

SPUR

Ideas + Action for a Better City

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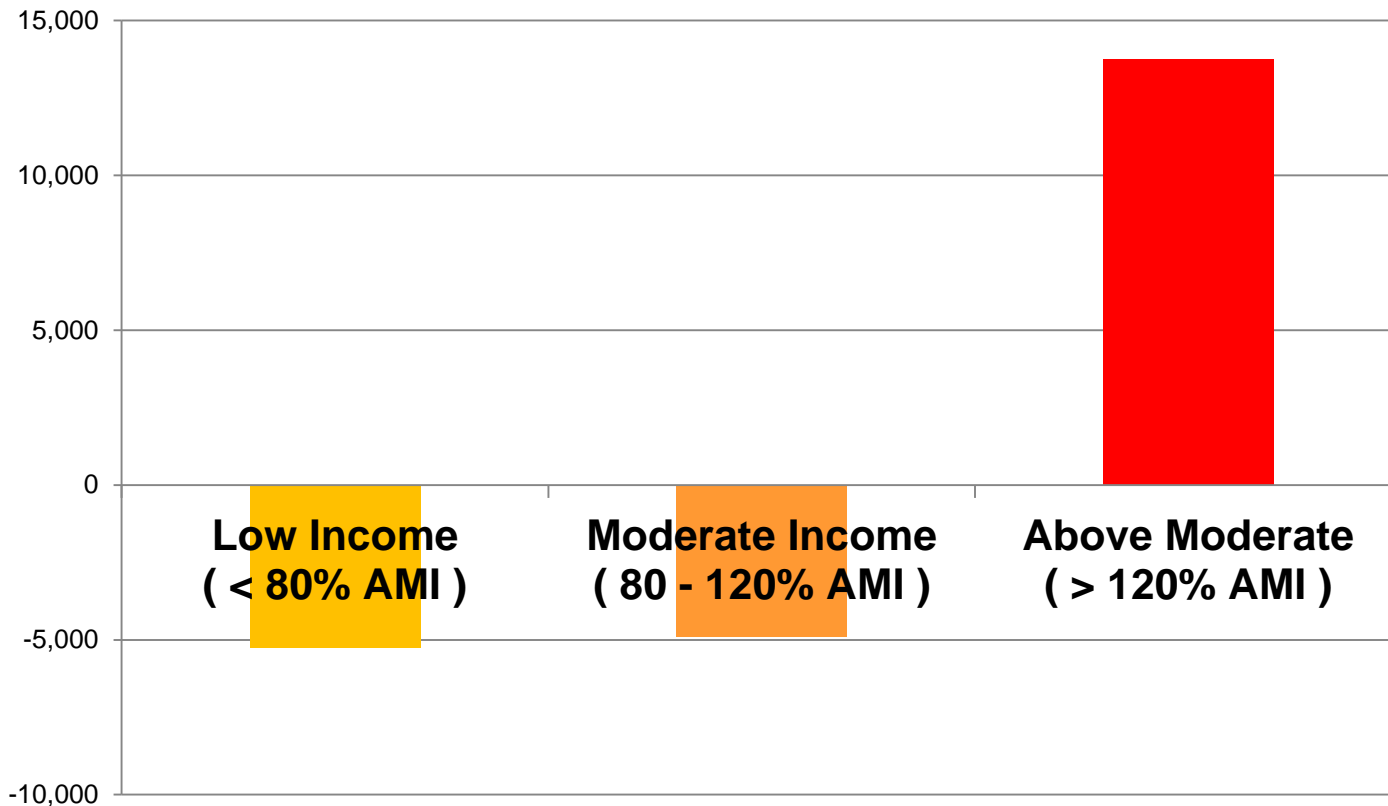
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#AffordableBayArea



A HOUSING AGENDA:
How do we fund San Francisco's
Housing Needs?

2007-2014 Housing Element Goals



Based on local job growth, over the last seven years, we have already built or entitled **212%** of the need for “market-rate” housing, **28%** of need for moderate-income units, and **58%** of need for low-income units...

WHAT IS TO BE DONE?

1. **PROTECT** tenants who made this city
2. **PRESERVE** our rent-controlled housing stock
3. **PRODUCE** deeply affordable housing to meet demand created by growth in low-wage jobs
4. Shape **PRIVATE** development so its provides its fair share of moderate-income housing

CREATING AFFORDABLE HOUSING

- 1. Low-income Housing** – up to 60% AMI, we leverage local funds 1:2 with Federal tax credit investment. After up-front investment, buildings are financially self-sufficient with debt and operations repaid by income from tenant rents.
- 2. Moderate-income Housing** – up to 120% AMI, subsidized entirely with local funds or provided as inclusionary units.
- 3. Preservation** – up to 120% AMI, acquire & rehab existing at-risk buildings, convert to permanently affordable housing

REGIONAL HOUSING NEED ALLOCATION (2014-2022)

San Francisco County

	Very Low 0-50%	Low 51-80%	Moderate 81-120%	Market 120%+	Total
7-year total	6,234	4,639	5,460	12,536	28,869
Annual	890	662	780	1790	4124
Percent	22%	16%	19%	43%	100%

CURRENT LOCAL FUNDING SOURCES

1. City Budget

- **Housing Trust Fund** – 30-year GF Set-Aside
“boomerang funds” plus 2012 gross receipts tax
- **General Fund set-aside** – HOPE-SF
- **Debt** – “COPs” Borrowed against future HTF
- **Tax Increment** – “Existing Obligations” within three
Redevelopment Areas + Treasure Island IFD

