Carrots or Sticks? Housing & Land Use in Governor Newsom’s Budget

Promoting and encouraging excellence in city management
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Gonsalves & Sons

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City Manager, El Cerrito

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City Manager, West Hollywood

Deb Feng
City Manager, Cupertino
Why Can't California Solve Its Housing Crisis?

It's the epicenter of the tech industry and the wealthiest, most progressive state in the union, but homelessness is surging — and no one can agree on how to fix it.

by TESSA STUART

The New York Times

CALIFORNIA TODAY

How Fixing California's Housing Crisis Is Like Playing Whac-a-Mole

Wednesday: Local regulations stand in the way of more apartments. Also: Pacific Gas & Electric shares tumble; and Tom Waits's San Diego.

Mother Jones

Why can't California pass more housing legislation?

“Day by day, the crisis is getting worse”

By Adam Brinklow | Jun 25, 2019, 12:33pm PDT

Everyone Agrees California Has a Housing Crisis. Trying to Fix It Has Become a Battle.

An ambitious housing bill sparks debate over the best way to build more and bring down prices.

California housing shortage

From Wikipedia, the free encyclopedia

Since about 1970, California has been facing an extended and increasing housing shortage.[1] Such that by 2018, California had the 49th lowest ratio of housing units to population in the United States[2]. The shortage has been exacerbated by a combination of factors, including a rapid increase in the state's population, an increase in the number of people moving to California, and a decrease in the number of housing units being built. As a result, the state's housing stock is below its historical levels, and this has led to higher prices for both homes and rental units.

A tent city, a form of improvised housing, in Oakland, California

Editorial: In the midst of California’s housing crisis, construction slows and lawmakers stall

At a time when California desperately needs to be building a lot more housing to ease the statewide shortage that is driving up prices and fueling homelessness, the pace of residential construction is going down instead of up.

By THE TIMES EDITORIAL BOARD | Aug. 4, 2019 | 3 AM
The Housing Crisis

• CA has reduced funding for creation of affordable homes by 79%, from $1.7 billion a year to $36 million.

• We have a shortfall of 3.5 million affordable units for extremely-low and very-low income renter households.

• 32% of mortgaged homeowners and 47% of renters spend more than 33% of their total household income on housing.
The Housing Crisis

- CA ranks 49th among 50 states for housing units per capita.
- CA is 2nd-most expensive state to rent in.
- Affordable housing developers are particularly vulnerable to delays by opponents because they operate under tight funding and timelines.
- The state's 2014 Affordable Housing Cost Study found that projects with four or more community hearings were, on average, 5% more expensive to complete.
Sacramento has and will continue to propose bills seeking to address homelessness/housing. Part of the challenge/arguments from local governments has been to allow these efforts to take shape prior to adding on dozens of additional layers.

HOLDS CITIES/COUNTIES ACCOUNTABLE FOR ADDRESSING HOUSING NEEDS IN THEIR COMMUNITIES

- Authorizes increased enforcement of state housing-planning (“housing element“) law and enables HCD to refer violations to the Attorney General.
- Strengthens housing-planning law to ensure appropriate land is available for new development and increases transparency on local government progress in meeting legally mandated housing targets.
- Creates a $10,000 per unit penalty on cities/counties that deny (for unjustified reasons) approval of new homes affordable to low or moderate income Californians.
Example: SB 35

- Just 1 of 14 bills from 2017 specifically aimed at accelerating development of (affordable) housing

<table>
<thead>
<tr>
<th>Bill Name</th>
<th>Purpose</th>
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<tr>
<td>SB 35 (Wiener) Streamline Approval Process</td>
<td>Creates a streamlined approval process for developments in localities that have not yet met their housing targets, provided that the development is on an infill site and complies with existing residential and mixed use zoning. Participating developments must provide at least 10 percent of units for lower-income families. All projects over 10 units must use prevailing wage and larger projects must provide skilled and trained labor.</td>
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SB 35 – “Streamline Approval Process”

• Aims to streamline housing construction in cities & counties that fail to build enough housing to meet state requirements.

• If the development meets all state-mandated criteria, localities must approve the project in either 60 days (if less than 150 housing units) or 90 days (if more than 150 units of housing).
Your Panelists’ Cities

The City of El Cerrito

City of West Hollywood
California 1984

Cupertino
City of El Cerrito

Population: 25,000    Square Miles: 3.66
Commuter/bedroom community

- Median Household Income: $96,914
- Median Property Value: $682,300
- Housing Units: 10,671 (73% single-family)
- Renters: 40%; Owners: 60%
- Jobs-to-housing ratio: 0.55
City of El Cerrito

1 of 24 cities statewide on target to meet its RHNA production targets, at all levels

<table>
<thead>
<tr>
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<th>Very Low</th>
<th>Low</th>
<th>Moderate</th>
<th>Above Moderate</th>
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<tbody>
<tr>
<td>RHNA Requirement</td>
<td>100</td>
<td>63</td>
<td>69</td>
<td>166</td>
</tr>
<tr>
<td>(2015-22)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permitted and/or Built Units</td>
<td>62</td>
<td>6</td>
<td>13</td>
<td>287</td>
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<tr>
<td>Remaining Need</td>
<td>38</td>
<td>57</td>
<td>56</td>
<td>-121</td>
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City of West Hollywood

