

AGENDA
CITY OF RANCHO CORDOVA
CITY COUNCIL

Wednesday, March 16, 2005

5:30 p.m. – Special Meeting

Council Chambers
3121 Gold Canal Drive, Rancho Cordova, California



Ken Cooley, Mayor
Robert J. McGarvey, Vice Mayor
Linda Budge, Council Member
David M. Sander, Council Member
Dan Skoglund, Council Member



AGENDA
**JOINT SPECIAL MEETING OF THE CITY COUNCIL, PLANNING COMMISSION &
GENERAL PLAN ADVISORY COMMITTEE (GPAC)**

City Council Chambers
3121 Gold Canal Drive, Rancho Cordova

WEDNESDAY, MARCH 16, 2005
5:30 P.M.

Call to Order

Roll Call: Council Members Budge, McGarvey, Sander, Skoglund, and Mayor Cooley
Planning Commissioners Burke, Konarski, Moe, Savorn, Vance, Wentz and Chair Smith
General Plan Advisory Committee Andrus, Carr, Crane, Cummings, Myer, and Slaton

Oral Communications

1. Public Comment

At a Special Meeting, citizens may address the Council/Planning Commission on any matter listed on the agenda. **Please keep your comments to three minutes or less.** Please state your name and community of residence. Under the provisions of the California Government Code, the City Council/Planning Commission is prohibited by law from discussing or taking action on any unagendized item unless it can be demonstrated to be of an emergency nature and the need to take action arose after the posting of the agenda.

Study Session

2. **Subject:** General Plan – Housing Element Policy Development, Options, and Discussion. City staff will present information about the development of the housing element; preliminary housing needs data, and options for future housing policies. The Housing Element will incorporate the City's desires for a range of housing choices.

Recommendation: No formal action on the Housing Element is requested at this time. Rather, staff is asking for initial comments, feedback, and input so that we can proceed with drafting the Housing Element policies.

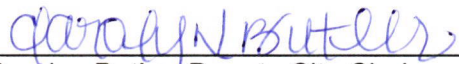
Adjournment

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact the City Clerk's Office at (916) 942-0255 or www.cityofranhocordova.org. Requests must be made as early as possible and at least one full business day before the start of the meeting.

City Clerk's Certificate of Posting of Agenda

I, Carolyn Butler, Deputy City Clerk for the City of Rancho Cordova, declare that the foregoing agenda for the March 16, 2005 Special Meeting of the Rancho Cordova City Council posted on March 10, 2005 at the office of the City of Rancho Cordova, 3121 Gold Canal Drive, Rancho Cordova, California, 95670 and was available for public review at that location. The agenda is also available on the city web site at www.cityofranhocordova.org.

Signed this 10th day of March, 2005 at Rancho Cordova, California.



Carolyn Butler, Deputy City Clerk

Memorandum



Date: March 16, 2005

To: Mayor and Council
Planning Commissioners
GPAC Members

From: Paul Junker, Pam Johns, Jim Carney

Subject: Discussion Items for Special Meeting on Housing Issues

Members of the Council and GPAC:

Thank you for taking the time to attend this special meeting to discuss housing issues in Rancho Cordova. Housing is and will remain an important issue facing the City, and staff appreciates your time and attention to this very important topic. We look forward to your insights and direction as we draft the first Housing Element of the City's General Plan.

In order to facilitate the discussion of housing issues at tonight's meeting, staff has prepared the following guide to the topics which will be covered. As noted below, some of the items to be discussed tonight are informational only, while others involve housing policy options for which staff is seeking input by the Council and GPAC.

Background

Staff has met twice with the GPAC to discuss development of the Housing Element and identify issues to be addressed in the Housing Element. The following is a list of issues that were discussed:

- Senior housing options with needs/services in proximity (pharmacy, etc.)
- Cleaning up existing blighted apartments/housing
- Making sure schools are keeping pace with new housing
 - avoid San Juan School District problem
- Make sure all services and infrastructure are keeping up with the pace of housing
- Consider Mather VA for senior housing
- Higher end communities
 - Folsom Blvd & mixed-use
- Plan for evolution of housing types (first-time homebuyers/families, empty-nesters)
- Need higher end homes to change the image of RC
- Overcrowded households

- Balanced housing throughout the community (diversified neighborhoods)
- Don't lower standards to provide "affordable" entry-level homes
- Provide transit in close proximity to affordable units
- Match of housing to jobs (affordability to local salary)
- Match housing to "household" needs (e.g., single parents, etc.)
- Infill homes into older neighborhoods (build/allow single car garages, change perception of "older" areas [programs to assist])
- Maintain long-term affordability (balance this with desire to gain equity)
- Encourage lease-to-own programs
- Need housing fund for all programs we want
- Inclusionary ordinance – consider allowing off-site improvements for revitalization (all types of housing – sf/condos)
- Energy conservation program
 - Look into partnerships
- New affordable housing that is substantially different than existing affordable housing

Presentation Outline

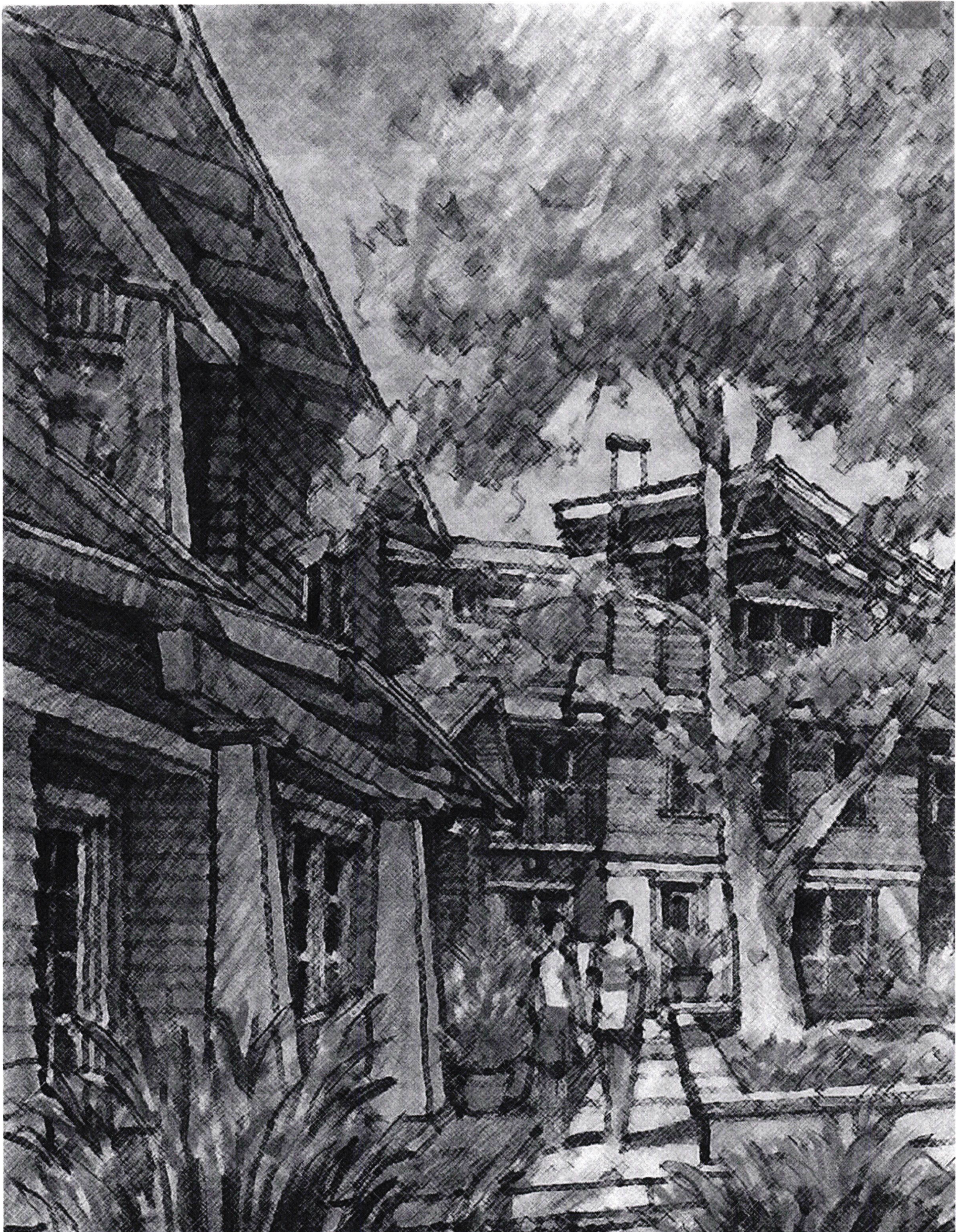
Tonight's meeting will cover the following basic topics:

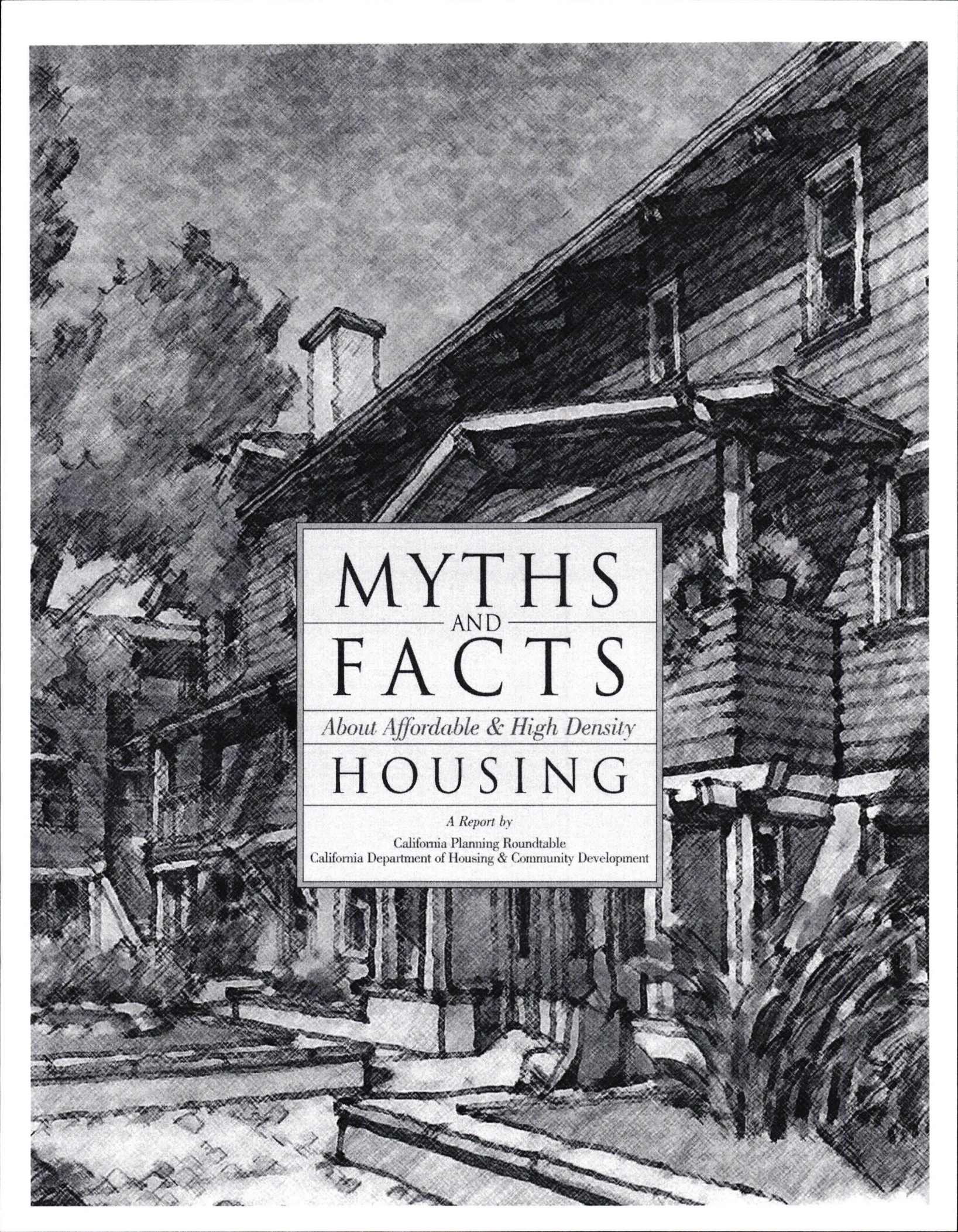
- A. Introductions and purpose of the workshop (approximately 5 minutes)
- B. Housing Element Overview (approximately 10 minutes)
 1. State Housing Element requirements
 2. Regional Housing Needs Allocation and Rancho Cordova's roll in meeting the allocation
 3. Summary of City demographics and community needs
- C. City Housing Goals and Policies (approximately 20 minutes)
 1. Mix of housing choices (type of housing and affordability)
 - a. Senior housing
 - b. Live-work housing
 - c. Workforce housing
 2. Jobs-housing balance
 3. Rehabilitation or conversion of existing housing stock
 4. Increased homeownership
- D. Inclusionary Housing Discussion (approximately 15 minutes) - Libby Seifel, a Redevelopment Consultant for the City, will make a brief presentation on inclusionary housing and how it pertains to the City's redevelopment program and the City's approach to affordable housing.

Staff is seeking input from the City Council and GPAC at this meeting in order to guide staff in drafting housing policies for the General Plan. The draft -housing element will be brought to the City Council for consideration at a future meeting.

Attachments

1. Myths and Facts about Affordable and High Density Housing, A Report by California Planning Roundtable, California Housing and Community Development
2. California's Deepening Housing Crisis, California Housing and Community Development, Division of Housing Policy Development.
3. "Housing by Levels" and "For the region, as SACOG shows," Sacramento Bee editorials, December 5, 2004.
4. Designing a Successful Inclusionary Housing Program by Elizabeth Seifel, January 2005.





MYTHS AND FACTS

About Affordable & High Density

HOUSING

A Report by

California Planning Roundtable
California Department of Housing & Community Development

IN THE PAST 30 YEARS, CALIFORNIA'S HOUSING PRICES HAVE STEADILY OUTPACED ITS RESIDENTS' INCOMES. Housing production hasn't kept up with job and household growth within the State.¹ The location and type of new housing does not meet the needs of many new California households. As a result, only one in five households can afford a typical home, overcrowding doubled in the 1990's, and more than three million California households pay more than they can afford for their housing.²

Meanwhile, the federal government has dramatically cut back programs that used to help local governments accommodate new growth. Voter-imposed property tax and spending freezes have further constrained local governments from responding effectively to new growth. And affordable housing development, while still funded in part by the federal government, requires a larger local commitment than ever before.

Against this backdrop, it should surprise no one that many communities no longer accept population growth with open arms. When anyone proposes the development of affordable or multifamily housing, ambivalence about growth often shifts to hostility. Hostility feeds and strengthens certain myths, and deep emotional perceptions of how the world works. *Myths—important sources of meaning in all societies—provide shared rationales for community members to behave in common ways, having a strong moral component, with clear lines between right and wrong.* Although myths are sometimes positive, they can also serve as shields for deeper and uglier motivations: racism, fear of outsiders, and/or greed. When people argue against new high-density and affordable housing, often myths are used to convince decision-makers that the new development and its residents don't belong there. Traffic will be too heavy; schools will become

overcrowded; buildings will clash with existing neighborhoods; people won't fit in; and maybe even a criminal element.

Opponents often believe these myths. But it's essential to counter these myths with facts. California desperately needs new affordable housing to reverse recent increases in overcrowding and overpayment. We also need new high-density housing to support economic stability and prosperity. We need housing to accommodate new workers and their families and to economize on infrastructure costs, while preserving open space and reducing the distance between homes and jobs.

Fortunately, the facts of California's recent experiences with high-density and affordable housing often contradict the myths. We can now begin to rely on this recent experience to reassure concerned residents that the myths don't have to come true.

Myth #1

High-density housing is affordable housing; affordable housing is high-density housing.

Fact #1

Not all high density housing is affordable to low-income families.

This myth expresses an essential truth: more units per acre mean lower land costs per unit, especially if local governments allow builders meaningful density bonuses; smaller units cost less to build than larger ones. To encourage housing affordability, California cities do need to promote higher densities.

But we also know from experience and observation that not all high-density housing is affordable to low-income families. San Francisco's Nob and Telegraph Hills, Los Angeles' Wilshire Corridor, and high-rises in

downtown San Diego are all examples of upper-income areas where housing densities are quite high. Similarly, most Californians know that low-density neighborhoods often accommodate people of modest means. The residents of these neighborhoods often moved in shortly after the homes were built (several decades ago)—and before the huge escalation in California's home values that began in the early 1970's. With assistance, many families with limited incomes will continue to buy homes in these neighborhoods. Many other low-income

households will continue to rent single-family homes because they offer more space in low-density neighborhoods.

For the most part, of course, low-density neighborhoods offer more expensive housing than high-density areas. Detached homes cost much more than most apartments and condominiums. Among new units, the difference is even more striking; new high-density units are much more likely to be affordable than new single-family units.

Density is not always enough, however. To ensure affordability, local governments must intervene with programs and additional concessions if the new high-density units are also to be affordable. For a list of resources on affordable housing techniques, see Resources: *Making Housing More Affordable*, at the end of this report.

Myth #2

High-density and affordable housing will cause too much traffic.

Fact #2

People who live in affordable housing own fewer cars and drive less.

In many high-density neighborhoods, and in most neighborhoods with a mix of housing types, traffic isn't a big problem.

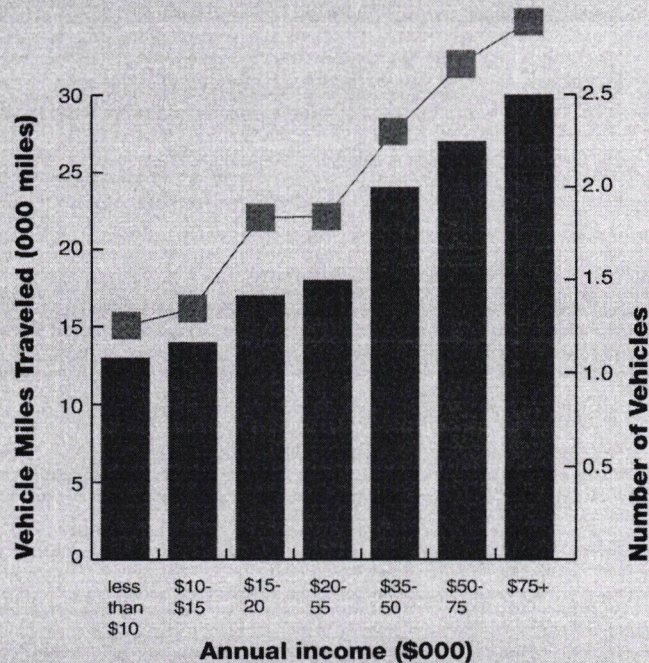
In California's six largest metropolitan areas, two-thirds of renters and over three-fourths of the households living below the poverty line own no vehicles or only one car, compared to 54 percent of all households and 44 percent of homeowner households.³ With lower car ownership rates come fewer trips, and fewer single occupant auto commutes. According to the National Personal Transportation Survey in 1995, low-income households make 40 percent fewer trips per household than other households. Recent traffic growth owes much to existing development.