2. Taxpayer Contribution

- **Housing Bond** –\$310 Million, property tax levy

3. Development Fees

- Inclusionary and Jobs-Housing Linkage Fees
- Development Agreement Fees (CPMC)

PROSPECTS FOR FUTURE FUNDING

1. City Budget

- Public Lands Dedication
- Master Plan IFDs – Balboa Reservoir, Railyards
- Plan Area IFDs

2. Taxpayer Contribution

- Reauthorize/Expand uses of 1992 UMB Bond
- Regular Bond Schedule

3. Recapture from Private Capital

- Prop C – increase inclusionary
- Jobs-Housing Linkage (not updated since 1996)
- Non-primary Residence Tax

GO Bond -
regular Capital
Plan Schedule,
plus 1992 UMB
Expansion

**Development
Fee** – increase
Inclusionary &
Jobs-Housing
Linkage to
Nexus amount

**Tax Increment
Finance** –
Master Plans
areas (Balboa,
Railyards) and
existing Plan
Areas

Luxury Tax -
Pied-a-terre /
Non-primary
Residence Fee

**Privately
Financed
Fund -**
Pension Fund,
CRA Funds, or
other private
capital





THE COUNCIL OF COMMUNITY
HOUSING ORGANIZATIONS

www.sfccho.org



Pilar Lorenzana-Campo
Affordable Housing Week
SPUR
May 3, 2016



Median Home Price

\$1,065,000

(\$942,500)

Median Rent

\$3,024

(\$2,847)



6,556

27% of affordable housing needed

120% of market rate housing needed

Permits issued from 2007 to 2014

**drive the creation of affordable
housing for a more vibrant and
equitable Silicon Valley**

impact fees

residential housing impact fees

commercial linkage fees

general funds

one-time boomerang funds - \$15m

gross receipts tax

land use

incentivizing competition

Inclusionary

publicly-owned land

VTA

local jurisdictions

**other regional
funding sources**

THANK YOU

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@Pilo_UrbnPlnr

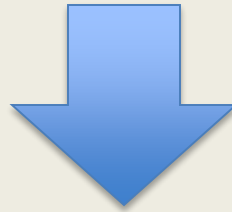


Land Values, Public Actions and Value Sharing for Affordable Housing

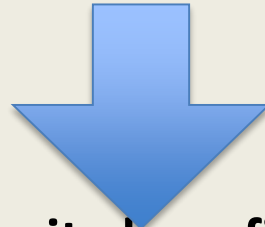
Nico Calavita, Professor Emeritus
Graduate Program in City Planning
School of Public Affairs
San Diego State University

Land Value Capture (Value Sharing)

Government actions (**value creation**)



Increases in land value



Community benefits (Land value capture)

Developers and landowners

It is important to make a distinction between developers and land owners. Housing developers take considerable risks and produce what is probably the most important good in society. In contrast, landowners play a more passive role. They realize their windfall profits by waiting for the economy to grow around them.

Developers and landowners

It's only fair for society to recapture some of the increases in land values that result from public infrastructure investments, private entrepreneurship, land use changes and the general growth of the economy. Classical economist John Stuart Mill was the first to make this distinction, proposing that “**unearned increments**” in land value should be recaptured by society.

Government actions that increase land values
include (Value creation):

1) Construction of infrastructure and public facilities

Value capture:

Special-Assessment Financing

2) Plan changes/upzonings

Value capture: Community Benefits

Possible community benefits (Santa Monica)

- Affordable/workforce housing
- Transportation Demand Management
- Historic Preservation – TDRs
- Social Services/Creative Arts
- Enhanced open space and streetscape
-

The community benefits, the land owner benefits (not as much), the developer benefits

How would value sharing work?

There are two basic types:

1) Negotiation based (development agreements)

Disadvantages--

- Possible lack of expertise of planners
- Transparency & accountability problems with locality/developers negotiations

Advantages--

- Flexibility – You can get more
- Palmer (Costa-Hawkins does not apply)

Example: Vancouver (negotiation)

- Site specific rezoning
- The land “lift” is largely recaptured (rule of thumb is 80%)
- Community Amenity Contribution or CAC is determined by negotiation based on project pro-forma
- Responsive and flexible system that ensures ...
- Maximizes potential extraction
- Expert staff

2) **Plan based** – Specific Plans/Community Plans, etc.

Advantages –

- Transparency & accountability
- Faster processing of projects

Disadvantages—

- Minimizes potential extraction
- Palmer applies

Eastern Neighborhood Plan San Francisco

The Eastern Neighborhood Plan ties increased allowable intensities of development to higher fees. In formerly industrial zones the use change to different types of mixed use requires **higher** IH requirements. With increases in height, IH requirements increase:

- Tier 1: Increase in height of eight feet or less
- Tier 2: Increase in height of nine to 28 feet
- Tier 3: Increase in height of 29 feet or more

Tier	Residential	Non-residential
• 1	\$8/gsf	\$6/gsf
• 2	\$12/gsf	\$10/gsf
• 3	\$16/gsf	\$14/gsf

