are underway to place a \$250 million bond on the November 2002 ballot, with three-quarters of the funds going towards rental housing and one-quarter towards home ownership. This will provide much-needed affordable housing for 4,000 households—families with children, homeless people, seniors, and people with disabilities.

This housing in the desirable Almaden Lakes area of San Jose incorporates 144 low and very low income rental apartments (at left) developed by BRIDGE Housing and 84 single family homes. The single family homes include both market rate and affordable homes. Completed in 1995, Almaden Lakes Homes is close to a light rail station, offices and shopping. Photo: Jeff Peters.



Inclusionary Policies

Inclusionary policies require or encourage market-rate housing to include a percentage (usually 10-20%) of homes that are affordable to lower and/or moderate income households. Those homes are generally dispersed throughout new housing developments, creating economically diverse neighborhoods. Statewide, over 125 California cities and counties have adopted inclusionary programs that have resulted in tens of thousands of new affordable units.⁷ In the Bay Area, over two dozen communities already have inclusionary policies in place.

Of 40 key Bay Area cities and counties, 20 have an inclusionary policy. Based on historic market-rate housing production, current inclusionary policies in these communities will produce approximately 3,600 affordable homes in the next five years.

Of 40 key Bay Area cities, 50% have inclusionary policies & another 30% are proposing them. 20% have no inclusionary policy.

Another eleven of the 40 key cities and counties examined in the *Report Card* are now considering adopting inclusionary policies. If all 40 of these key jurisdictions adopted an inclusionary policy of at least 15%, approximately 13,000 more affordable homes would be created in the next ten years.⁸ In fact, if those homes were targeted to serve low and very low income households, this one policy could provide nearly one-fifth of the regional housing needs for low and very low income households in that time period.

As can be seen in the accompanying table, some Bay Area cities already have inclusionary policies of 15% or more. However, not enough of these policies benefit primarily lower income households. Requiring that 15% of new housing be affordable to those with lower incomes would allow the Bay Area to better address its greatest unmet housing need.

Head of the Class

The City of Petaluma has an exemplary inclusionary program requiring 10-15% affordable homes in both rental and for-sale housing developments of 5 homes or more. Working with developers, Petaluma has succeeded in creating 1,400 affordable homes for lower and moderate income households since 1984.

Inclusionary Policies in 40 Bay Area Cities

City/County	Existing Policy
ALAMEDA CITY	None
ALAMEDA COUNTY	Limited (a)
ANTIOCH	None
BERKELEY	20%
BRENTWOOD	Proposed - 10%
CONCORD	Proposed
CONTRA COSTA COUNTY	None
CUPERTINO	10% (b)
DALY CITY	Proposed
DUBLIN	12.5%
EAST PALO ALTO	20%
FAIRFIELD	Proposed
FREMONT	Proposed
HAYWARD	Proposed
LIVERMORE	10%
MILPITAS	goal of 20%
MOUNTAIN VIEW	10%
NAPA CITY	10%
NOVATO	10-15%
OAKLAND	Proposed
PALO ALTO	10-15% (c)
PETALUMA	10-15%
PITTSBURG	None
PLEASANTON	15-20%
REDWOOD CITY	None
RICHMOND	10-25%
SAN FRANCISCO	10-17%
SAN JOSE	Proposed
SAN LEANDRO	None
SAN MATEO	10% (b)
SAN RAFAEL	10%
SAN RAMON	25%
SANTA CLARA CITY	10%
SANTA ROSA	20%
SOLANO COUNTY	None
SONOMA UNINC.	Proposed
SUNNYVALE	10%
VACAVILLE	Proposed
VALLEJO	Proposed
WALNUT CREEK	Proposed

(a) Proposed to be extended countywide
 (b) Proposed to be increased to 15%
 (c) Proposed to be increased to 15 - 20%

The City of Sunnyvale provides a 15% density bonus to developments that fall under the City's inclusionary policy.⁹ This permits 15% more units than would otherwise be allowed under local zoning. The "extra" units not only help the developer's bottom line, they help the region address sprawl. Every unit of compact housing developed within existing communities helps to reduce the need for the low-density housing on the edges of the region that exacerbates congestion and air quality problems. Sunnyvale's policy has resulted in over 774 affordable homes since its inception in 1980.