In many high-density neighborhoods, and in most neighborhoods with a mix of housing types, traffic isn't a big problem. Fewer auto trips occur in higher-density areas. In a neighborhood of 15 homes to the acre, one-third fewer auto trips occur, compared to a standard suburban tract.⁴ A 1990 survey by the Sierra Club's Transportation Committee found that for every doubling of neighborhood density, vehicle miles traveled are reduced by 20 to 30 percent.

Car ownership rates are less in higher density areas. According to recent American Housing Survey data, multifamily developments have lower car ownership rates than single-family home tracts.

To encourage housing affordability, California cities need to promote higher densities.

Low-income households own fewer cars, drive less



Source: U.S. Energy Information Administration, Residential Transportation Energy Consumption Survey, Household Vehicles Energy Consumption, 1994

High-density housing can encourage nearby retail development, along with ease of walking and transit use. Mixing housing with commercial development is ever more crucial for traffic control, since non-work trips constitute the largest number of trips.

Over three-fourths of trips in Southern California are non-work trips. With high-density

housing, stores serving neighborhood residents move in, allowing residents to walk to buy groceries or to the dry cleaner instead of driving.

Transit connections also become more common when neighborhood density increases, as transit is only cost-effective at densities above eight or 10 units per acre.⁵

Myth #3

High-density development strains public services and infrastructure.

Fact #3

Compact development offers greater efficiency in use of public services and infrastructure.

Higher-density residential development requires less extensive infrastructure networks than does sprawl. California developers must usually pay for sufficient infrastructure capacity to serve their own projects. When communities cannot take advantage of economies of scale in providing infrastructure, extension costs rise. High-density housing helps provide economies of scale both in trunk lines and in treatment plants. The cost savings can be passed on to new residents, and the smaller debt load can help ensure fiscal stability throughout the community.

Infill development can sometimes take advantage of unused capacity in public services and infrastructure. Communities can save taxpayers and new residents money when housing construction is allowed in areas where infrastructure and service capacity has already been paid for and is underutilized. Infill development can also make use of a transit and provide better access to services, while improving economic viability.

Higher-density infill residential development can translate to higher retail sales. By approving new high-density development in infill locations, communities can revitalize stagnant

Librarians, sheriffs' deputies, nurses, fire fighters, and many other vital members of our communities all need affordable housing.

commercial districts and increase taxable sales—the primary source of revenue in most California jurisdictions.

According to the American Housing Survey, the development of single-family homes is much more likely to cause strain on local schools than high-density development. In most cases, a single-family home can have two to three times the numbers of school aged children per household.⁶

Myth #4

People who live in high-density and affordable housing won't fit into my neighborhood.

Fact #4

People who need affordable housing already live and work in your community.

According to government definitions of affordable housing, families should devote no more than 30% of their income to rent or mortgage payments and utilities. Affordable housing often means housing whose residents don't pay too large a share of their incomes on rent or a mortgage.

Households earning lower incomes can have a variety of occupational and educational backgrounds. Families earning less

than four-fifths (80%) of the area's median income are officially lower-income households; families earning less than half of the median are known as very low-income households. For example, a starting elementary or high-school teacher in Mountain View (Santa Clara County), with a gross monthly income of around \$3,200, can afford to pay \$960 a month in rent, which qualifies as low-income if the teacher lives alone; if the salary must support a

spouse and a child, the family would be a very low-income household. A starting air-traffic controller in San Diego County, with income barely higher than \$31,000 a year, would also qualify for affordable housing. Librarians, sheriffs' deputies, nurses, fire fighters, and many other vital members of our communities all need affordable housing.

People motivated by these concerns may just need to "meet" the residents of high-density and affordable housing. Residents often have been long time members of the community, and will continue to make contributions to their neighborhoods. For a list of resources that can introduce people to those who live in high-density and affordable housing, see Resources: *Meeting the Residents of Affordable Housing*, at the end of this report.

Myth #5

Affordable housing reduces property values.

Fact #5

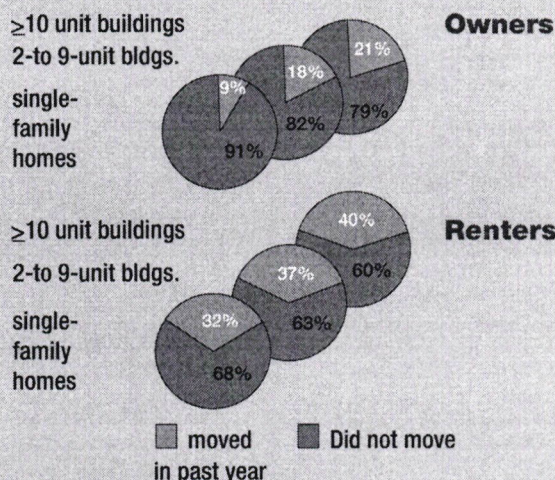
No study in California has ever shown that affordable housing developments reduce property values.⁷

Architectural standards and adequate maintenance also strongly influence property values

Many studies have been done. The truth is the single most significant factor affecting property values is the pre-existing value of the land in a given community or area. This in turn is based on supply and demand, proximity to major urban centers, nearby attractions (beachfront property, panoramic views), any negative factors such as environmental contaminants, and availability of adequate infrastructure and services.

Architectural standards and adequate maintenance also strongly influence property values, particularly as they apply to affordable rental properties. Properly maintained affordable housing developments, designed and built with sensitivity to the architectural and aesthetic standards desired by the community, may even increase property values.⁸

Tenure much more important than density in recent moves



The majority of both renters and homeowners in California metropolitan areas move less than once a year. Homeowners move less often than renters, but even renters move seldom enough to form long-term ties to neighbors.

* Source: U.S. Dept. of HUD, American Housing Surveys for San Francisco-Oakland, San Jose, Los Angeles-Long Beach, San Diego, Riverside-San Bernardino, and Anaheim-Santa Ana.

Myth #6

Residents of affordable housing move too often to be stable community members.

Fact #6

When rents are guaranteed to remain stable, tenants move less often.

Affordable housing tenants invest in a neighborhood and community just as much as any other resident

According to San Francisco's BRIDGE Housing, annual turnover in their affordable housing projects is less than 10 percent annually. This turnover rate is approximately the same as most single-family homeowners, around 10

percent, and much less than market-rate renters.

Affordable housing tenants invest in a neighborhood and community just as much as any other resident. Affordable housing tenants include families with school

age children, where the mother and father attend PTA meetings, and spend their spare time enjoying parks and other community facilities. These families and other affordable housing tenants are concerned for the public's health and safety just like other residents of the community.

Myth #7

High-density and affordable housing undermine community character.

Fact #7

New affordable and high-density housing can always be designed to fit into existing communities.

Density, as measured in units per acre, can be a deceiving measurement, but new housing at between 20 and 50 units per acre can be designed to fit in most California communities. The best way to convince people of this is to show them how well new housing can fit into their neighborhoods. see Resources: *Increasing housing densities*, at the end of this part, for a list of slide shows and videos.

Communities can also achieve higher densities by filling in the existing urban fabric with second units, duplexes, and conversion of outmoded or abandoned commercial

buildings. Local governments most often encourage infill by reducing regulations and restrictions.

New affordable housing differs little or not at all from any other development. When BRIDGE Housing opened its affordable *Pickleweed* housing development in upscale Mill Valley, potential buyers for neighboring condominiums mistook *Pickleweed* for the market-rate project. And when Habitat for Humanity built its self-help project in Rancho Santa Margarita, local developers and subcontractors contributed materials identical to those used in nearby market-rate

High-density doesn't mean high-rise. When most people hear high-density housing, they imagine high-rise housing. But in most California cities, the market won't even support high-rise housing. More often than not, high-density development now means two- and three-story wood frame garden apartments that frequently are similar in scale to large home luxury housing.

homes. Thanks to sensitive work by experienced architects, the new townhomes fit in perfectly (see case study). These developments are proof that affordable housing doesn't mean high-rise slums.

Myth #8

High-density and affordable housing increase crime.

Fact #8

The design and use of public spaces has a far more significant affect on crime than density or income levels.

Density does not cause crime. For many years social scientists have asked whether high-density housing causes crime. Not one study has shown any relationship between population or housing density and violent crime rates; once residents' incomes are taken into account, the effect of density on non-violent crime decreases to non-significance.

After studying housing and neighborhoods throughout the country, Oscar Newman concluded that the design and use of public spaces, and

particularly the sense of ownership and control that residents have over these areas, has far more significant affect on crime than density or income levels.

In neighborhoods suffering from disinvestment, particularly those areas lacking jobs and community services, crime can be higher.

Local governments can help address legitimate concerns about crime by working with existing residents and law enforcement to develop community-based strategies to reduce crime.

Management & Design are Key.

Local governments can also help protect the entire community, including new affordable housing residents themselves, by attending to details at the project level. Most important is effective professional onsite management, with strong tenant-screening and good security systems. Design, too, can play an important role in protecting residents and neighbors of high-density or affordable housing, especially by ensuring visibility. New developments should also contain a mix of unit types to accommodate different kinds of households. When residents have different occupations and family types, someone will probably be home in the development almost all the time.

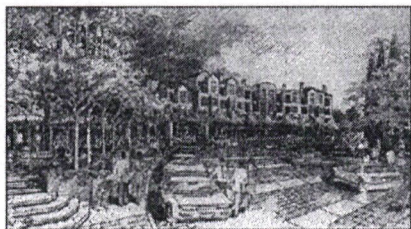
In Conclusion

In this decade, California's persistent affordable housing shortage has become so commonplace that it seems natural. Planners and elected officials must stop believing another pervasive myth: *that they can do nothing to create affordable housing*. This report shows that many California communities now believe they have the creativity, resources, and will to house all those who need shelter. As a result, they have established that, in fact, California communities can become more open, more accepting, and better places for old-timers, new immigrants, or their children.