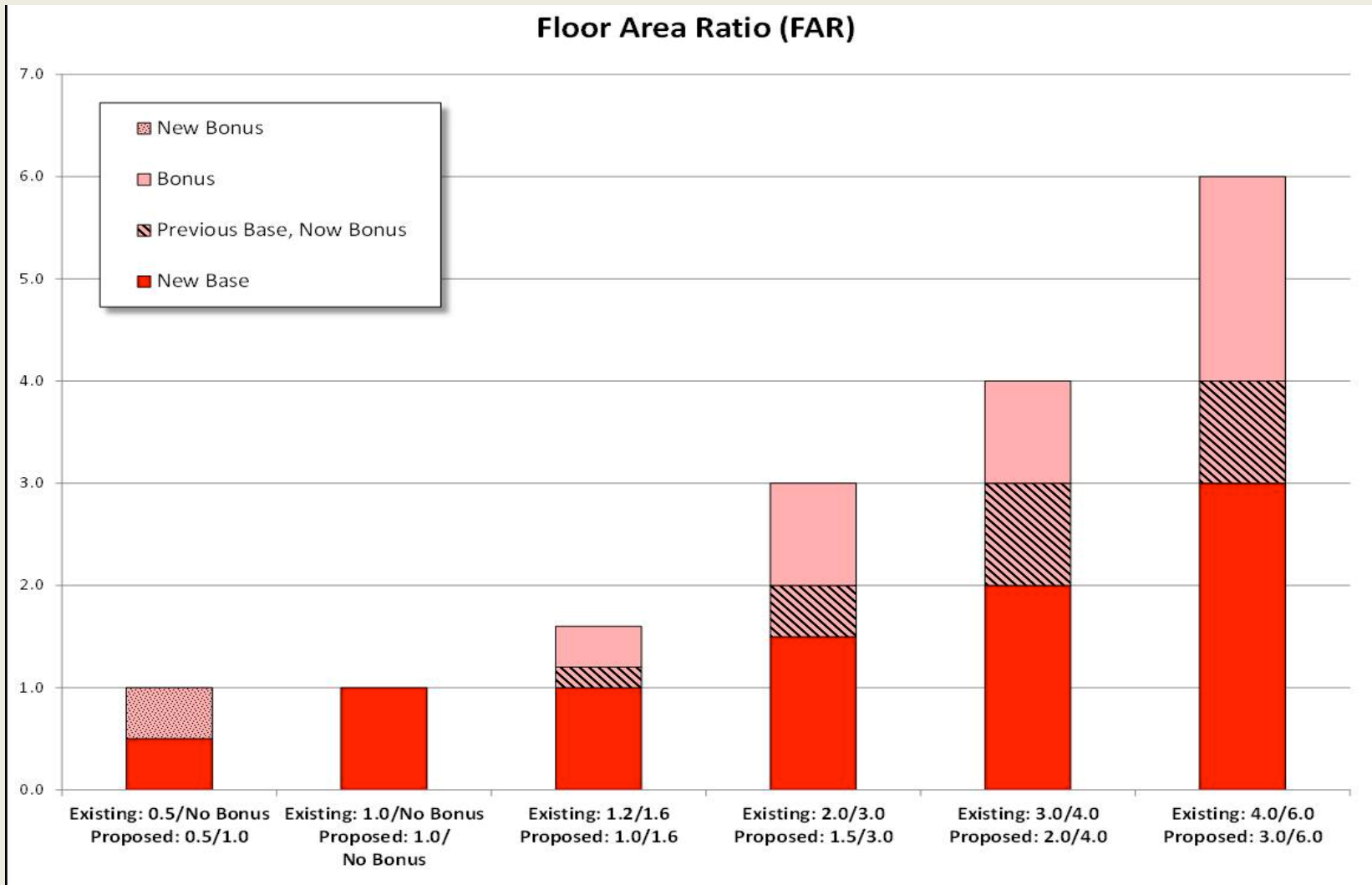
CAVEAT

For Value Sharing to work, it needs: 1) places and times with a healthy market **AND**,
2) places with a low base density. If an area has been already upzoned, it is impossible to gain Community Benefits (Oakland case)

So, what is essential is NOT to change plans/upzone WITHOUT Community Benefits

Problem: Housing Element

OR, a city could downzone and upzone again, as in Emeryville, for example



And now for the other side of the coin:

What happens to land values when we impose regulations such as:

- Inclusionary Housing
- Commercial Linkage Fees
- Development Impact Fees

They increase costs for developers.

Who pays those costs?

It is likely that land prices will go down, that the land market will adjust to the additional development costs

KMA Nexus Analysis San Diego

Recommended Maximum Fee Levels for Consideration and Relevant Benchmarks

	Current Fee (Since 1996)	Fee as Adopted (in 1990)	Fee if Index the 1990 fees to today (ENR Index per Current Ordinance)	Recommended Maximum Fee Level for Consideration (up to 1.5% of Development Costs)
Office	\$1.06	\$2.12	\$4.19	\$5.32
Hotel	\$0.64	\$1.28	\$2.53	\$4.73
Retail	\$0.64	\$1.28	\$2.53	\$4.96
Research & Development	\$0.80	\$1.60	\$3.16	\$4.14
Manufacturing/Industrial	\$0.64	\$1.28	\$2.53	\$3.05
Warehouse/Storage	\$0.27	\$0.54	\$1.07	\$2.28

Note: The nexus analysis combined research and development uses with manufacturing/industrial uses although research and development has a separate fee level in the ordinance.