Situated near the heart of Silicon Valley, East Palo Alto recently adopted a 20% inclusionary policy that sets a model for addressing local needs. Since household incomes in East Palo Alto are much lower than the surrounding communities of Palo Alto, Menlo Park and Redwood City, the City adopted income targets well below the regional norm. For apartments and condominiums, East Palo Alto requires that of this 20%, one quarter serve households at extremely low incomes (below 35% of median income), half at very low incomes, and one quarter at low incomes.

Reform School

Unfortunately, many of the cities with the most housing production have no inclusionary policy or only a weak one. For instance, Fremont approved almost 5,000 units of market rate housing affordable only to those with above moderate incomes from

1988 - 1998. This was 143% of the housing needed for above moderate income households. Shut out of town were people on fixed incomes and the working poor—as the City met only 14% of its housing need for lower income households. As a result of pressure from local residents, Fremont is now considering an inclusionary policy. But with much less land available for development, Fremont has squandered a golden opportunity.

Low "in-lieu" fees undermine some inclusionary policies. In many cities, developers can satisfy their inclusionary obligations by paying "in-lieu" fees instead of developing the units themselves. The fees are then used to subsidize affordable housing built by another developer, such as a nonprofit. But if set too low, in-lieu fees generate so little revenue that the desired percentage of affordable housing is not achieved. For example in Santa Rosa a developer can "opt out" of the inclusionary requirement by paying less than \$20,000 per affordable home. This contrasts with the actual financing gap for producing a new home affordable to a lower income household in Sonoma County of \$100,00-125,000.¹⁰ Compare this with policies in San Francisco and East Palo Alto that have in-lieu fees of approximately \$150,000 and \$125,000 per affordable home respectively.

Edgewater Place, in Larkspur (Marin County), was built in 1991 by non-profit developer EAH as a result of the local inclusionary zoning policy. 756 families applied to live in the complex, comprised of affordable apartments. Edgewater Place received a design award from the American Institute of Architects, and was nominated by the Sierra Club as one of the 50 best examples of smart growth in the US. Photo: Tom Jones.



The Bay Area's Homework: Housing Reform

A More Active Role for All Levels of Government

In order to solve the housing crisis in the Bay Area, the private market and all levels of government must play a more active role. Neither the chronic undersupply of housing nor the urgent need for new permanently affordable housing can be neglected. Historically, the state and federal governments' most significant contributions have been funding programs such as the Low Income Housing Tax Credit for rental housing and the mortgage interest deduction for homeowners. The state and federal funding commitment to support housing for lower income households is woefully inadequate and needs to be increased.

Over the next year, there is a great chance to increase state and federal funding for affordable housing development. In November 2002, voters in California will be voting on the Affordable Housing and Emergency Trust Fund Act of 2002, which would provide \$2.1 billion in new funding for affordable housing. At the federal level, Congress is considering passage of the National Housing Trust Fund to fund 1.5 million affordable homes over ten years. This could provide an additional \$1 billion to California in its first three years of operation.

In order to take full advantage of these opportunities, local governments must increase their commitment to creating affordable housing. Although every local government in the Bay Area knows how much affordable housing is its "fair share," some are doing far more than others to invest in housing and create an environment that encourages it. But 72% of key Bay Area cities and counties are falling short, and earned unsatisfactory grades on this *Housing Crisis Report Card*.

