

SPUR REPORT
HOUSING

 SPUR
REGIONAL
STRATEGY

Meeting the Need

The path to 2.2 million new homes
in the Bay Area by 2070

APRIL 2021



**This report is a component of the SPUR Regional Strategy,
a vision for the future of the San Francisco Bay Area**
spur.org/regionalstrategy

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Introduction

In order to meet the region's future housing needs, the San Francisco Bay Area will need to produce 2.2 million homes over the next 50 years across all income levels.¹ Where should all of this housing go? And what policies are needed to ensure it can be built?

SPUR's previous report *What It Will Really Take to Create an Affordable Bay Area* detailed the impacts of the Bay Area's housing shortage over the last several decades and used economic modeling to forecast the future demand for housing growth across all income levels.² This report builds on those findings, describing the types of locations where housing should be built and the steps needed to get to 2.2 million homes.

This report is part of SPUR's Regional Strategy, a 50-year vision for the future of the Bay Area. Focusing on a five-decade time horizon enables us to think about solutions to entrenched problems at the scale that's required to meet them, allowing us to consider the question: "What interventions would actually be sufficient to turn the tide on the housing crisis?"

If we are successful in creating housing near transportation and along commercial corridors, as well as adding small apartments in suburban neighborhoods, then we can live in a region where housing is affordable, neighborhoods are racially and economically inclusive, transportation options are plentiful and the impact of hazards that come from climate change, such as sea level rise and wildfires, is limited.

In order to achieve these goals, SPUR has developed a "New Civic Vision"³ for the Bay Area that balances two core values: environmental sustainability and equity. The need for such a vision is significant. If the region fails to produce housing in walkable neighborhoods near transit, more and more people will drive to work and to most of their daily activities. Driving contributes to traffic and local and greenhouse gas emissions, which in turn degrade health outcomes and fuel climate change. Climate change is an accelerating threat to our environment and our communities. In California, climate change has already led to historic heat waves and wildfires that burn down homes, pollute our air and lead to further environmental degradation. Absent large-scale action to reduce our dependence on oil, climate change threatens to radically undermine life as we know it, including our ability to breathe clean air, drink clean water, enjoy time outside and live a life free of respiratory illness.

If the region fails to produce enough housing within the Bay Area, people will be forced to move outside of the region in search of affordable homes — leading to long commutes and the construction of more housing in areas with less access to transit and a greater likelihood of wildfires. As it is, many people with jobs in the Bay Area have "super-commutes" from as far away as the Central Valley and Sacramento. Housing that cannot be accommodated within the Bay Area will be built in the Central Valley, on agricultural land and in wilderness areas where property is less expensive. Providing electricity and other services to these homes will increase the state's wildfire risk. Already we have seen rural communities such as Paradise, California, burn to the ground. In order to better manage our exposure to wildfire risk, we need to build new homes in already-urbanized areas.

The environmental consequences of failing to produce enough housing in the Bay Area fall disproportionately on low-income people and people of color. Low-income people are more likely to be priced

¹ Sarah Karlinsky, *What It Will Really Take to Create an Affordable Bay Area*, SPUR, March 2020, <https://www.spur.org/publications/white-paper/2020-03-09/what-it-will-really-take-create-affordable-bay-area>

² Ibid.

³ SPUR worked with MapCraft Labs to develop a simulation of where growth is likely to occur without much change to current policies and zoning codes ("Business as Usual"), as well as where housing should go in order to further equity and sustainability goals ("New Civic Vision"). A detailed explanation of this work can be found in *A Civic Vision for Growth: Principles for Creating an Equitable and Sustainable Region*, <https://www.spur.org/civicvisionforgrowth>

out of the region and forced into longer commutes. At the same time, low-income people and people of color are more likely to bear the brunt of climate emergencies.⁴ Areas with majority Black, Latinx and Native American populations are 50% more likely to be vulnerable to wildfires than other areas.⁵ These groups are much more likely to suffer extreme financial hardship following a wildfire. Unlike wealthier people who live in places with high wildfire risk, low-income people often do not have the insurance to replace their lost belongings, the resources to make their properties more resistant to fire or the means to rebuild lost homes.