Housing impact fees, like other development impact fees and exactions, ultimately become a factor in the price developers are willing to pay for development sites. A fee increase will, generally speaking, increase development costs and reduce the price developers will pay for sites. KMA's evaluation regarding the ability to absorb a fee increase up to the recommended maximum is based upon all the various criteria and considerations outlined above and a calibration of potential fee levels relative to land values. If fees are established at 1.5% of estimated development costs, it is estimated that a market adjustment in the value of development sites in the range of 5% to 10% could result for most non-residential building types. In our evaluation, the market will be able to adjust to such a change in a relatively short period. For example, if land values appreciated at an average rate comparable to inflation, then a 5% to 10% adjustment in value could be absorbed in two to three years. Fee levels higher than 1.5% of development costs will have a more significant impact on land value, and have the potential to delay or discourage new non-residential development.

As noted previously, the current Housing Impact Fees reflect between 0.2% and 0.3% of current

To summarize

- With plan changes/upzonings in areas with a healthy market land values go up
- Programs such as Inclusionary Housing and Commercial Linkage Fees tend to lower land prices

Implications

Housing Element and Land Values

Localities in preparing housing elements must designate sites for multifamily housing and rezone them within three years

What happens to the value of land of those parcels? It goes **UP**

Ironically, it makes more difficult to build affordable housing

Change Housing Element Regulations

- For sites designated for higher densities in housing elements **mandate inclusionary requirements** for localities that do not have IH and higher requirements for localities that already have IH

Article on dual inclusionary system:
“Inclusionary Housing, Incentives, and
Land Value Capture;” January 2009,
Land Lines

Nico Calavita and Alan Mallach



© Nico Calavita

Inclusionary Housing, Incentives, and Land Value Recapture

Nico Calavita and Alan Mallach

Inclusionary Housing (IH) programs are land use regulations that require developers of market-rate residential development to set aside a small portion of their units, usually between 10 and 20 percent, for households unable to afford housing in the open market. Alternatively they can choose to pay a fee or donate land in lieu of providing units. Originating in the early 1970s, inclusionary housing has grown to be a major vehicle by which affordable housing units are provided in large parts of the United States, as well as an important strategy for affordable housing in many other countries.

From the first days of IH, there has been widespread debate over what is sometimes called the “incidence” controversy—that is, how the costs of providing affordable, and by definition below-

market, housing are addressed, and which of the parties in a real estate transaction actually bears those costs. As a result of widespread concern that costs are being borne by developers and/or market-rate homebuyers, and reflecting legal concerns associated with the takings issue, many municipalities enacting inclusionary ordinances have combined them with incentives or cost offsets designed to make the imposition of an affordable housing obligation cost-neutral. Many of these incentives, however, displace costs onto the public, either directly or indirectly.

We suggest that a better approach is to link inclusionary housing to the ongoing process of rezoning—either by the developer or by local government initiative—thus treating it explicitly as a vehicle for recapturing for public benefit some part of the gain in land value resulting from public action.

The La Costa Paloma Apartments in Carlsbad, California, have 180 apartment units affordable to households earning at or below 50 and 60 percent of the area median income.

Rents have gone through the roof in SF

WHY?

- Because the value of the land under rental properties has skyrocketed; WHY?
- Growth of the economy, not....
- Unearned Increments – How can we recapture some of those?

Berkeley proposal (Steve Barton)

Now endorsed by 7 of the 9 Council members

- Raise the business tax on the gross receipts for large residential property from 1.1 to 1.8/3.8 per \$1,000 (Additional cost to landlords: \$30 and \$45 per unit respectively)
- Oakland 1.4

San Francisco .285 to .300 depending
on amount of taxes paid

A modest increase of 1% in San Francisco
(to 1.28%/1.3%)

would bring, according to Steve Barton,
\$30 million a year, and would still be
lower than in Oakland and the
proposed minimum increase in Berkeley

What makes a good city?

Housing affordability distribution

Instead of of goals of #s of affordable housing units to be built, perhaps we should start discussing percentage goals of housing affordable in perpetuity