A Recipe for Success: Local Housing Strategies that Get Results

The region as a whole can learn much from the "Heads of the Class." If all 40 key Bay Area cities and counties adopted an inclusionary policy of 15%, and increased their investment in affordable housing using Redevelopment revenues and jobs-housing linkage fees, 23,000 more affordable homes and apartments could be produced over ten years. Targeted towards very low and low income households, this would double affordable housing construction from the inadequate rate of production seen over the past decade in these same cities. Even greater strides can be

made if localities also remove the needless regulations that prohibit apartments and condominiums development in most areas, and reduce their parking requirements where appropriate.

Results of Adopting 3 Effective Policies in 40 Key Cities

Proposed Policy	New Affordable Homes Over 10 Years
Inclusionary Policy	13,000
30% Redevelopment Set-Aside	8,000
Jobs-Housing Linkage Fee	2,000
of \$5 per sq. ft.	
TOTAL	23,000

The Implications of Ignoring the Housing Crisis

The Bay Area's housing crisis has serious implications for the future of our regions. The continued strength of the California economy; urban sprawl; transportation gridlock; the performance of our schools; racial inequalities; health care for families and children—these are pressing social issues at the top of the agenda of decision makers and the general public. Largely hidden from view is how powerfully affordable housing impacts these very issues:

- Affordable housing is smart growth and helps curb sprawl. The explosion of growth and development in outlying areas, open spaces and agricultural land is fueled by a desperate search for decent and affordable housing. The result: transportation gridlock, degradation of the environment, and all the social ills associated with sprawl. Unless we create more high quality urban affordable housing communities, the condition of our highways, water, air and land will quickly become unlivable.
- The housing crisis is bad for business and threatens the continued growth of California's economy. The extraordinary cost of housing in California, together with the resulting need for employees to reside far from jobs and endure commuting nightmares, is rapidly becoming a major impediment to business expansion. Corporate leaders such as the Bay Area Council and the Silicon Valley Manufacturing Group are alerting us that the housing crisis is a serious threat to our economy.

- School performance is impacted by the lack of decent affordable housing. Numerous studies have demonstrated the strong link between frequent moves caused by inadequate and unaffordable housing and poor school performance. California's severe affordability problem contributes to its very high rate of mobility in public schools.
- Providing for every city's fair share of affordable housing can help address racial disparities in opportunity. Far too many blacks and Latinos still live in pockets of poverty, lacking decent and safe housing they can afford, coping with poor quality, often segregated schools. Making affordable housing available throughout the region will produce more racially inclusive communities.
- The housing crisis exacts a great toll on the health and well being of families. Poor housing has been shown to cause stunted growth, severe asthma, anemia, and lead poisoning, destroying life opportunities for children and fueling society's health care costs.
- The lack of affordable housing limits the ability of those on welfare and the working poor to move up the economic ladder. Surveys of welfare recipients indicate that housing problems pose substantial barriers to finding and retaining employment. Many believe that poor families need a stable and affordable housing situation

before they can focus fully on their employment prospects.

- The housing crisis contributes to the continuing problem of homelessness. While many factors including substance abuse, mental illness and lack of employable skills contribute to homelessness, affordable housing is at the heart of what is needed to both prevent individuals and families from becoming homeless, and move people out of shelters and off the streets.

The Solution

The housing crisis has lessened our quality of life by adding to the cost of living, increasing traffic, decreasing school performance and public health, and making it harder for businesses to find qualified employees. These facts alone should act as motivation for local governments to adopt the strategies outlined in this *Report Card*.

However, these facts have not been motivation enough. Only 28% of the 40 key cities and counties analyzed here have housing elements that rated Good or made the Honor Roll. And almost a third have not even completed a housing element that was due last year. **The State of California has the power to enact housing element reform—real rewards for cities that are creating their fair share of housing, and real consequences for those refusing to act. The findings of this *Report Card* suggest that such reform is overdue.**

These affordable apartments were built by Mid-Peninsula Housing Coalition in the City of Palo Alto which made the Honor Roll on the *Housing Crisis Report Card*. They provide housing close to CalTrain for people with developmental disabilities. Photo: Tom Jones, California Futures Network.



