Affordable Housing Funding Gap Analysis

Association of Bay Area Governments

Department of Housing and Urban Development
Regional Prosperity Grant
Housing the Workforce Working Group

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Survey of Promising Local and Regional Policies

The policies highlighted below are either in place in the Bay Area or represent promising approaches that could potentially be expanded and are defined further on the following pages:

Local Policies:

1. Inclusionary Zoning
2. Housing Impact Fees (local housing trusts)
3. Commercial Linkage Fees
4. Land Value Recapture/Public Benefit Zoning
5. Permit Streamlining
6. Reduced Fees or Waivers
7. California's Density Bonus Law
8. Just Cause Evictions
9. Rent Stabilization
10. Condo Conversion Restrictions
11. Post Redevelopment "Boomerang Funds"

Regional/State Policies:

12. Expanding TOAH
13. Using Private Capital for Affordable Housing
14. State Housing Trust Fund
15. Cap and Trade funds
16. Tying non-housing funds to housing development
17. Subregional solutions for affordable housing development
18. Quality of Life Ballot Measure

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Current Prevalent Strategies

The following strategies[16] for funding and preserving affordable housing have been successfully employed throughout the Bay Area. While increasing affordable housing development dollars is essential, some of the options detailed here involve non-monetary approaches to preserving the existing affordable housing stock as well as encouraging further housing development. We only provide a brief definition of these sources in this document, but a complete list of Bay Area jurisdictions and their respective affordable housing strategies can be found in *Appendix I*. Additionally, while we present the potential funding impact of these approaches, these representations are for discussion purposes only. **As a regional planning and research agency ABAG could provide research, advocacy, and technical assistance for local jurisdictions seeking to implement any of these interventions.**

Table 2.1 Prevalent Housing Strategies

Funding Strategies			
	Description	**Potential $ generated[17]**	**Examples (not exhaustive)**
Inclusionary Zoning	Requirement that market rate developers include as a condition of development a certain number of below market rate units (whether rental or for sale)[18].	Local adoption of in-lieu fee of $10,000 /unit could raise $174 million/yr regionally. Subsidy equivalent of rental BMTR units, if built would typically be greater than in-lieu fees.	68 Bay Area jurisdictions have some sort of inclusionary ordinance in place.[19]
Housing impact fees (local housing trust funds)	Fees imposed on residential developers on a per unit or a per square foot basis as a funding source for affordable housing.	Local adoption of a $5/sq ft housing impact fee on market rate developments could raise $106 million/yr regionally	Berkeley, Mountain View, Fremont, San Jose, San Francisco
Commercial linkage fees	Fees charged to non-residential development (whether commercial, or industrial) typically on a per square foot basis as a	Local adoption of a $5/sq ft on commercial real estate could yield	Livermore, Mountain View, San Francisco

[16] The definitions employed here were provided in the form of a list by the Nonprofit Housing Coalition of Northern California.
[17] For a breakdown of the calculations used and the sources of figures please refer to technical appendix
[18] The State Supreme Court ruling in Palmer/Sixth Street Properties v. City of Los Angeles throws into question whether local jurisdictions can require the development of affordable rentals in market rate properties. The Court did maintain that jurisdictions can charge impact fees to be used in the construction of affordable rentals. Jurisdictions can still require below-market-rate units in for-sale properties. Efforts are currently underway statewide to clarify Palmer and allow jurisdictions to require affordable rentals.
[19] California Rural Housing Coalition database available at http://www.calruralhousing.org/

	source of funds for affordable housing.	$38 million/yr regionally	
Land Value Recapture/Public Benefit Zoning	Proposals that seek to return a portion of the increase in property values created in part by public actions through land use decisions (e.g. rezonings) or public investments (e.g. transit infrastructure) to affordable housing.	Local adoption of a $5/gsq ft for upzoning or changes in FAR could yield $11 million/yr regionally	San Francisco
	Regulatory Strategies		
Permit streamlining	Provides for a faster permitting approval process for developers of affordable housing.	Effect varies by city. Increases supply of housing as construction costs are decreased.	Cupertino, Los Altos
Reduced fees or waivers	Provides waivers or reduced fees to affordable housing developers for many regulatory processes.	Depends on jurisdiction size and fee decrease – could decrease per unit costs by as much as $40K.	Mill Valley, Larkspur, San Francisco
California's Density Bonus Law	Allows market-rate developers of affordable housing up to 35% additional units than would otherwise be locally permissible.	Could yield $1.53 billion/yr worth of units if developers build 20% affordable. Also resulting addtl density would increase supply and decrease overall prices.	Most local jurisdictions have an ordinance that allows it
	Anti-Displacement Strategies		
Just cause evictions	Landlords are only able to evict tenants if they meet one of the "just cause" requirements. Lowers risk of displacement.	Non-monetary, but reduces incremental demand for affordable rental housing.	San Francisco, Oakland
Rent stabilization	Landlords are only able to raise rents by a certain percentage, defined at the jurisdictional level, per year.	Non-monetary, but reduces incremental demand for affordable rental housing.	San Francisco, Hayward, Oakland, Berkeley
Condo conversions restrictions	Places restrictions on the conversion of apartments under the ownership of a sole property owner into condominiums in which the individual unit can be sold at market rate.	Non-monetary, but reduces incremental demand for affordable rental housing.	San Francisco, Corte Madera, San Rafael

Strategies which need the least time to implement and have the greatest funding potential:

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The strategies we identify below appear to be some of the most viable local options that could be implemented relatively quickly.