NON-PROFIT HOUSING ASSOCIATION
OF NORTHERN CALIFORNIA

The Voice of
Affordable Housing

Moving Ballot Measures to fund Affordable Homes

Amie Fishman
May 3, 2016

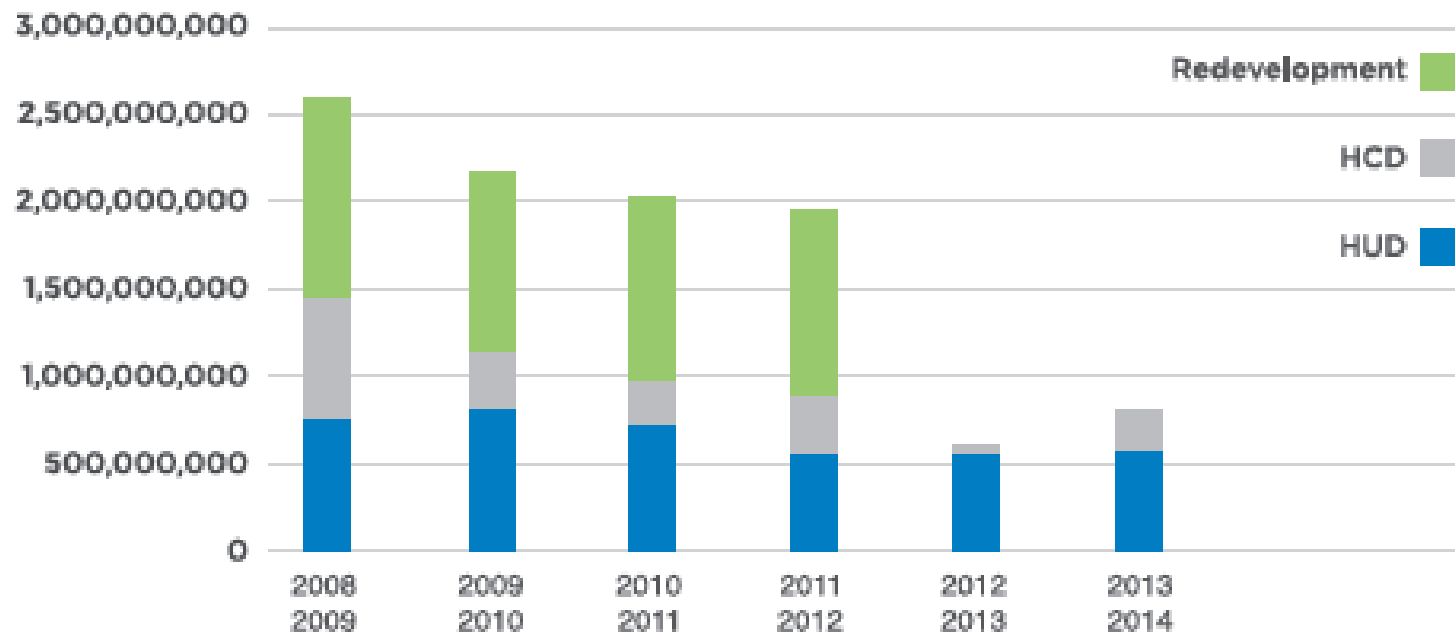


How did we get here?

Today's Housing Crisis

- CA has nation's highest poverty rate, given housing costs + shortfall of more than 1.5 million rental homes for extremely/very low-income families
 - *(Source: CA Housing Partnership, "Update on CA Affordable Housing Crisis," April 2015)*
- Rents have increased 21%, while incomes have declined 8%, since 2000
 - *(Source: CA Housing Partnership, "Update on CA Affordable Housing Crisis," April 2015)*
- CA's public funding for affordable homes has dropped 79% since 2007
 - *(Source: Housing CA, "Why Housing Tax Credits Matter")*

STATE AND FEDERAL INVESTMENT IN AFFORDABLE HOUSING



FUNDING SOURCE	FY 2008-2009	FY 2013-2014	% CHANGE
Redevelopment	\$1,142,555,324	\$0	-100%
HCD	\$680,429,821	\$245,937,092	-64%
HUD	\$778,782,375	\$561,051,019	-28%
Total	\$2,601,767,520	\$806,988,111	-69%

Source: CHPC analysis of 2000-2010 annual HCD Redevelopment Housing Activities Reports 2010-2011, 2011-2012 are estimated; 2002-2014 annual HCD Financial Assistance Programs Reports; and 2001-2015 annual HUD CPD Appropriations Budget data.

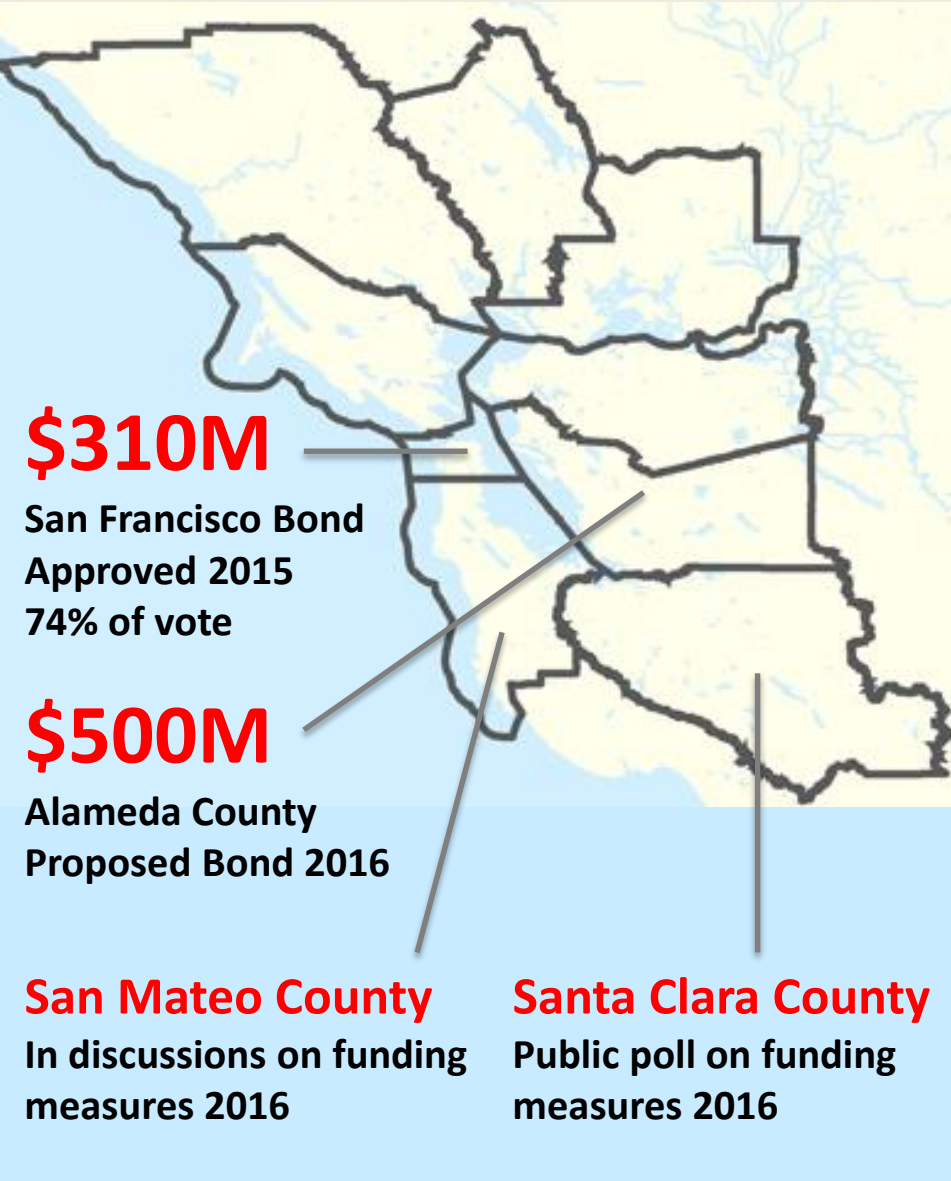
(Source: CA Housing Partnership, "Update on CA Affordable Housing Crisis," April 2015)