Case Studies

Renaissance

High-Density and Affordable Housing Help Balance Silicon Valley



High-technology firms create thousands of jobs in Silicon Valley, but housing construction does not keep pace. New workers have to commute long distances to reach their jobs. As a result, Silicon Valley suffers from some of the worst traffic in California and from the State's highest housing prices. In the late 1980s, San Jose set out to clear traffic and ease the housing shortfall by changing its land-use policies. The Renaissance project, on a 56-acre site in north San Jose, was originally designated for research and development. It had enough infrastructure -- including a wide road and convenient access to

planned light rail to handle a large number of new jobs.

In 1991, Renaissance Associates, a partnership between General Atlantic Development and Forest City Development, proposed with the landowners that San Jose rezone the site for over 1,500 moderate -- and high-density rental apartments and for-sale town homes, neighborhood retail, and a day-care center. San Jose readily agreed.

The project developers started work early with neighbors living in an existing single-family development on the site's northern boundary to provide appropriate transitions into Renaissance, while making best use of the large existing road. In response to neighbors' concerns, the developers located the lowest-density town home component adjacent to the existing residences, and provided ample setbacks between the new attached homes & the 1950s-vintage single-family homes.

The developers responded to concerns about traffic by canceling initial plans for a through street that would connect the existing neighborhood with Renaissance Village.

This high-density development shows that often repeated myths about the effects of high-density housing on public services and transportation aren't always true. San Jose's ambitious plans for employment development in the area led the City to require the construction of more infrastructure than was eventually necessary both on the site itself and in neighboring areas of the City. Later, the City determined that it could alleviate traffic throughout its road network by shifting the location of new residences and workplaces.

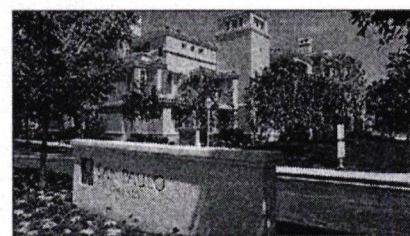
The composition of the project itself, with over 250 affordable apartments, market-rate apartments, and attached ownership units, further assures balance between the

housing and Silicon Valley's new jobs. The site design, which features pedestrian-friendly walkways and easy connections to the Tasman Light Rail, will allow Renaissance Village residents to leave their cars—in their garages altogether.

The development also shows that, with advance planning and sensitivity to neighbors' concerns, NIMBY sentiments can be prevented. The neighbors and the developers displayed an attitude of openness that ensured both a smooth approval process and a better project.

San Paulo

Good Design Beats NIMBYism in Irvine



The City of Irvine, one of California's largest planned communities, added tens of thousands of new jobs as the information economy boomed. But the City's housing supply—especially housing for families with modest incomes—could not keep up with its job creation. In late 1990s, the City and The Irvine Company, which owns all the undeveloped land in the City, identified a 15-acre multifamily site as appropriate for new affordable housing.

To ensure that such a large and prominent new development would fit into West Park Village, the Irvine neighborhood that surrounds it, The Irvine Company contacted the Costa Mesa-based architecture firm of McLarand Vasquez & Partners (MV&P). MV&P, which had also designed the dense and highly popular Corte Bella town homes across the street from the project site,

designed San Paulo's 382 units in 27 separate buildings, with flats and town homes of various sizes. San Paulo's overall density reaches about 25 units per acre, with room left over for two swimming pools, generous landscaping, a tot lot, and numerous features to smooth the transition from San Paulo's surroundings into its highest-density areas.

To show the City's residents that affordable housing and its residents belong in Irvine, The Irvine Company also met early with West Park Village residents. The neighbors were won over by the open process and the high-quality design. The Irvine Company and the City emphasized that San Paulo's residents would be members of the Irvine community. Teachers, firefighters, and other essential contributors to the City's life previously forced out of the City by its high housing prices would find an affordable place to live if San Paulo were approved.

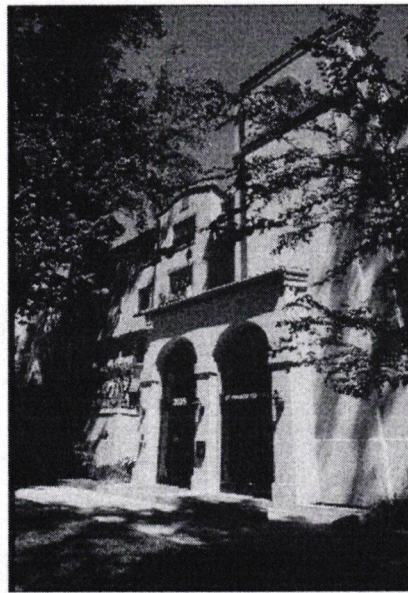
Also key to the project's success was the participation of its non-profit partner, San Francisco's BRIDGE Housing. BRIDGE provided vital advice on affordable housing to the other members of the development team, assisted in the City's approval process, and coordinated the project's financing, which came from City & county sources and State-authorized bonds and tax credits, with credit enhancement by Sumitomo Bank, Ltd. Forty percent of the units are affordable to families earning less than half of Orange County's median income of \$56,500; another 50 units are also designated as affordable to low- and moderate-income families.

In Irvine, the developer, architect, non-profit partner, and City staff needed to overcome one key obstacle: unfamiliarity. Residents' preconceptions fit the myths—and not the reality—of today's mixed-income, non-profit sponsored affordable housing. By being sensitive to both the design of

surrounding developments and neighboring residents' desires to feel included in decisions, the development team has created a successful model for emulation throughout southern California.

Midtown Sacramento

Residents Play a Role in Creating Affordable Family Housing in Neighborhood



Midtown Sacramento boasts a diverse mix of housing and small businesses. Midtown streets are lined with early 1900 Victorian houses, some of which are occupied by high-income families, others have been converted into multiple rental units and more still are occupied by office-type businesses, primarily law firms.

Building family housing in an established downtown isn't easy, but Mercy Housing California demonstrates that when the lines of communication are opened, a dense multifamily project can gain public support.

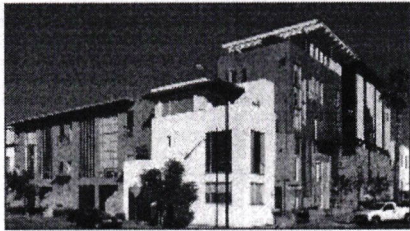
Saint Francis of Assisi Elementary School and Church is located in a midtown neighborhood, a block from historic Sutter's Fort

and nearby a number of boutiques interspersed in a largely residential neighborhood. The School and Church occupied over half of a city block and the Church had rights to the entire block. The bishop was interested in developing housing on the underutilized area of the block. One of the famous Victorian houses succumbed to a fire by transients. The Church had the remains removed and was left with an eyesore and potentially hazardous attraction next to the School playground. Although there are high-rises housing elderly residents in the midtown neighborhood, community members and Saint Francis parishioners didn't perceive an affordable multifamily housing project fitting in to the existing residential neighborhood. There was significant opposition to building such a project.

Mercy Housing California enlisted the assistance of Michael Friedman, an experienced in fill development architect with Tong and Bottomly, to conduct a series of workshops to listen to community and parishioner concerns. To build the desired number of family units composed of one-, two-, and three-bedroom units, the architectural firm designed the building from the inside out. Conscientious of local resident concerns, the project saved the School playground while preserving the privacy of the new 46 affordable family housing units. Additionally, local input resulted in new public space for the community to enjoy. The project has been built and occupied for several years and has become an integral part of the midtown neighborhood. Residents and parishioners, who at first feared the project, now point with pride to the community asset they had a hand in creating.

San Diego

Small Scale, Mixed-Income Housing is good fit for Little Italy Neighborhood Development



The sloping landscape at the northern downtown edge of San Diego Bay was once home to the many Italian families who derived a living from the highly successful tuna fishing industry. Although large-scale commercial fishing is now a memory, the district's

southern European character remains. Always a neighborhood first and then a commercial and light industrial center, Little Italy's spirit is perhaps best typified by the rebuilt Washington Elementary School and development of the adjacent Amici Park, which serves both as a playground for the school and a park including a bocce ball court for the community. Its lovely vistas now offer an urban neighborhood with single-family homes, condominiums, lofts and apartments. The India Street commercial strip is alive with Italian restaurants, small cafes, art and graphic studios/galleries, specialty shops and low-rise offices.

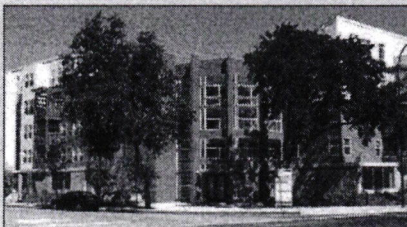
Little Italy Neighborhood Development (LIND), one of the region's most innovative residential

ideas, was one of six new successful affordable housing projects that has received the State Housing Director's Award for Housing Development Excellence in 2000. The Little Italy development consists of 16 row homes, 12 affordable rental lofts and 37 low- and moderate-income apartments. This successful development demonstrates that smaller scale, mixed-income housing can be infilled in an urban setting.

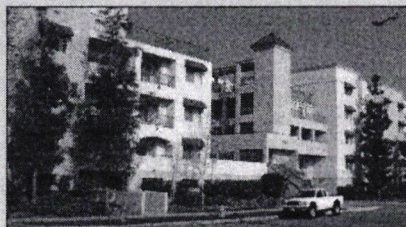
Continuing infill for-sale and rental residential projects is further reinforcing little Italy's distinctive character. Property has been acquired recently by the Redevelopment Agency for future housing developments.

What Does Density Look Like?

Providing a broad range of housing densities is key to ensuring housing opportunities for all residents. Density is calculated by determining the number of dwelling units per acre (du/ac). But, what do different housing densities look like?