Table 2.2 Short Term Funding Strategies

Strategy	Description	Potential $ Raised	Actor	Examples
Post Redevelopment "Boomerang Funds"	Reapportions remaining Redevelopment Authority tax increment dollars for affordable housing. This potentially represents tens of millions for affordable housing.	$32.5M in one-time funds (13% of original $250 M amount)	Local jurisdictions	San Francisco Housing Trust Fund (Prop. C 2012), Oakland Housing Trust Fund (Budget FY 2013-14), San Mateo County
Expanding TOAH	Reapportion some existing regional funds for additional leverage in the TOAH. Would expand funding available for housing development loans.	Addtl. $2M regional investment could yield $8M in addtl leverage	MTC, ABAG	N/A
Private Capital	Work with private lenders to lower interest rates and work with foundations and charitable organizations to provide sources of affordable loans.	Varies (no cap on financially viable amount)	Foundations, Banks, CDFIs, Governments	**Canyon Capital Realty Advisors + Citi Community Capital**: $800M partnership to fund Multi-family "workforce" housing **Citi and L+M development Partners ($150M)** **Golden State Acquisition Fund:** $96M acquisition fund for affordable properties in CA. **TOAH:** Public private partnership ($90 M with new capitalization from MTC)

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Additional Ideas:

From our research we identified the funding sources below as promising for the Bay Area given the interest that has been expressed in the past and the current political context. This does not represent an exhaustive list, but rather a few options that could merit additional consideration.

Table 2.3 Other Funding Strategies

Strategy	Description	Potential $ raised	Actor	Examples
State Housing Trust Fund	Establishes a state-level housing trust fund that can provide a dedicated source of funds for affordable housing development	$500 million/yr statewide ($100-150 million for Bay Area)	State	Ohio (document recording fee), Florida (document recording fee)
Cap and Trade funds	The state currently requires that 25% of cap and trade funds be spent in disadvantaged communities. Additionally, the California Air Resources Board (CARB) called for funding affordable housing near transit.	Varies (up to $600 million through life of Cap and Trade)	State, MTC, ABAG	N/A
Support tying the provision of non-housing funds to housing development	Non-housing funds, such as the current HCD Parks program or OBAG, invested on the condition that housing is either built or planned for.	Non-monetary could boost production	MTC, jurisdictions, state	OBAG, HCD housing related parks program, HCD's Infill Infrastructure Grant Program
Subregional solutions for housing development	By promoting closer subregional cooperation to meet local housing need, ABAG could better prepare local jurisdictions to plan for and potentially build more affordable housing units.	Non-monetary could boost production	ABAG, Local jurisdictions, fair housing organizations, HCD	Washington State Growth Management Act: distributes housing need at a county level.
Quality of Life Measure	Regional measure (e.g. sales tax) to enhance transit investments, fund affordable housing development, and maintain environmental quality.	If ¼ cent increase for housing in 2012 ~$300 million/yr	Cities, Counties, state, MTC, ABAG	San Diego Association of Governments (SANDAG) currently exploring this option. AB 431 (Mullins) would allow a regional MPO to impose a 0.5% use tax for Sustainable Communities Strategies implementation.

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San Mateo County

Among jurisdictions in San Mateo County, Inclusionary Housing appears to be the norm. The county has also implemented innovative planning practices such as the *21 Elements* process which pools technical resources among the 21 cities of San Mateo County to produce high quality housing elements. Additionally, the county's housing trust fund, HEART of San Mateo County, has a unique governance structure that works, as much as possible, to mitigate potential opposition to affordable housing development.

Jurisdiction	Inclusionary Housing	Land Banking	Rehabilitation Program	Just Cause Evictions	Rent Control	Other Preservation Strategies	Condo Conversion	Impact Fees	Other Affordable Housing Policies
Atherton	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Belmont	Yes - 15%	Yes	No	No	No		No	No	
Brisbane	Yes. BMC Chapter 17.31	Yes.	n/a	n/a	n/a	Ordinances to protect tenants in apartment to condominium conversions and mobile home park conversions. Also, terms built into lease and loan agreement for long term preservation of affordable housing units.	Yes. BMC Chapter 17.30.	Yes. Through development agreement.	Brisbane has ordinances allowing for: density bonuses; transferable development rights; secondary dwelling units; lowered parking requirements for smaller units; mobile home park protections; establishment of emergency shelters