Appendix A. Report Card Grading System

The forty cities and counties graded were selected based on a composite ranking of current population and total housing need number for 1999 - 2006. They account for 80% of the region's housing need.

Housing Crisis Report Card

HOUSING ELEMENT FOR: _____ (city/county)

A. Process and Analysis – 25 points

1.Opportunities for Public Participation in Housing Element Process	_____ points out of 6
2.Housing Element Analyzes Housing Needs Accurately	_____ points out of 7
3.Revision of past Housing Element & Monitoring	_____ points out of 6
4.Removal of Constraints on Housing	_____ points out of 6
SUBTOTAL:	_____ points out of 25

B. Zoning – 35 points

5.Identification of Sites for Affordable Housing Development	_____ points out of 16
6.Increase Densities & Adopt Appropriate Parking Requirements	_____ points out of 9
7.Smart Growth: Mixed use and transit-oriented development	_____ points out of 10
SUBTOTAL:	_____ points out of 35

C. Affordable Housing Production and Preservation – 40 points

8.Inclusionary Housing	_____ points out of 10
9.Funding for Affordable Housing	_____ points out of 20
10.Stabilizing and Preserving Existing Affordable Housing	_____ points out of 10
SUBTOTAL:	_____ points out of 40

D. Local Initiatives – 5 bonus points	SUBTOTAL: _____ points out of 5
--	--

TOTAL	_____ points out of 105
--------------	-------------------------

Honor Roll	80 or more
Good	70-79
Needs Improvement	60-69
Fail	59 or less

OVERALL GRADE:	_____
<i>Comments:</i>	

Appendix B. Regional Housing Needs Determination by Income, 1999 - 2006 & Housing Element Status, 1999 & 2002 for all Bay Area Cities & Counties

Key TOTAL NEED: projected number of new households, 1/1/99—6/30/06
 IN: the housing element was certified by CA Dept. of Housing & Community Development (HCD)
 OUT: the housing element is out of compliance with the law, and needs to be revised
 DUE: the housing element update due 12/31/01 has not yet been started (no draft sent to HCD)
 IN REVIEW: HCD is now reviewing a draft/adopted housing element to determine its compliance

Note: 2002 compliance is as of May 7, 2002.

Alameda County and Cities

Jurisdiction	Total Need	Very Low	Low	Moderate	Above Mod.	Housing Element in Compliance?	
						1999	2002
ALAMEDA	2,162	443	265	611	843	IN	OUT
ALBANY	277	64	33	77	103	IN	DUE
BERKELEY	1,269	354	150	310	455	IN	IN REVIEW
DUBLIN	5,436	796	531	1,441	2,668	OUT	DUE
EMERYVILLE	777	178	95	226	278	IN	IN
FREMONT	6,708	1,079	636	1,814	3,179	IN	IN REVIEW
HAYWARD	2,835	625	344	834	1,032	IN	OUT
LIVERMORE	5,107	875	482	1,403	2,347	IN	DUE
NEWARK	1,250	205	111	347	587	OUT	OUT
OAKLAND	7,733	2,238	969	1,959	2,567	IN	DUE
PIEDMONT	49	6	4	10	29	OUT	IN REVIEW
PLEASANTON	5,059	729	455	1,239	2,636	IN	DUE
SAN LEANDRO	870	195	107	251	317	OUT	DUE
UNION CITY	1,951	338	189	559	865	IN	IN REVIEW
UNINCORP'D	5,310	1,785	767	1,395	1,363	IN	OUT
Total	46,793	9,910	5,138	12,476	19,269	73%	7%