Population: 36,000  
Square Miles: 1.89
Dense/compact, urban community

- **Shares of property taxes:**
  $19,636,080 (18% of General Fund Revenue)
- **Median Household Income:** $66,458
- **Median Property Value:** $684,200
- **Housing Units:** approx. 24,000
- **Renters:** 78.7%; **Owners:** 21.3%
- **Jobs-to-housing ratio:** 1.17
City of West Hollywood

1 of 12 cities/counties statewide that has met its lower and above moderate income RHNA

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</thead>
<tbody>
<tr>
<td>RHNA Requirement (2014-21)</td>
<td>19</td>
<td>12</td>
<td>13</td>
<td>33</td>
</tr>
<tr>
<td>Total Building Permits Issued (2014-18)</td>
<td>145</td>
<td>91</td>
<td>81</td>
<td>1,942</td>
</tr>
</tbody>
</table>
City of Cupertino

Population: 64,000        Square Miles: 11.31
In the heart of Silicon Valley

• Shares of property taxes: $? (% of General Fund Revenue)
• Median Household Income: $153,449
• Median Property Value: $1,370,000
• Housing Units: approx. 21,000
• Renters: 37.6%; Owners: 62.4%
• Jobs-to-housing ratio: 1.36
## City of Cupertino

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<th>Moderate</th>
<th>Above Moderate</th>
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<tr>
<td><strong>Projected Need (RHNA)</strong></td>
<td>356</td>
<td>207</td>
<td>231</td>
<td>270</td>
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<tr>
<td><strong>Total RHNA Entitled &amp; Produced (2014-18)</strong></td>
<td>19</td>
<td>0</td>
<td>59</td>
<td>191</td>
</tr>
<tr>
<td><strong>Total Projects Entitled (not yet Produced)</strong></td>
<td>377</td>
<td>847</td>
<td>32</td>
<td>1,934</td>
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challenge
Challenges – Question 1

Is it truly difficult to get housing built or are we just *making* it difficult?
What can cities do now preemptively to meet future housing obligations, knowing the economy is most likely slowing?
Should cities consider neighboring zoning allowances and regulations for housing when setting or updating local requirements?
Cities of the Future

What does the future of housing look like in your cities?

Image credit: cbinsights.com
Cities of the Future – Question 2

Is it realistic to expect that lifting local restrictions and expediting permitting is all we need to achieve statewide housing goals?
Cities of the Future – Question 3

How big of a role does state funding/investment and reinvestment in infrastructure play in building more housing in our cities?
If Redevelopment came back into the picture, how would your current strategies changes?
Success Stories

So:

if one size doesn’t fit all,

and cities don’t have 100% control over housing production,

and if short-term solutions could lead to long-term problems,

what can you actually do?
Affordable Housing Strategy (2017)
Ensures that the City advances policies & programs to produce, protect & preserve housing at all income levels.

Inclusionary Zoning Ordinance (2018)
Applies to all new development after June 14, 2018. Requires new market-rate residential projects to set aside between 10-12% of its units for low to moderate-income households or the option of paying an in-lieu fee to the City’s Affordable Housing Trust Fund.
San Pablo Avenue Specific Plan (2014)

Driven by a Form Based Code, a Complete Streets Plan, an Infrastructure Analysis and Program EIR that allows for development capacity of:

- 1,706 new residential units
- 243,112 new square feet of new commercial space
Inclusionary Housing program

Produced 77 new affordable apartments for extremely low, very low, and low income seniors.

From 2014–2016: produced 214 new units for moderate and lower income households.

Affordable Housing Fees

Currently, 75% of new multi-unit projects under review will pay the In-lieu fee. In-lieu fees are held in the City’s Affordable Housing Trust Fund and used to provide loans to non-profit housing providers constructing new affordable buildings.
City of West Hollywood

The Crown (2017)
48 Residential Units
Inclusionary, low-income & very-low income
City of West Hollywood

Blue Hibiscus (2018)
22 Residential Units
100% affordable housing
City of Cupertino

Below Market Rate Housing program

• Adding affordable housing units to city's housing stock in proportion to overall increase in new jobs & market-rate housing units.

• Ensure that market-rate housing development does not utilize all land available in the city for affordable housing.

• Mitigate environmental and other impacts to reduce demands on regional transportation infrastructure.

• Increase supply of for-sale and rental housing for families & individuals employed in Cupertino whose incomes are insufficient to afford market-rate housing.
City of Cupertino

Vallco Town Center (pending-2019)

• Project was approved on September 21, 2018 for streamlining under SB 35
• 400,000 sq. ft. of retail
• 1.81M sq. ft. of office space
• 2,402 total units of housing: 1,201 would be designated as below-market rate housing for low and very low-income residents
City of Cupertino

The Veranda (2019)

A mixed-use neighborhood for seniors, directly across from Main Street.

Came together through:

- County Measure A funds
- City funding
- Housing Trust Silicon Valley
- HOME Investment Partnerships Program (HOME) Consortium

The Veranda: 19 affordable senior housing units
1. We have a housing development crisis.
2. One size doesn’t fit all for solving this crisis.
3. Cities don’t have 100% control over housing development/production.
4. We need the State Legislature’s help to build the cities of the future.
5. We are in this together! Ask your regional networks for support.
Thank You!

Full presentation is available on www.cacities.org

For more info about CCMF: www.cacitymanagers.org