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									by right. Single room occupancy units are recognized by right as a type of multiple family dwelling.
Burlingame	4+ units, 10-25%, very low, low, moderate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Density bonus, flexible design standards, reduced parking downtown near transit, second units, emergency shelters. Allow residential and mixed use projects in certain areas which were previously commercial, adopted new development standards including increased heights.
Colma	5+ units, 20%, very low, low, moderate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Clustering of IH units
Daly City	5+ units, low, moderate,	n/a	Yes	n/a	n/a	n/a	n/a	n/a	Parking reductions for low-income family and senior

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	above-moderate								housing projects.
East Palo Alto	Yes		Yes	Yes	Yes		Yes	Yes	Density Bonus/Second Unit Ordinance/Emergency Shelter Ordinance/SRO's in R-1 Zone/Housing Consortium
Foster City	20% required on specified housing projects (negotiated through Development Agreements)		Homeowner rehabilitation loan program, BMR resale controls, home sharing	Policy to work with non-profit organizations for rental mediation	Policy to work with non-profit organizations for rental mediation				Density bonuses in accordance with State law, design flexibility, permit streamlining, fee reduction
Half Moon Bay	10+units/lots, 20-25%, very low,								

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	low, moderate								
Hillsborough	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Density Bonuses, emergency shelter zoning, contributions to housing organizations, and second unit incentives.
Menlo Park	5+ units/1+ lots, 10-15%, very low, low, moderate								Density bonus, flexible design standards
Millbrae	None post dissolution of Redevelopment	City holds site purchased by former RDA designated for affordable housing	None post dissolution of Redevelopment	n/a	n/a	n/a	n/a	n/a	Density bonus, Housing Fund

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Pacifica	8+ units, 15%, very low, low, moderate	n/a	n/a	n/a	n/a	Mobile Home Parks Ordinance - -restrictions on converting mobile home parks to other uses	Condo Conversion Ordinance:	n/a	Density Bonus, second units, parking
Portola Valley	1+ lots, 15%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Density bonus, second units, housing at institutions

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Redwood City	n/a	Yes & City has taken on RDA Housing Function	Yes. City Used Home Imp. Loan Pgrm, CDBG, RDA-set-aside & Home funds	Yes. City provides funding to Legal Aid to support program	n/a	City has strict Condo Conver. standards, Mobile Home Ord., Hsg Rehab Program, & Conforms to State Burn down law for nonconforming housing projects	Yes. City has strict Condo Conversion Ord.	Afford. Hsg-Exempt from Park fees. City also has reduced Traffic Impact fees & Under-ground utilities in-lieu fee option.	City has obtained Affordable Hsg thru: Density Bonuses, Precise Plans, DAs, Collaborative Parcel Exchange & Funding Efforts w/SMCo, non-profits, College District & Woodside; Had 1st reading in 3/3013 for SB2; & Dwtn Precise Plan has-No density cap, increased heights, reduced & In Lieu Parking; & has 5 MUCs @ 60 units/ac. & 2 MUCs @ 40 units/ac.

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San Bruno	10+ units, 15%, low, moderate	City would consider if suitable opportunity arises	Redevelopment Housing Redevelopment Program ended with dissolution of RDA. City relies on County rehab program.	Not sure about this. No policy in HE. Will discuss with City Attorney.	City's BMR Ord related to rental projects in doubt in light of Palmer legal case. No new rental projects have been proposed recently.	HE Program. Permit fee waivers for affordable rehabilitation through CDBG and County rehabilitation program. Program to legalize second units.	HE Program. Ensure affordable ownership choices provided in condominium conversions.	City has a Parks Facilities impact fee. No other impact fees. BMR program has an in-lieu fee.	Density bonus, fee waiver, reduce parking requirements. HE Program. When approving reuse of former school sites, accommodate affordable housing.
San Carlos	7+ units, res ownership: 15% to low & Mod; res ownership allowed to request in lieu fee payment or other alternative; res rental development pays impact fee for each dwelling						yes, requires compliance with inclusionary housing ORD	Affordable Housing Impact fee for res rental development of each unit and for res additions of 1000 sf or more	Density bonus, modified development standards; flexible parking & setback standards; permit streamlining; financial assistance

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	unit or addition of 1000 sf or more unless developer requests alternative plan								
San Mateo City	11+ units/lots, Rental projects: 10% very low or 15% low. Ownership units 10% low or 15% moderate. Fractional fee charged for projects 5-10 units.		CDBG funded free minor home repair, accessibility improvements, and exterior paint program for very low income households.				Yes		Density bonus, flexible design standards, public funding for extremely low, very low and low income housing, homelessness prevention and supportive housing.

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San Mateo County	Yes	No	Yes	No	No		Yes	No	Density bonus program; various housing funding including CDBG, HOME, and other funding for construction, rehabilitation, and low-income purchase; homeless funding, including support for one existing shelter in the NFO PDA
South San Francisco	4+ units, 20%, low, moderate		Per Federal CDBG Program				only allows conversion when multifamily housing in City has vacancy rate >5%		Density bonus, subsidies, second units
Woodside	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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