Contra Costa County and Cities

Jurisdiction	Total Need	Very Low	Low	Moderate	Above Mod.	Housing Element in Compliance?	
						1999	2002
ANTIOCH	4,459	921	509	1,156	1,873	IN	DUE
BRENTWOOD	4,073	906	476	958	1,733	IN	DUE
CLAYTON	446	55	33	84	274	IN	OUT
CONCORD	2,319	453	273	606	987	IN	OUT
DANVILLE	1,110	140	88	216	666	OUT	IN
EL CERRITO	185	37	23	48	77	IN	IN REVIEW
HERCULES	792	101	62	195	434	OUT	OUT
LAFAYETTE	194	30	17	42	105	OUT	OUT
MARTINEZ	1,341	248	139	341	613	IN	OUT
MORAGA	214	32	17	45	120	OUT	OUT
OAKLEY	1,208	209	125	321	553	N/A	OUT
ORINDA	221	31	18	43	129	OUT	DUE
PINOLE	288	48	35	74	131	IN	IN REVIEW
PITTSBURG	2,513	534	296	696	987	IN	OUT
PLEASANT HILL	714	129	79	175	331	OUT	OUT
RICHMOND	2,603	471	273	625	1,234	IN	DUE
SAN PABLO	494	147	69	123	155	IN	OUT
SAN RAMON	4,447	599	372	984	2,492	OUT	OUT
WALNUT CREEK	1,653	289	195	418	751	IN	IN REVIEW
UNINCORP'D	5,436	1,101	642	1,401	2,292	IN	IN
Total	34,710	6,481	3,741	8,551	15,937	60%	10%

Marin County and Cities

Jurisdiction	Total Need	Very Low	Low	Moderate	Above Mod.	Housing Element in Compliance?	
						1999	2002
BELVEDERE	10	1	1	2	6	OUT	DUE
CORTE MADERA	179	29	17	46	87	OUT	IN REVIEW
FAIRFAX	64	12	7	19	26	IN REVIEW	DUE
LARKSPUR	303	56	29	85	133	OUT	DUE
MILL VALLEY	225	40	21	56	108	OUT	DUE
NOVATO	2,582	476	242	734	1,130	OUT	DUE
ROSS	21	3	2	5	11	OUT	DUE
SAN ANSELMO	149	32	13	39	65	IN	DUE
SAN RAFAEL	2,090	445	207	562	876	IN	DUE
SAUSALITO	207	36	17	50	104	IN	DUE
TIBURON	164	26	14	32	92	OUT	DUE
UNINCORP'D	521	85	48	96	292	IN	IN REVIEW
Total	6,515	1,241	618	1,726	2,930	33%	0%

Napa County and Cities

Jurisdiction	Total Need	Very Low	Low	Moderate	Above Mod.	Housing Element in Compliance?	
						1999	2002
AMER. CANYON	1,323	230	181	353	559	IN	OUT
CALISTOGA	173	44	31	41	57	OUT	DUE
NAPA	3,369	703	500	859	1,307	IN	IN
ST. HELENA	142	31	20	36	55	OUT	OUT
YOUNTVILLE	87	21	15	20	31	OUT	OUT
UNINCORP'D	1,969	405	272	466	826	OUT	OUT
Total	7,063	1,434	1,019	1,775	2,835	33%	17%

San Francisco City and County

Jurisdiction	Total Need	Very Low	Low	Moderate	Above Mod.	Housing Element in Compliance?	
						1999	2002
SAN FRANCISCO	20,372	5,244	2,126	5,639	7,363	IN	DUE
						100%	0%