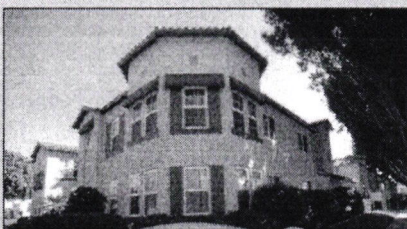
Coggin Square Pleasant Hill, Walnut Creek, CA
42 Units/Acre



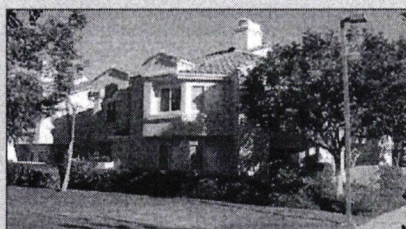
Chesnut Place, Orange, CA
100 Unit/Acre



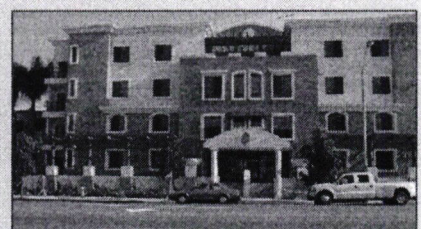
Woodpark Apartments, Aliso Viejo, CA
24 Units/Acre



Casa San Juan, Oxnard, CA
64 Units/Acre of Family Housing



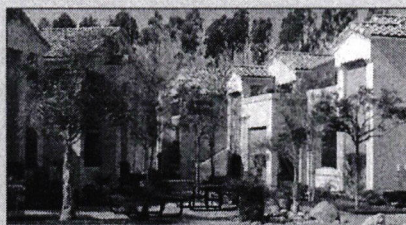
San Marcos Apartments, Irvine, CA
64 Units/Acre



Fullerton City Lights, Fullerton, CA
83 Units/Acre



Russell Manor, Sacramento, CA
66 Units/Acre of Elderly Housing



Arroyo Vista Apartments, Mission Viejo, CA
14 Units/Acre



San Paulo Apartments, Irvine, CA
25 Unit/Acre

Resources

Some communities will need to see more specific examples of good high-density and affordable housing before being convinced that they can live with it. In other cases, residents may need to meet people who live in affordable housing. Almost universally, local governments and planners need advice and information about how best to ensure the design of quality affordable and high-density housing in their communities. Luckily, more and more resources--books, pamphlets, handbooks, slide shows, and videos--are becoming available. This list includes only a few resources; those interested are encouraged to contact the California Department of Housing and Community Development (916/445-4728) for ordering information on most of these publications and for additional suggestions.

Making Housing More Affordable

Blue Print 2001: Housing Element Ideas and Solutions for a Sustainable and Affordable Future, Bay Area Housing, 2001. Blue Print 2001 includes a large directory of housing programs and strategies with a wealth of case studies, including adaptive reuse, air rights development, infill development, second units and density bonus developments.

There Goes the Neighborhood? The Impact of Subsidized Multi-Family Housing on Urban Neighborhoods, by Edward Goetz, Hin Kin Lam and Anne Heitlinger. Center for Urban and Regional Affairs and Neighborhood Planning for Community Revitalization, Minneapolis, Minnesota, 1996

Affordable Housing Slide Show. This 1989 slide show, also from LHEAP, focuses on the San Francisco Bay Area, on techniques for achieving housing affordability; available on loan from HCD for the cost of mailing plus a deposit. For more information, call HCD at 916/445-4728.

Affordable Housing Handbook. A 1991 publication of the California Coalition for Rural Housing. This handbook offers an exhaustive list of programs and policies that local governments can use to ensure the construction, rehabilitation, and preservation of affordable housing. \$5.00 To order, call CCRH at 916/443-4448.

Creating a Local Advisory Commission on Regulatory Barriers to Affordable Housing. This 1992 publication by the US Department of Housing and Urban Development guides local governments that want to establish committees to identify and reform ordinances and policies that reduce the supply of housing and increase its costs. \$4. To order, call HUD User at 800/245-2691.

Affordable Housing: Proactive & Reactive Planning Strategies. This recent publication discusses both "affirmative" measures such as, inclusionary zoning, linkage, affordable housing finance, affordable housing preservation, and infill-and reactive measures, including

zoning and subdivision reform, growth management, impact fees, environmental legislation, and administrative reform. \$29 includes shipping and handling. To order, call the Planners' Bookstore at 312/955-9100.

Affordable Housing: Restoring the Dream. 15-minute video (1989) by the Urban Land Institute promotes cost savings in single-family housing through flexible development standards and expedited processing. \$34.95 for non-ULI members. Order number A-17. To order, call 800/321-5011.

The Effects of Subsidized and Affordable Housing on Property Values: A Survey of Research. Out of 15 published papers on subsidized housing, group homes for the handicapped, and manufactured housing, 14 concluded that this housing had no significant negative effects on the values of neighboring properties. Some reported positive property value effects. Free. To order, call HCD at 916/445-4728.

Second Units. This paper, updated to reflect 1990 amendments to State law increasing the permissible size of second units, describes the advantages of and statutory requirements for the development of second units. Free. To order, call HCD at 916/445-4728.

Meeting the Residents of Affordable Housing

California Homeless and Housing Coalition: A 42-minute video, Neighbors in Need, documents the experiences of three organizations in establishing facilities for the homeless. The 1991 video features interviews with residents and clients, as well as with one-skeptical neighbor who now advocate for other similar facilities, in Hayward, San Mateo County, and Los Angeles. \$15. To order, call 916/447-0390.

Realize the Dream. The City of Fremont Housing Department produced a five-minute video, now available through HCD introducing decision-makers and citizens to the residents of three of the City's bond-financed mixed-income apartment projects. Features interviews with residents of both subsidized and unsubsidized units. For information on how to obtain, call HCD at 916/445-4728.

We Call It Home: A Tour of Affordable Housing. 16-minutes. Recent video produced by Marin County's Ecumenical Association for Housing (EAH) introduces several of EAH's projects and the people who live there, in Marin and Contra Costa counties. \$15 to purchase, postage costs to borrow. Call Betty Pagett at 415/258-1800.

NIMBY fears, community perceptions: Analysis of Affordable and Market Rate Housing Developments in Oakland, California, by Cathy Cha. Dept. of City and Regional Planning, University of California at Berkeley, 1996

HCD offers a website with a section titled: NIMBY Resources at www.hcd.ca.gov/hpd/nimby. The page includes resources and tools for addressing NIMBY concerns about housing

and especially affordable housing and/or high-density housing.

Increasing Housing Densities in New and Existing Development

Good Neighbors: Affordable Family Housing (Design for Living) by Tom Jones, William Pettus (Contributor), Michael Pyatok, and R. Thomas Jones. 1996. McGraw-Hill Professional Publishing. Based on the acclaimed AIA Design for Housing initiative and supported by and NEA grant. This is an authoritative guide to modern affordable housing design. This landmark book provides architects, landscape architects, planners, developers, advocates, government officials, and policy makers with workable answers for the design of affordable, aesthetically pleasing housing.

Density by Design: New Directions in Residential Development by Steven D. Fader, Vincent Scully. 137 pages 2nd edition, March 15, 2000, Urban Land Institute (ULI). This document provides innovative solutions to the challenge of developing higher density housing that will be successful in the marketplace. Case studies of 14 projects show how others have implemented the best new ideas in residential development and design. Projects covered range in density from single-family subdivisions to downtown high-rise apartments and illustrate many up-to-the minute concepts: new urbanism, transit-oriented development, mixed-income and mixed-housing types, urban infill, and adaptive use. They also reveal trends and standards for developing projects that provide a sense of place, use land efficiently without compromising livability, and that can pass the twin tests of governmental approval and marketability.

Compact Development Presentation. This presentation with 39 slides from the Local Government Commission highlights some of the needs, myths and misconceptions about compact housing and its role in helping to create more livable communities. Slide shows may be purchased or rented. \$50.00 for complete set, \$2.50 for individual slides, or rent for \$15.00 plus \$50.00 deposit.

Multifamily Residential Design Principles. The City of Sacramento published this excellent guidebook November 19, 1999 to provide multifamily design guidelines for the City Planning Commission.

Big Blue Book of Affordable Housing Case Studies, Alexander and Edwards Publishing. 2000 Compact and Balanced Development: Designs for California Living. This 15-minute video by the American Institute of Architects California Council provides tangible examples of infill and higher-density developments that enjoy community support, and highlights the role of local governments in their approval and construction. AIA members: \$25; non-members: \$40. To order, call 916/448-9082. In late 1993, the AIACC will release a follow-up urban design video demonstrating how to respond to community concerns, increase density, encourage mixed-use transit-oriented development, and obtain innovative financing.

Room Enough. This publication, by San Francisco's Greenbelt Alliance, discusses five strategies using vacant land more effectively, building more housing along major streets, bringing homes and people downtown, adding second units on existing home sites, and recycling lands no longer needed for industry that communities can use to accommodate more housing while meeting concerns about community character and open space. \$9. To order, call Greenbelt Alliance at 415/543-4291.

Transit-Oriented, Mixed-Use and Infill Development

Building Livable Communities: A Policymaker's Guide to Infill Development. The January 2001 publication from the Local Government Commission helps to answer two of a policymaker's most frequently asked questions: "Why build in town?" and "What can local government do to encourage infill development?" This guidebook suggests a number of ways to create infill development in your community. These include: planning proactively; assuring public participation; using public facilities and development to attract investment; assisting with project financing; zoning for mixed-use and higher-density development; encouraging rehabilitation; providing in-kind assistance; streamlining the permit process; providing public services; and addressing toxic contamination.