NPH Electoral Strategy



NON-PROFIT HOUSING ASSOCIATION
OF NORTHERN CALIFORNIA

Investing in a Housing Future



A Home for Everyone in The Bay Area

*People are counting on us to get this right
and local resources are key!*

NPH is working with Bay Area counties to place a county bond or sales tax measure on the November 2016 ballot for affordable housing



MARKET
& OPINION
RESEARCH
SERVICES

Telephone Survey of Likely November 2016 Alameda County Voters Regarding Affordable Housing Bond

Conducted For: Non-Profit Housing Association of Northern California

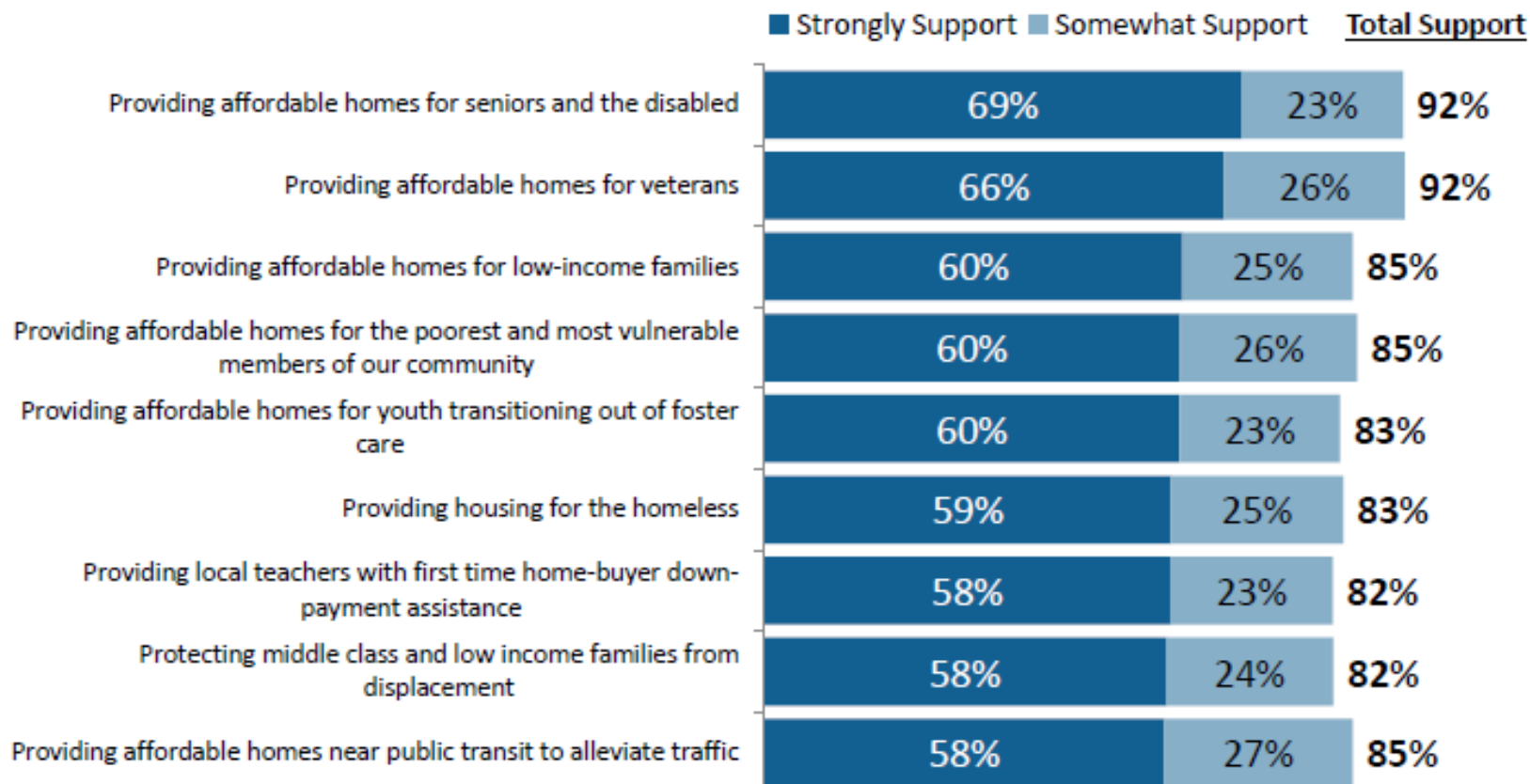
Alameda County Board of Supervisors Retreat | February 9, 2016

Key Findings

- ▶ Voter optimism is on the rise, but concern about the difficulty finding housing is very high.
- ▶ Support today for a \$500M countywide affordable housing bond is above the two-thirds threshold needed for passage.
- ▶ Voters prioritize projects that the bond would pay for, particularly ones that help disadvantaged populations afford homes.
- ▶ Positive information helps to solidify support, but the measure could be vulnerable to potential attacks.