San Mateo County and Cities

Jurisdiction	Total Need	Very Low	Low	Moderate	Above Mod.	Housing Element in Compliance?	
						1999	2002
ATHERTON	166	22	10	27	107	OUT	OUT
BELMONT	317	57	30	80	150	IN	IN REVIEW
BRISBANE	426	107	43	112	164	OUT	OUT
BURLINGAME	565	110	56	157	242	IN	IN REVIEW
COLMA	74	17	8	21	28	IN	IN REVIEW
DALY CITY	1,391	282	139	392	578	IN	OUT
EAST PALO ALTO	1,282	358	148	349	427	IN	OUT
FOSTER CITY	690	96	53	166	375	IN	IN
HALF MOON BAY	458	86	42	104	226	OUT	DUE
HILLSBOROUGH	84	11	5	14	54	OUT	IN REVIEW
MENLO PARK	982	184	90	245	463	OUT	DUE
MILLBRAE	343	67	32	90	154	IN	DUE
PACIFICA	666	120	60	181	305	IN	DUE
PORTOLA VLY	82	13	5	13	51	IN	DUE
REDWOOD CITY	2,544	534	256	660	1,094	OUT	OUT
SAN BRUNO	378	72	39	110	157	OUT	OUT
SAN CARLOS	368	65	32	89	182	OUT	IN
SAN MATEO	2,437	479	239	673	1,046	IN	OUT
S. SAN FRAN.	1,331	277	131	360	563	IN	IN REVIEW
WOODSIDE	41	5	3	8	25	OUT	OUT
UNINCORP'D	1,680	252	146	454	828	IN	DUE
Total	16,305	3,214	1,567	4,305	7,219	57%	10%

Santa Clara County and Cities

Jurisdiction	Total Need	Very Low	Low	Moderate	Above Mod.	Housing Element in Compliance?	
						1999	2002
CAMPBELL	777	165	77	214	321	IN	IN
CUPERTINO	2,720	412	198	644	1,466	IN	IN
GILROY	3,746	906	334	1,030	1,476	OUT	OUT
LOS ALTOS	261	38	20	56	147	IN	IN REVIEW
LOS ALTOS HLS	83	10	5	15	53	IN	DUE
LOS GATOS	402	72	35	97	198	IN	IN REVIEW
MILPITAS	4,348	698	351	1,146	2,153	IN	IN REVIEW
MONTE SERENO	76	10	5	13	48	OUT	OUT
MORGAN HILL	2,484	455	228	615	1,186	IN	OUT
MOUNT'N VIEW	3,423	698	331	991	1,403	IN	OUT
PALO ALTO	1,397	265	116	343	673	IN	OUT
SAN JOSE	26,114	5,337	2,364	7,086	11,327	IN	IN REVIEW
SANTA CLARA	6,339	1,294	590	1,786	2,669	IN	OUT
SARATOGA	539	75	36	108	320	OUT	OUT
SUNNYVALE	3,836	736	361	1,075	1,664	IN	IN REVIEW
UNINCORP'D	1,446	325	158	651	312	IN	OUT
Total	57,991	11,424	5,173	15,659	25,735	81%	13%

Solano County and Cities

Jurisdiction	Total Need	Very Low	Low	Moderate	Above Mod.	Housing Element in Compliance?	
						1999	2002
BENICIA	413	70	49	90	204	OUT	DUE
DIXON	1,464	268	237	379	580	IN	DUE
FAIRFIELD	3,812	761	573	972	1,506	IN	IN REVIEW
RIO VISTA	1,391	357	190	342	502	OUT	IN REVIEW
SUISUN CITY	1,004	191	123	256	434	IN	DUE
VACAVILLE	4,636	860	629	1,172	1,975	IN	IN
VALLEJO	3,242	690	474	779	1,299	IN	IN REVIEW
UNINCORP'D	2,719	500	363	771	1,085	OUT	DUE
Total	18,681	3,697	2,638	4,761	7,585	56%	11%

Sonoma County and Cities

Jurisdiction	Total Need	Very Low	Low	Moderate	Above Mod.	Housing Element in Compliance?	
						1999	2002
CLOVERDALE	423	95	51	128	149	OUT	IN REVIEW
COTATI	567	113	63	166	225	IN	IN REVIEW
HEALDSBURG	573	112	78	171	212	IN	OUT
PETALUMA	1,144	206	124	312	502	IN	OUT
ROHNERT PARK	2,124	401	270	597	856	OUT	IN
SANTA ROSA	7,654	1,539	970	2,120	3,025	IN	OUT
SEBASTOPOL	274	58	35	75	106	OUT	OUT
SONOMA	684	146	90	188	260	IN	DUE
WINDSOR	2,071	430	232	559	850	IN	IN
UNINCORP'D	6,799	1,311	1,116	1,563	2,809	OUT	IN
Total	22,313	4,411	3,029	5,879	8,994	60%	30%