Building Livable Communities: A Policymaker's Guide to Transit-Oriented Development. This is a companion guidebook on transit-oriented development from the Local Government Commission. More and more, community leaders are recognizing that building residences, stores and work places near transit stops can play a major role in creating places where we enjoy living, working and playing. The guidebook addresses the questions of "why build near transit?" and "why should elected officials, land-use agencies and developers pay more attention to development near transit than to any other kind of development?" The guidebook has helpful advice, model examples, and resources to help create livable, transit-oriented communities in your region.

Notes

¹*Statewide Housing Plan: Raising the Roof. California Housing Development Projections and Constraints 1997-2020.* California Department of Housing and Community Development, May 2000

²*Still Locked Out: New Data Confirm that California's Housing Affordability Crisis Continues.* California Budget Project, March 2001

³American Housing Survey

⁴John Holtzclaw, 1997m Metropolitan Transportation Commission, 1990 Household Travel Survey

⁵Cambridge Systematics and Parsons Brinckerhoff Quade & Douglas. Making the Land Use Transportation Air Quality Connection: Analysis of Alternatives. Vol. 5 Friends of Oregon

⁶American Housing Survey, 1999; National Multi Housing Council, Research Notes, August 24, 2000

⁷Paul Cummings and John Landis. "Relationships between Affordable Housing Developments and Neighboring Property Values" (Berkeley: University of California Institute of Urban & Regional Development, 1993)

⁸California Department of Housing and Community Development, "The Effects of Subsidized and Affordable Housing on Property Values: A Survey of Research" (Sacramento: DHCD, 1988), 2

Published by the California Planning Roundtable

The California Planning Roundtable is an organization of experienced planning professionals who are members of the American Planning Association. Membership is balanced between the public and private sectors, and between Northern and Southern California. The mission of the Roundtable is to promote creativity and excellence in planning by providing leadership in addressing important, unresolved planning issues in California.

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California's Deepening Housing Crisis

High Demand/Low Supply: California continues to experience very high rates of population growth and further tightening of its housing markets. Even encompassing the recession of the early 1990s, California's population grew by an average approximating 450,000 people annually and is projected to gain around 600,000 annually over the next decade.¹ As of January 1, 2004, California's population was 36,144,000 which increased by 532,000 people in 2003. The new population reflects a 1.5 percent increase over 2003. This is just under the 1.6 percent growth rate experienced in calendar year 2002 when the State added 563,000 residents. Since 2000, net migration slightly exceeds natural increase in California; however, in the last two years natural increase contributed a larger share of the annual population growth.²

Housing production has not kept pace with the State's housing needs, particularly in the coastal metropolitan areas and housing need has worsened, especially for renter households and low income owner households throughout the State. During the 1980s, 2.1 million units were built whereas the 1990s saw only 1.1 million units built. While the average annual need is projected at approximately 220,000 housing units, construction has lagged substantively below the need. Since 1999, less than 170,000 residential new construction permits have been issued each year. During 2004, 201,000 new homes and apartments are projected to be built, representing the highest production since 1989.³

The greatest production gap is in multifamily housing. Multifamily development only accounted for approximately a quarter of all new units during the 1990s, a drop of nearly 70 percent from the levels of the 1980s. Since 2000, the number of multifamily units has increased slightly, totaling approximately 28 percent of all new units constructed.⁴

Increasing Housing Costs/Decreasing Homeownership: California's homeownership rate is the third lowest in the nation (58.9%) and 10 percent lower than the national homeownership rate (68.3%).⁵ Only 18 percent of California's households could afford to buy the median priced single-family home in July 2004, while nationwide, affordability was 53 percent. The California Association of Realtors reported July 2004's median price of an existing, single-family detached home in California increased to \$463,540, breaking the \$400,000 mark for the second time, representing a 21.4 percent increase over July 2003's median price of \$381,940. The disparity between housing production and need has resulted in double-digit year-to-year percentage increases in the median price over recent years.⁶

¹ State of California, Department of Finance, Population Projections by Race/Ethnicity for California and Its Counties 2000–2050, Sacramento, California, May 2004.

² State of California, Department of Finance, E-1 City/County Population Estimates, with Annual Percent Change, January 1, 2003 and 2004. Sacramento, California, May 2004.

³ Construction Industry Research Board, California Construction Review, August 20, 2004.

⁴ Ibid

⁵ US Census Bureau, Housing Vacancies and Homeownership Annual Statistics, 2004.

⁶ California Association of Realtors, Press Release, September 9, 2004.

Following is a comparison of several county and community median home prices reported for the second quarter of 2004 and 2003 to reflect regional differences in the State.⁷

County	Median Price			Community	Median Price		
	2004	2003	Change		2004	2003	Change
Fresno	\$203,500	\$160,000	27.2%	Fresno	\$196,000	\$152,500	28.5%
Kern	\$163,000	\$130,000	25.4%	California City	\$128,000	\$91,250	40.3%
Orange	\$515,000	\$394,500	30.5%	Newport Beach	\$1,075,000	\$800,000	34.4%
Monterey	\$485,000	\$374,500	29.5%	Pacific Grove	\$680,000	\$565,000	20.4%
Sacramento	\$299,000	\$247,000	21.1%	Folsom	\$394,750	\$322,750	18.6%
San Diego	\$450,000	\$366,500	22.8%	Encinitas	\$721,000	\$575,000	25.4%
San Mateo	\$639,000	\$560,000	14.1%	Pacifica	\$593,500	\$494,500	20.0%
San Luis Obispo	\$430,000	\$372,000	15.6%	Atascadero	\$379,000	\$308,000	23.1%
Sonoma	\$440,000	\$365,000	20.5%	Petaluma	\$500,000	\$409,000	22.2%

Rent/Wage Gap/Tight Housing Markets: California is second only to Massachusetts in terms of the hourly wage needed to afford a two bedroom apartment at the fair market rate. In California, an extremely low income household (earning \$18,352, 30% of the Area Median Income of \$61,174) can afford monthly rent up to \$459, while the Fair Market Rent for a two bedroom unit is \$1,101. A worker earning minimum wage (\$6.75 per hour) must work 126 hours per week in order to afford the average two-bedroom unit. The Housing Wage in California is \$21.18, meaning this is the amount a full time (40 hours per week) worker must earn per hour in order to afford the average two-bedroom unit, and is more than three times (314%) the minimum wage (\$6.75 per hour). Between 2002 and 2003, the two bedroom housing wage increased by 7.6%.⁸

One of the main factors that accommodated the housing shortfall in the 1990s was a reduction in both homeowner and rental vacancy rates, demonstrated by the significant drop in vacancy rates between 1990 and 2001. The homeowner vacancy rate decreased from 1.8 percent to 1.2 percent, while the rental vacancy rate decreased from 6.0 percent to 5.4 percent during the same time period.⁹ Vacant units were used to absorb a significant amount of the housing demand during the later half of the 1990s, resulting in extremely tight housing markets limiting mobility in many populous metropolitan areas; an option that is no longer available to help address California's housing shortage.

Overcrowding: Between 1980 and 1990, the percentage of overcrowded households nearly doubled from 6.9 percent to 12.3 percent. Census 2000 reports more than 15 percent of California households were overcrowded with overcrowding most common among low-income households, and most prevalent in renter housing. Roughly 24 percent of renter households statewide were overcrowded; in some counties, nearly a third of renter households are overcrowded. One quarter of all overcrowded renter households contained more than one family. Of all owner and renter overcrowded households, estimates are that more than half are severely overcrowded (more than 1.5 persons per room). Overcrowding increases health and safety concerns and stresses the condition of the housing stock and infrastructure.

⁷ *TRENDS: In California Real Estate*, California Association of Realtors, August 2004.

⁸ *Out of Reach 2003: America's Housing Wage Climbs*; National Low Income Housing Coalition.

⁹ U.S. Census Bureau, *Housing Vacancies and Homeownership Statistics 2002*; Homeowner and Rental Vacancies by State 1986 to 2003 (Tables 3 and 4).

Homeless: Although reliable counts of homeless persons are illusive, in 1997, 360,000 Californians were estimated to be homeless.¹⁰ In the worst circumstances, homeless persons live in places not meant for human habitation including cars, parks, sidewalks, stairwells, or door stoops. It is estimated there are 80,000 to 95,000 homeless children in California, making the percentage of homeless children greater today than at any time since the Great Depression.¹¹

Farmworkers: Employment in California agriculture increased 22 percent between 1985 and 2000. As of September 2000, California farm employment peaked at 486,000.¹² California's total farmworker population (including family members) is estimated to exceed 900,000. Approximately 60 percent of farmworkers are accompanied by a spouse, child or parent. The median number of children in families of farmworker parents is two.¹³ Farmworkers and their families cope with substandard housing conditions fraught with serious health and sanitation problems. To avoid harassment, they often live out of sight in undeveloped canyons, fields, squatter camps, and back houses.

Privately owned employee housing (licensed by California) has been steadily diminishing. In 1976, employers owned 1,254 employee housing developments sheltering an estimated 45,000 farmworkers and household members, while by 2000, there were only approximately 1,000 licensed employee housing developments with capacity for 23,000 farmworkers and household members.

Preservation of At-Risk Units: One of California's foremost housing problems is the potential loss of affordability restrictions on a substantial portion of the government-assisted rental housing stock estimated to house more than 375,000 persons. The risk of owners converting units with subsidized rents for market-rate rents is greatest in the State's highest cost rental markets and is both immediate and continuing beyond 2010. In California, the number of federally assisted units approximates 150,000.¹⁴ California's experience with market-rate conversion of the older-assisted stock suggests that unless new incentives are created to retain Section 8 assistance, 15 to 20 percent of owners of Section 8 inventory are likely to opt-out and terminate their relationship with HUD. Due to tight rental markets in many parts of California, the State has had a level of prepayment and conversion among older-assisted HUD properties that is triple the amount of any other State.