Measure Components

Voters are overwhelmingly supportive of providing homes to less fortunate populations.



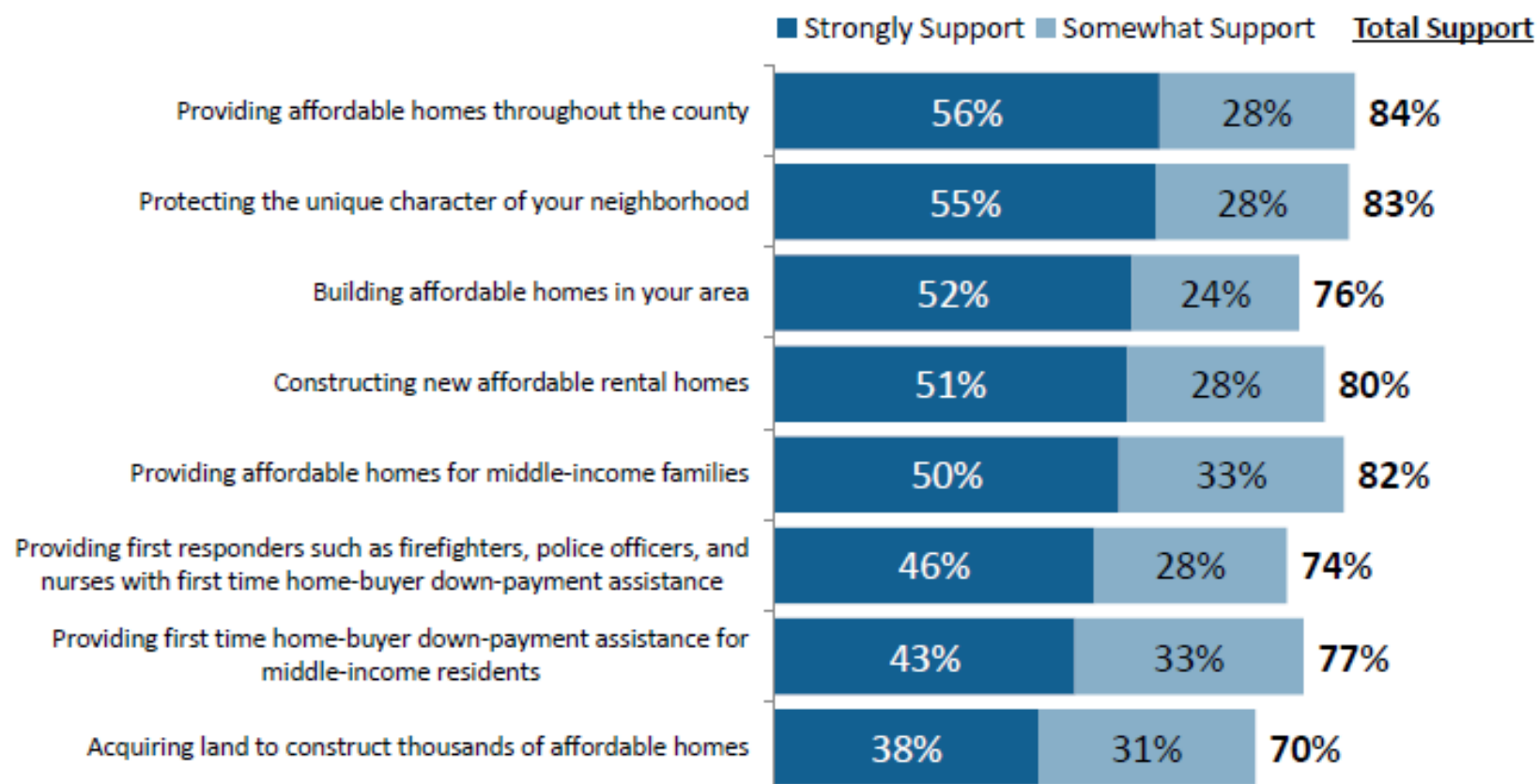
*please refer to topline for exact language of the components

Q8-24. I'm going to read some components that could be included in the proposed measure. For each one, please tell me if you strongly support, somewhat support, somewhat oppose, or strongly oppose each component.



Measure Components (cont.)

Other components are popular too.