San Francisco Bay Area Region Total

Jurisdiction	Total Need	Very Low	Low	Moderate	Above Mod.	Housing Element in Compliance?	
						1999	2002
REGIONAL TOTAL	230,743	47,056	25,049	60,771	97,867	66	12
						61%	11%

Notes

- 1** The 89% of cities and counties out of compliance includes both those that have not drafted a housing element and those that have not had their housing element approved by the state as of 5/7/02. See Appendix B for more information on the compliance status of all Bay Area cities.
- 2** Most of the jurisdictions that received a failing grade had various major deficiencies in their housing element. In the case of Alameda County, which has a history of successful partnerships with non-profit housing developers, the jurisdiction received a failing grade because of the County's failure to identify sites for affordable housing, as every housing element is required to do.
- 3** California's "fair share" law, requiring every incorporated place to produce a housing element, is Government Code Section 65580-65589.8. The full text can be found at www.leginfo.ca.gov.
- 4** ABAG's methodology is explained at www.abag.ca.gov/planning/housingneeds/meth.htm.
- 5** For more information on the negative effects of high residential parking requirements on housing, see www.nonprohousing.org and search for "Planning for Residential Parking."
- 6** Non-Profit Housing Association research 2002. To arrive at the estimate of 2000 homes, ABAG job projections in the service (non-retail) and finance, insurance and real estate sectors were used to project new office space development. 250 sq. ft. of office space per employee was assumed. A normal vacancy rate of 5% was used and current vacancy was subtracted. A per unit subsidy of \$50,000 was assumed. The Cities of Napa, Fairfield and Vacaville were excluded due to inadequate data. Thanks to John Landis for suggesting this methodology.
- 7** This figure is from a statewide study of inclusionary programs that will be released in 2002 by the Non-Profit Housing Association of Northern California (NPH) and the California Coalition for Rural Housing (CCRH).
- 8** Inclusionary affordable housing production was estimated using historic production trends and market-rate housing projections for the current housing element cycle. In considering the effect of inclusionary policies, the analysis excluded projected housing production in developments of fewer than 5 units (approximately 6% of total production) since these developments are typically excluded from inclusionary policies.
- 9** Sunnyvale's policy is in addition to the State Density Bonus law that requires local jurisdictions to provide a 25% density bonus for any development that is at least 10% "very low income" or 20% lower income.
- 10** Sonoma County Workforce Housing Linkage Fee Study, Draft Report, p. 30. The report estimates a gap of \$107,000. However, the financial model underestimates the actual costs of development and operations, and thus an adjustment has been made.

Glossary

Affordable housing means housing affordable to lower income households earning no more than 80% of area median income. Housing is considered affordable if it costs no more than 30% of household income. In the Bay Area, 80% of median income averages \$51,360 for a family of three, and this same family can afford up to \$1,284 a month for housing.

Housing elements are state-mandated local plans for meeting housing needs. Every Bay Area jurisdiction was required to update its housing element in 2001 for the first time in ten years. The housing element is a part of each locality's General Plan, its constitution for growth. Every housing element must show, among other things, that the jurisdiction has adequate land zoned appropriately to accommodate its projected housing need for all income levels.

Inclusionary zoning describes policies or ordinances requiring that new housing include a specific percentage—usually 10-20%—of all homes as affordable to low and/or moderate income residents. Some inclusionary policies allow developers to satisfy their obligation by paying a fee in lieu of actually constructing the affordable housing.

Infill housing refers to construction on vacant or underutilized parcels of land amid existing buildings in urban or suburban areas. Infill may involve new construction or rehabilitation of older structures. Through infill, communities can increase the supply of housing without expanding into open space or farmland.