Growing Income Inequality: While housing prices have been escalating, numerous studies have documented a widening gap in earnings reported by low-income versus high-income households throughout the nation. The share of reported earned income attributable to the top 20 percent of taxpayers has been rising whereas it has been falling for the bottom 80 percent.¹⁵

Escalating Affordability Problems

- In 2000, 465,340 families were on waiting lists for public housing and rental subsidies in 20 local jurisdictions; only about 130,000 families now live in existing public housing or receive federal tenant-based subsidies in these same 20 jurisdictions. At the rate of two children in each family waiting for housing, almost a million children are on California's housing waiting lists.¹⁶

¹⁰ *California Housing Markets 1990-1997*, State Housing Plan Update, State of California Department of Housing & Community Development, 1998.

¹¹ California Housing Law Project, Facts and Issues; Homeless Children; www.housingadvocates.org/default.asp?ID=170
¹² http://migration.ucdavis.edu/rmn/rural_data/housing/housing.html

¹³ *California's Housing Markets 1990-1997*; California Department of Housing & Community Development, January 1999.

¹⁴ California Housing Partnership Corporation, June 2003.

¹⁵ *California's Changing Income Distribution*, Office of the Legislative Analyst, State of California, August 2000.

¹⁶ "The Long Wait, The Critical Shortage of Housing in California," K. Williams, Corp. for Supportive Housing, June 2000.

- California's tight rental markets are exacerbated by loss of existing affordability controls. Since the 1990's, thousands of federally-assisted privately-owned rental housing developments have terminated their affordability restrictions. Since 1996, California has lost more than 29,000 affordable units due to owners electing to opt-out and make prepayments.¹⁷
- In 2003, an elderly or disabled SSI/SSP recipient would spend over half of his or her income for a studio apartment in 40 of California's 58 counties.¹⁸
- Over four out of ten of all California households are renters, and renters face the greatest affordability challenges. In 1997, nearly a quarter of the renter households in the State's metropolitan areas (1 million out of 4.2 million households) spent more than half of their income on rent.¹⁹
- Based on current Fair Market Rents, families relying on CalWORKs (the State's cash assistance program for poor families) pay over 80 percent of their grant toward housing in all California counties.²⁰ California's welfare recipients are also less likely to receive federal housing assistance than welfare recipients in other states. In 1997, only 13 percent of families receiving AFDC (Aid to Families with Dependent Children) received federal housing subsidies, compared to 23 percent for the nation as a whole. Among the 50 states, California ranks 49th in the share of welfare recipients receiving housing assistance.²¹
- California received fewer federal housing assistance dollars in 1999 for each individual living below the federal poverty level than all but one of the ten largest states. While the federal government spent, on average, \$286 on housing assistance for each impoverished person, California received only \$171 per impoverished person.²²

¹⁷ California Housing Partnership Corporation, June 2003.

¹⁸ *Locked Out: California's Affordable Housing Crisis*, California Budget Project, January 2004.

¹⁹ *Locked Out: California's Affordable Housing Crisis*, California Budget Project, May 2000.

²⁰ *Locked Out: California's Affordable Housing Crisis*, California Budget Project, January 2004.

²¹ *Locked Out: California's Affordable Housing Crisis*, California Budget Project, May 2000.

²² Ibid



The Online Division of The Sacramento Bee

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Editorial: Housing by the levels

Affordable housing is a priority for state ...

Published 2:15 am PST Sunday, December 5, 2004

Gov. Arnold Schwarzenegger speaks passionately about California companies fleeing for greener pastures. But we have yet to hear him speak in the same fashion about another exodus - Californians who can't afford a roof over their heads.

In a recent poll of state residents, nearly one-fourth of those surveyed said they were considering moving elsewhere because of high rents and dim prospects of finding an affordable home.

Three-fourths said they were worried that their children and grandchildren will never be able to buy a house, according to the survey by the Public Policy Institute of California.

The Golden State has never been an Eden of inexpensive living. As Woody Guthrie once put it, "Believe it or not, you won't find it so hot if you don't have the dough-re-mi."

Woody probably never imagined that a median-priced home in California would one day cost \$465,000, as it does now, according to the California Association of Realtors. The minimum annual income needed to buy that home is \$107,880. Four out of five households don't have that kind of dough.

Look inward for the roots of this housing crisis. In Berkeley and Davis - nominally progressive cities that should be leaders for infill development - neighborhood groups fight nearly all housing. Costs of building materials are rising. Localities hungry for sales taxes zone properties for auto malls instead of homes.

With prices escalating, the building industry's reflex is to push outward to low-cost lands - such as vernal pools and deep floodplains - and build more of the large-lot models they have mass produced for decades. State and local governments should resist this pressure. California doesn't need to facilitate new housing by sacrificing its natural heritage or public safety. It can encourage sustainable, affordable development with the right kind of incentives.

The governor's housing and transportation secretary, Sunne Wright McPeak, understands these challenges. McPeak has floated the idea of linking state road and transit funds to local performance in facilitating new housing. This is a smart carrot for avoiding the kind of dumb growth that occurs in the Bay Area, where an imbalance of housing to jobs is sending sprawl deep into the Central Valley.

Schwarzenegger should move to turn McPeak's idea into a detailed policy proposal, and use his clout to sell it to reluctant cities and counties. If this governor can crusade for a \$3 billion stem cell initiative in the midst of a budget crisis, he certainly can crusade for the cause of affordable housing.

The governor says he wants "jobs, jobs, jobs." Without the requisite rooftops, the people filling those jobs will be commuting from Nevada.

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The Online Division of The Sacramento Bee

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Editorial: ... for the region, as SACOG shows ...

Published 2:15 am PST Sunday, December 5, 2004

The stunning run-up in housing prices throughout the Sacramento region creates an enormous challenge for local leaders. Fortunately, they are close to embracing an exciting solution.

That solution is a "vision" that sketches where to build all the needed housing, where to leave intact the farmland and open spaces that make this region so inviting and how to make more efficient use of the land that does get developed.

A regional agency known as the Sacramento Area Council of Governments (SACOG) has been assembling this vision with the help of leaders and everyday citizens. It has been a remarkable process that deserves the national awards that it has received.

And given the housing crisis, it comes just in the nick of time.

SACOG encompasses the six-county region (Sacramento, Yuba, Yolo, Sutter, Placer and El Dorado). It is the region's primary transportation planning agency. SACOG simply can't meet its mission of providing adequate roads and transit without the local governments making wise decisions about housing construction.

So SACOG in 2002 launched a brainstorming process over the region's growth, known as "Blueprint." Blueprint's goal has been to come up with a vision that doubles the number of residences without overwhelming the transportation system or destroying the open, "small town" feel of the region.

To test whether any given vision would actually work, SACOG assembled sophisticated computer modeling that could assess the transportation impact of any given growth pattern. Through a series of community workshops in the region, citizens sitting side by side with elected leaders helped to draft a vision.

SACOG's computer modeling revealed how growth as usual - expensive single-family homes on large lots - would create a future region that was both unaffordable and unwieldy in terms of the traffic caused by sprawl and longer commute times.

Likewise, the computer also showed that it is unrealistic to build all the necessary housing inside existing communities. The region has to grow outward a bit as it also grows upward.

If new housing made more efficient use of land, the resulting mix of residences also would be

far more affordable than the typical new subdivisions on the market today. That's a huge plus.

SACOG's two in-house and indispensable Blueprint leaders - Marty Tuttle and Mike McKeever - are scheduled to present an official growth/preservation vision for the board of directors to consider on Dec. 16. This is the year to adopt the vision. Next year begins the process of making it a reality.

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Designing a Successful Inclusionary Housing Program

How to Help Meet Your Agency's Affordable Housing Requirements

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More communities across California are adopting inclusionary housing programs to ensure that new housing includes a broad range of housing options for their residents and workers.¹ Currently, one in five communities in California has an inclusionary housing (IH) program, and many of these communities have redevelopment project areas that are subject to the inclusionary housing production requirement in California's Community Redevelopment Law (CRL). (See Page 11 *Redevelopment Agency Housing Production Requirements* for a summary of key CRL housing production requirements.)

An IH program is typically adopted as part of a community's zoning ordinance, and it requires developers to dedicate a certain percentage of new homes to qualifying households at affordable housing cost for a specified duration of time. Although similar in concept to an IH program, a redevelopment agency's housing production requirement typically applies on a project area basis, not on an individual development basis.²

Many agencies are in the process of designing or updating their IH programs to complement their agency's efforts in meeting the CRL housing production obligation. This article recommends a set of key policy and economic considerations to think about as you design or update your IH program.

Key Policy Considerations

When designing or updating your IH program, you should address the following key policy considerations:

❖ What are the primary goals of the IH program?

The goals of your IH program need to reflect your community's particular characteristics, including the amount of remaining undeveloped residential acreage, the types of housing that are currently being developed and could be developed in the future, current affordable housing prices for both rental and ownership housing, market demand for affordable housing from both residents and workers, the agency's historical experience in meeting its housing production obligation, and other similar factors. It is important to clearly define these goals because there will be policy trade-offs to achieve them.

❖ How will the IH program specifically address your community's need for affordable housing and your agency's housing production obligation?

What types of affordable housing are currently produced in your community by target income level to meet both your community's regional fair share housing need and your CRL production requirement? What is your historical experience in producing the affordable housing your community needs? What special needs are not being met,

including housing for farmworkers, large families, senior households on fixed incomes and first-time homebuyers?

❖ How will the IH program work in relationship to other community requirements and programs, such as growth management, development impact fee, General Plan Land Use and Housing Elements, Zoning Ordinance, and Consolidated Plan? These programs will influence the number of housing units produced, cost of housing development, type of housing product to be built, and availability of complementary funding for affordable housing.

