Investment without Displacement: Increasing the Affordable Housing Supply

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Bay Area on the Rise

Bay Area Gross Domestic Product (GDP)

Per Capita GDP (Current US$)

- Bay Area
- California
- United States

Sources: US Bureau of Economic Analysis, MTC Vital Signs, CA Dept. of Finance
Recent economic growth is not a neutral story

- Declining poverty
- Growth in high wage jobs
- Low unemployment
- Income inequality
- Rising rents
- Jobs and housing mismatch
- Suburbanization of poverty
Homeownership Out of Reach

Median Home Value, 1997-2016

- San Jose Metro Area
- San Francisco Metro Area
- Bay Area Average
- California
- United States

Source: Zillow, ZHVI All Homes (SFR, Condo/Co-op) Time Series
January 1997– November 2016
Rent Over Time: Bay Area vs. California

Median Rent, 2011-2015

- Bay Area Average
- San Jose Metro Area
- San Francisco Metro Area
- California

Source: Zillow Rental Index Multifamily, SFR, Condo/Co-op Time Series
Economic Prosperity is Not for All

Source: American Community Survey, 1-yr estimates, 2006-2015
Wages Have Not Kept Up With Rents

Median Rent and Income

Source: American Community Survey 1 year estimates
Note: All values adjusted to 2015 dollars
Not Enough Supply to Meet the Demand

Bay Area Renter Households 2015

<table>
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<tr>
<th>Renter Households</th>
<th>Affordable and Available Rental Homes</th>
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<td>237,252</td>
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Source: US Census Bureau, American Community Survey
Low-Wage Job Growth vs. Low-Cost Housing Production

Low-Wage Jobs and Housing Permits, 2007-2016

- Alameda
- Contra Costa
- Marin
- Napa
- San Francisco
- San Mateo
- Santa Clara
- Solano
- Sonoma

Sources: US Census LEHD On the Map, Annual Housing Element Progress Reports (APRs)
High-Wage Job Growth vs High-Cost Housing Production

High Wage Jobs and Permits, 2007-2016

Sources: US Census LEHD On the Map, Annual Housing Element Progress Reports (APRs)
Majority of Housing Permitted is for Higher Income Groups

Permits Issued 2007-2015

Source: Association of Bay Area Governments
Affordable housing production lags behind

From 2007-2014, region has permitted < 1/3 of the units allocated for low and moderate-income >99% for above-moderate

Percentage of RHNA Requirements Met (2007-2014)

Source: Association of Bay Area Governments
Subsidized Housing Cannot Keep up with Demand

- Affordable housing developments in the Bay Area have large waitlists:
  - San Leandro Marea Alta development:
    - 18,000 interested in 115 affordable units
  - Fremont MidPen Housing:
    - 7,000 interested in 64 units
  - Oakland MacArthur BART and Lake Merritt developments:
    - 10,000 interested in 176 total units

- After an affordable housing development is leased up, waitlists can still have thousands of people on them.
  - East Bay Asian Local Development Corp. properties waitlists often range 2,000 – 3,000

Source: KQED News
What are some of the barriers to creating new affordable housing?
Barriers

- **High land and construction costs**
  - Construction labor in CA metros = 20% higher than the rest of the U.S.

- **Tax policy – fiscalization of land use**

- **NIMBYism**

- **Entitlement uncertainty, timing and costs**

### Land Costs Comparison

- **Average U.S. Metro Area**
- **California Coastal Metro Area**
- **San Francisco**

*Source: California Legislative Analyst’s Office*
Loss of Funding

CALIFORNIA LOST 66% OF STATE AND FEDERAL FUNDING FOR HOUSING PRODUCTION AND PRESERVATION FROM FY 2008-09 TO FY 2014-15

Source: California Housing Partnership Corporation
Why is it important to create new housing affordable to low income households?
Why not just build more market-rate housing?

Some argue that we should focus on building market-rate housing and allow the process of filtering to bring “naturally affordable” housing to the market.

But…
The limitations of filtering

• It doesn’t work in **gentrifying neighborhoods:**
  – Changes in housing preferences to architecturally significant property has disrupted the filtering process
  – More likely to see “reverse filtering,” also known as “filtering up” in hot neighborhoods

• It can take **decades.**
  – Rent of a typical unit only declines 0.3% each year
  – 15 years before units filter down to 80% median income
  – 50 years before units filter down to 50% median income
Subsidized housing is more effective

- Market rate housing production in 90s resulted in lower median rent today, but also higher cost burden for low income renters

- Subsidized affordable housing produced in ‘90s had twice the impact as market rate housing in mitigating displacement
What are some of the tools to build affordable housing?
Creating New Affordable Housing

Leveraging the Market
- Density bonus
- Accessory Dwelling Units (ADUs)
- Permit streamlining
- Tax exemptions
- Reduced parking requirements

Inclusionary zoning
- Commercial linkage fees
- Impact fees

Generating Units
- Community Land Trusts
- Public housing
- Public land disposition
- Land banking

Generating Funds
- Land value capture
- Bonds for affordable housing construction
- Housing trust fund
- Housing levy
- Housing levy

Public Investment
- Land banking
- Public housing
- Public land disposition
- Community Land Trusts
Success Story: Commercial Linkage Fee in Redwood City

- City Council passed Affordable Housing Impact Fee Ordinance in 2015
- Includes both residential and commercial linkage fees

- Commercial rates:
  - $20/sq.ft. office
  - $5/sq.ft. hotel and retail
- Impact fees go to new City Affordable Housing Fund
- Utilized San Mateo 21 Elements Nexus Study
Success Story: Tax Incentive for Affordable Housing in Portland, OR

- 10-year property tax exemption on new housing projects with at least 20% below market rate units
- Targeting areas close to transit, pedestrian infrastructure, and in areas with limited affordable housing
- $3 million/year cap on tax break

Example: Burnside Street Tower, 57 workforce housing units (<60% AMI)
What are some success stories and challenges in the Bay Area?