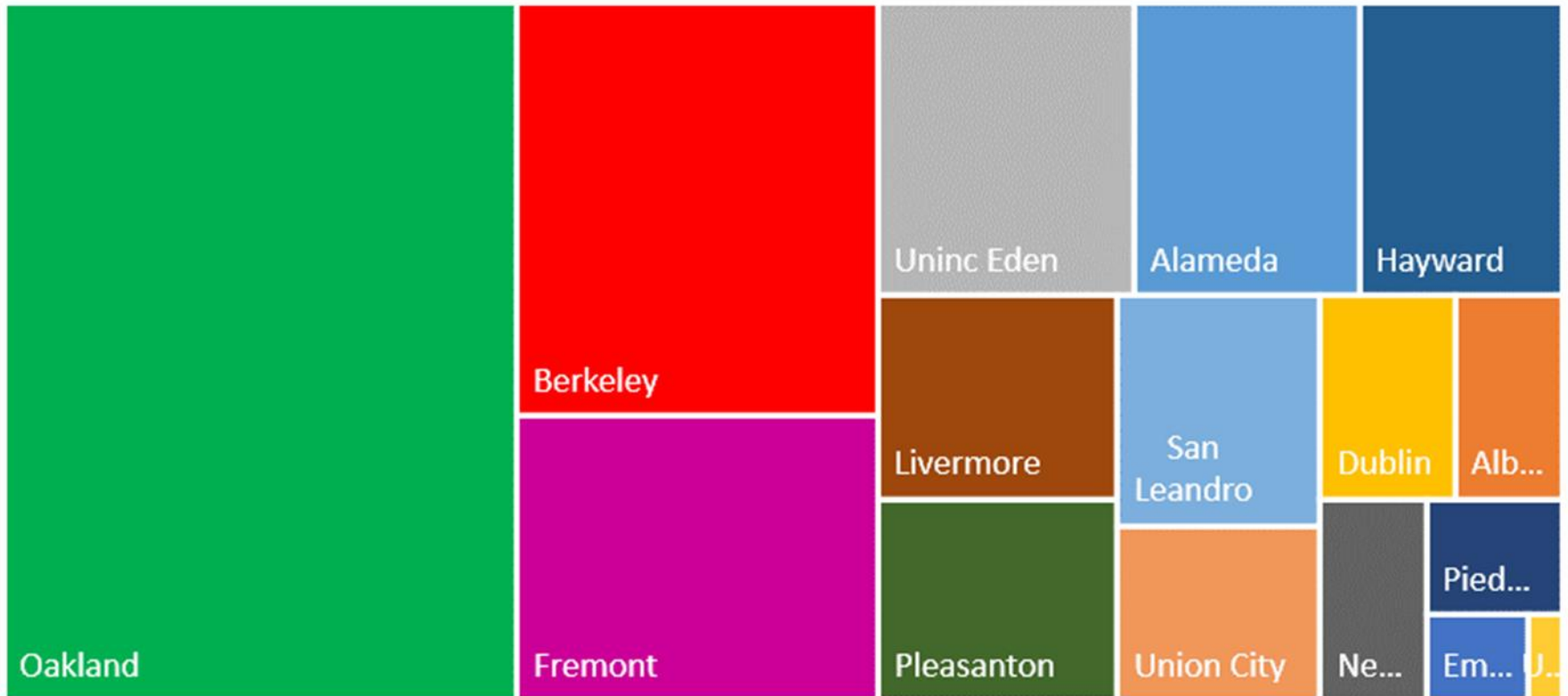


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VOTE CONTRIBUTION BY CITY, NOV. 2014 MEASURE BB



Total Votes Cast

Yes	240,557
No	99,417
Total Vote	339,974
	70.8%

Yes Votes in Each City

ALAMEDA	14,625
ALBANY	4,833
BERKELEY	33,004
DUBLIN	6,057
EMERYVILLE	1,922
FREMONT	22,769
HAYWARD	13,168

LIVERMORE	10,752
NEWARK	4,729
OAKLAND	79,134
PIEDMONT	3,446
PLEASANTON	10,653
SAN LEANDRO	10,343
UNION CITY	7,852
UNINC Total	17,270

2016 TIMELINE FOR ACTION

January	Polling by NPH, EBHO, Supervisor Chan
February	Poll briefings. Supervisor review.
March	Supervisors Chan, Carson, Miley kickoff Stakeholder outreach and policy development
April	Policy development by County HCD, Cities. Convene community partners
May	5 District Town Halls Affordable Housing Week
June	Formal action by Supervisors to place on ballot City Resolutions in Support
July	Campaign committee launches (formal fundraising), hires consultant
August	Fundraising. Endorsements.
September	Campaign launch
October	Ballots mail first week
November	Tuesday, Nov. 8, 2016 – Election Day

What it takes to win

- **Community consensus**
- **Disciplined messaging**
- **Strong public information and engagement prior to placement on ballot**
- **\$1-2 million in campaign funds**
- **Resident voices**
- **You!**

Santa Clara County Public Poll

April 2016

- Voters say: Housing is the most important issue facing the county at 31% (including homelessness), well above traffic (15%), public safety (7%), and education (4%).
- Voters support a \$750mm affordable housing bond with 62% strong and 5% lean, just reaching the 2/3s needed to pass
- With affordable housing as a top concern and highest support among infrequent voters, Nov 2016 is the best time to move forward.



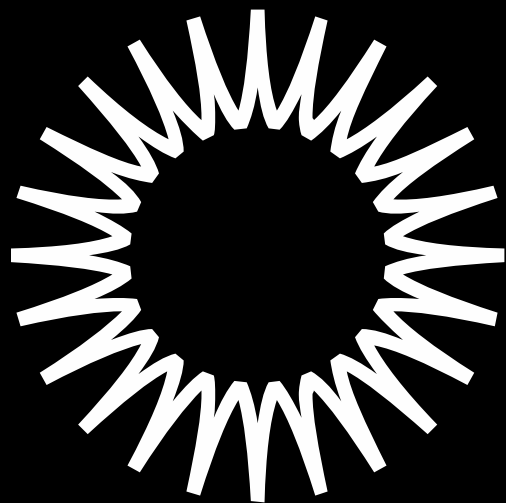
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