❖ Will the IH program be mandatory or voluntary?

Mandatory programs have a much higher success rate in producing IH units. Voluntary programs work best when used in conjunction with a growth management system that provides incentives for developers to produce affordable housing in order to receive a housing allocation. A mandatory program is more likely to enable the agency to meet its housing production obligation within the CRL specified time frames.

❖ Will all new developments need to include affordable housing units at specified target income levels on-site or will the program allow alternative means of compliance?

Requiring developers to build affordable housing units as part of all new developments has the advantage of producing affordable housing that is intermixed with new market rate development. However, allowing developers flexibility in how they meet the IH requirement may ultimately produce more affordable housing for those most in need, particularly very low-income households.

This list of policy considerations is not exhaustive, but these five questions are fundamental to the process of evaluating the various policy options in IH programs. The next section describes the economic principles for IH programs that can be used to guide your economic analysis of various program components and to assure that the IH program also meets an agency's affordable housing requirements.

Economic Principles for IH Programs

In order to design the most effective IH program for your community and redevelopment agency, you should incorporate the following economic principles:

❖ Target affordable housing units to those most in need of affordable housing while assuring that new development is still financially feasible for the private development community.

Often a community's housing need is greatest for households at or below very low income; however, it is not

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Redevelopment Agency Housing Production Requirements

Applicable to redevelopment agencies with redevelopment plans that were adopted or amended to add territory on or after January 1, 1976.

During each ten-year compliance period, 15% of all new and substantially rehabilitated units developed in a project area by public or private entities other than an agency must be affordable to and occupied by very low-, low- or moderate-income households, and 40% of those units (or 6% of total units) must be affordable to very low-income households. For units developed directly by an agency, 30% must be affordable to and occupied by very low-, low- or moderate-income households and at least 50% of these units must be affordable to very low-income households (or 15% of total units). The higher percentage requirement applies only to units directly developed by an agency and not to those units developed by housing developers who receive financial assistance from the Agency.

An agency has the option of meeting this project area production requirement with units produced outside of a project area. Two units produced outside of the project area after January 1, 1994 count for one unit produced inside the project area (50% unit credit).

An agency also has the option of meeting its housing production requirement by purchasing or otherwise acquiring affordability covenants on existing multifamily housing units that are not presently available at affordable housing cost to very low- or low-income households, if the agency meets a series of conditions described in the CRL.

As of January 1, 2002, affordability restrictions must be recorded with the agency or the community for the

longest feasible time, but not less than 55 years for rental housing and 45 years for owner occupied units. These affordability covenants and restrictions must run with the land or unit, be enforceable by the agency or community, and be recorded with the office of the county recorder.

For owner-occupied units, a unit sold prior to the expiration of the 45-year resale restriction will still count toward the agency's production requirement, so long as the new home is sold to an income eligible buyer within three years and the 45-year affordability restriction is transferred to the new buyer.

An agency may permit the sale of owner-occupied units prior to the expiration of the 45-year period for a sales price in excess of the affordable housing cost if the agency protects its investment through an equity sharing program in accordance with the CRL. Only the units originally produced by an agency count towards the agency's affordable housing production obligation.

An agency with more than one project area can meet its affordable housing production requirements in the aggregate in one or more of those project areas if the agency finds, based on substantial evidence after a public hearing, that the aggregation will not cause or exacerbate racial, ethnic, or economic segregation.

An agency must adopt a housing production plan that is consistent with the CRL and its community's Housing Element showing how the agency intends to meet its affordable housing production requirements over its current ten-year compliance period and through the life of the redevelopment plan. A redevelopment project cannot be terminated until the agency meets its affordable housing production requirements.

economically viable for private developers to dedicate a large percentage of units for very low-income households without financial assistance. From a redevelopment standpoint, a successful IH program encourages new residential development and the tax increment that it generates while balancing the need to meet housing production obligations.

- ❖ **Incorporate affordability standards into your IH Program that are consistent with CRL standards for housing affordability and for calculating affordable housing cost.**

Table 1 (page 13) summarizes the definitions for affordable housing cost referenced in the CRL for renter and owner households by income level. These affordable housing cost definitions need to be applied appropriately in order for the agency to receive housing production credit for affordable housing units created through the IH program. The CRL housing production requirement requires an agency to produce a minimum percentage of housing units at an affordable housing cost to very-low income households and a minimum percentage affordable to

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households at or below moderate income. However, the CRL does not specify a minimum percentage for households at or below low income. Thus, an IH program does not need to comply with the affordable housing cost standards for low-income households from a housing production standpoint. The low-income definitions would apply if the agency used housing set-aside funds to provide financial assistance for housing units created by the IH program that were targeted for low-income households.

- ❖ **Consider both the depth of income targeting and the percentage of affordable housing units together because there is an inherent financial trade-off between them.**

The financial impact of the IH program consists of two factors. The first is the overall percentage of units that will be dedicated as affordable housing units, e.g. 15% IH requirement. The second is the proportion of the affordable housing units that will be targeted to households at each income level (very low, low and moderate income). Since the affordability gap for very low-income households (the difference between what a very low-income household can afford to pay and the cost of housing) is greater than for moderate-income households, it will cost the private sector significantly more per unit to provide housing affordable to very low-income households. Thus, developers can afford to provide a higher percentage of units that are affordable to moderate-income households than to very low-income households. To encourage the production of housing units affordable to very low-income households, the IH program could allow developers to provide a smaller percentage of affordable units if all of these units are affordable to very low-income households.

- ❖ **Record long-term affordability covenants on affordable housing units created by the IH program in order to benefit as many households as possible and meet the agency's production obligation.**

Affordability covenants are critical to the long-term viability of an IH program as they maintain the affordable housing stock in a community and do not allow a disproportionate transfer of economic benefit to individual households who subsequently sell their assisted units. The

affordability covenants of the IH program should be the same as those required in the CRL, with a duration of at least 55 years for rental units and 45 years for ownership units.

- ❖ **Confirm that the restricted sales prices of affordable ownership housing units are sufficiently below those of market rate units to generate demand. Qualifying households may not be willing to purchase units with long-term affordability restrictions.**

The demand for housing units with affordability covenants created by the IH program may not be strong if homebuyers at the targeted income levels can afford to purchase an unrestricted, existing unit on the private market within or in close proximity to your community. For example, if the affordable sales price for a moderate-income household is \$290,000 in a new development, and comparably sized existing units are currently selling in your market area for \$300,000, moderate-income buyers will likely choose to purchase the unrestricted existing unit.

- ❖ **Consider allowing a phase-in period for the IH requirement.**

An IH program, like any other land use or development regulation, needs to be factored into the developer's financial feasibility and land residual analysis. Developers pay for land based on a residual land value given a set of assumed entitlements, market pricing, and development costs. Over time, developers can factor in the IH program requirements into their cost of development. A phase-in period with incrementally increasing IH requirements allows developers to factor in the cost of the requirement over time.

- ❖ **Consider allowing the development community alternative ways to meet the IH requirement if these alternatives are economically equivalent to the on-site requirement.**

Developers prefer IH programs that allow them alternative ways to meet the IH requirement. This flexibility can result in the creation of a greater number of housing units affordable to very low-income households. However, an economic analysis should be performed to determine the

Table 1
Redevelopment Affordable Housing Cost Definitions*

Income Level	Rental Housing		Ownership Housing	
	% Income Spent on Housing	% of Area Median Income	% Income Spent on Housing	% of Area Median Income
Very Low	30%	50%	30%	50%
Low	30%	60%	30%	70% ^b
Moderate	30%	110%	35% ^c	110%

* Affordable housing costs are adjusted by number of persons in household. Rental housing costs include rent and utility allowance. Ownership housing costs include principal and interest, property taxes and assessments, property insurance and maintenance, utilities, homeowner association fees and mobile home space rent for land.

^b If the gross income of the low-income household is between 70% and 80% of area median income, the Agency may optionally require that housing costs not exceed 30% of the actual gross income of the household.

^c But not less than 28% of actual income.

Source: Health & Safety Code Section 50052.5.

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financial equivalency of alternative compliance methods. For example, an in-lieu fee to offset the cost of producing a typical affordable IH unit should be calculated based on the difference (or affordability gap) between the developer's cost to produce a rental or owner-occupied unit and the affordable housing cost for a very low-, low- or moderate-income household.

❖ **Consider exempting small developments from an on-site IH requirement or enabling them to pay a fee in lieu of building the units.**

Developers of small developments have the greatest financial difficulty in meeting an on-site housing requirement, especially if they develop fewer units than the inverse of the IH percentage requirement. For example, fewer than seven units in community with a 15% IH requirement.

In conclusion, a set of tools has been presented that can assist in designing,

refining, and implementing effective IH programs that meet community goals and redevelopment affordable housing requirements. There are many policy, legal, and economic intricacies to consider throughout the adoption, amendment, and implementation process of an IH program. In addition, since the CRL changes over time, the impact of legislative changes will continually need to be addressed in your IH program. Likewise, economic factors in your community may shift, leading to refinements in various IH program components. Last but not least, your community's goals and policies may evolve over time as your community's needs change. To be successful, IH programs need to be continually monitored, analyzed, and enhanced over time.

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¹ According to a statewide survey conducted by the Non-Profit Housing Association of Northern California (NPH) and the California Coalition for Rural Housing (CCRH), documented in "Creating Affordable Communities: Inclusionary Housing Programs in California." The California Environmental Resources Evaluation System also maintains a list of local jurisdictions that report having IH programs at: http://ceres.ca.gov/planning/bol/survey_housing.html

² Redevelopment agencies that do not meet their housing production obligations within their ten-year compliance period would be subject to the housing production requirement on an individual development basis until the agency demonstrates that it has met its housing production requirement.

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