Jobs-housing linkage programs are typically one-time fees that local governments place on commercial development to offset the increased housing need created by new employment. Just as localities require residential developers to offset the school impacts caused by their development, businesses are required to mitigate the new housing needs created by their new job creation.

Low income households earn from 50% to 80% of area median income.

Lower income households include both “low income” and “very low income” households, earning from 0% to 80% of area median income.

Moderate income households earn from 80% to 120% of area median income

Redevelopment agencies have special funding and land use powers under state law to revitalize areas with economic and physical “blight.” The key financing mechanism for redevelopment agencies is tax increment funding. Redevelopment agencies retain the tax increment, or increase in property taxes, which occurs over time within a redevelopment project area. Under state law, redevelopment agencies must “set aside” at least 20% of their tax increment to fund the construction and rehabilitation of low and moderate income housing, which can be located inside or outside the project area.

Regional Housing Needs Determination (RHND) refers to the projected regional need for housing for people of all income levels. The Bay Area's overall RHND is developed by the California Department of Finance. Each city's and county's “fair share” of regional housing needs is then determined by the Association of Bay Area Governments (ABAG). The most recent RHND allocation was released by ABAG in March 2001, and covers the period 1/1/99 - 6/30/06.

Smart growth is development that is economically sound, environmentally friendly and supportive of community livability. It is characterized by a higher concentration of amenities, a mix of commercial and residential uses, and is typically pedestrian-friendly and transit-accessible.

Very low income households earn no more than 50% of area median income.

Acknowledgments

The Fair Share Housing Campaign, including this Housing Crisis Report Card, is a joint project of the Non-Profit Housing Association of Northern California (NPH), Greenbelt Alliance, and the Nine County Housing Advocacy Network. We gratefully acknowledge all of the people involved in updating the housing elements in their communities, especially those who tirelessly volunteered for the challenging task of reading and grading local housing elements. We also appreciate the hard work of the Bay Area Transportation & Land Use Coalition, Urban Ecology, and the Santa Clara County Housing Action Coalition. Thanks to Tom Jones of the California Futures Network for providing photos of affordable housing developments.

The Fair Share Housing Campaign was made possible with funding from the San Francisco Foundation, the Butler Family Fund, the Fannie Mae Foundation, and other sources.

Principal Author: Shannon Dodge, Regional Coordinator, Non-Profit Housing Association of Northern California
Assisted by: Doug Shoemaker, Policy and Program Director, Non-Profit Housing Association of Northern California;
Janet Stone, Livable Communities Director, Greenbelt Alliance.
Design: Brad Erickson, Communications Director, Greenbelt Alliance.

The Non-Profit Housing Association of Northern California (NPH)

Executive Director: Dianne J. Spaulding
369 Pine St., Suite 350, San Francisco, CA 94104
(415) 989-8160 • www.nonprofithousing.org

The Non-Profit Housing Association of Northern California (NPH) works to advance affordable housing as the foundation for thriving individuals, families and neighborhoods.

Greenbelt Alliance

Executive Director: Tom Steinbach
530 Bush St., Suite 303, San Francisco, CA 94108
(415) 398-3730 • www.greenbelt.org

Greenbelt Alliance is the Bay Area's leading land conservation and urban planning nonprofit.

Nine County Housing Advocacy Network

Sean Heron, East Bay Housing Organizations; Merlin Wedepohl, Association of Homeless & Housing Service Providers, Contra Costa County; Betty Pagett, Marin Housing Council; Sue Dee Shenk, Napa Valley Nonprofit Housing Coalition; Duane Bay, Housing Leadership Council of San Mateo County; Rene Cazenave, Council of Community Housing Organizations, San Francisco; Kristie Kesel, Santa Clara County Collaborative on Affordable Housing and Homeless Issues; Margo Warnecke Merck, Housing Advocacy Group, Sonoma County; Mike Rawson, California Affordable Housing Law Project