Additionally, when the region fails to produce a sufficient amount of housing, housing prices rise and displacement occurs. The region becomes wealthier, whiter, less racially diverse and less inclusive. Lower- and moderate-income households, which are more likely to be households of color, are forced to move further and further away from the cities and neighborhoods they have historically called home. At the same time, exclusive neighborhoods that are largely white and wealthy become more insular. In order to combat this rising inequality, we need to build more housing at all income levels in more places.

4 Laurel Blatchford, "Climate Change Disproportionately Affects Low-Income Communities," Enterprise Community Partners, December 7, 2018, <https://www.enterprisecommunity.org/blog/climate-change-disproportionately-affects-low-income-communities>

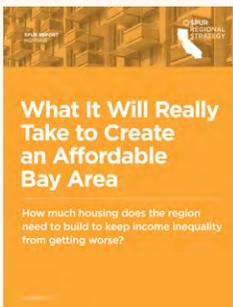
5 Ian P. Davies et al., "The Unequal Vulnerability of Communities of Color to Wildfire," PLOS ONE, November 2, 2018, <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0205825>

Housing the Region:

A 50-Year Vision to Solve the Bay Area's Affordability Crisis

SPUR's vision for the Bay Area is one where all communities can thrive. Housing is the bedrock of a healthy region. By 2070, we want to create a Bay Area where everyone has a safe, decent, affordable place to live.

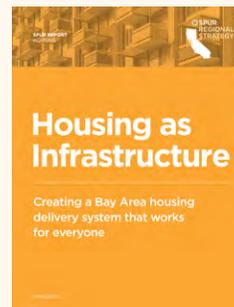
How does the region achieve this vision? In order to answer this question, SPUR has developed four reports on housing as part of our Regional Strategy initiative. There is no one silver bullet to address the housing crisis. Instead, a sustained, multifaceted approach is needed.



What It Will Really Take to Create an Affordable Bay Area

How much housing does the region need to build to keep income inequality from getting worse?

This report describes the factors that have led to the housing crisis, changes in income and wealth that stem in part from the housing shortage and the impacts these changes have had on the region. It quantifies the housing shortage of the past 20 years and the amount of housing the region will need to build over the next 50 years to prevent income inequality from getting worse: approximately 2.2 million homes, or roughly 45,000 homes a year for 50 years.



Housing as Infrastructure

Creating a Bay Area housing delivery system that works for everyone

SPUR believes that housing is a human right. If we treat housing as essential for humans to thrive, then the government must play a more critical role in providing it. For example, the public sector does not wait for the open market to provide water to homes and businesses: In most communities, it actively intervenes to ensure that this happens.

This report describes how the role of government must change in order to produce enough housing at all income levels, including changes in funding, the roles and responsibilities of different institutions, reforms in property taxation and mechanisms to support the industrialization of housing construction.



Meeting the Need

The path to 2.2 million new homes in the Bay Area by 2070

The region needs to produce 2.2 million new homes at all income levels over the next 50 years. This report details where these homes should go: in areas that are well served by transit, in commercial corridors and historic downtowns, in areas with great schools, jobs and amenities, and in the region's existing suburbs. The report also outlines how the rules governing the planning and permitting of housing will need to change. This includes both requirements and incentives for local governments to change their zoning codes to allow for much more housing.



Rooted and Growing

SPUR's anti-displacement agenda for the Bay Area

To create an equitable, sustainable and prosperous Bay Area of 2070, we need to radically change not only how much housing we build but also how we build it and where we built it. We must also ensure that the benefits of new infill development are shared by low-income communities and communities of color, who have historically been left out of the region's growing economy.

This report focuses on the steps needed to support both people and neighborhoods. Local jurisdictions will need to actively plan to reduce or eliminate displacement impacts. Local, regional and state government should align tax policies and incentives to reduce speculation in the housing market. Cities across the region must strengthen tenant protections. And government at all levels should foster the creation of places where people of different races, incomes and life experiences all feel like they belong.

The ideas in these reports are interdependent. It is not sufficient just to build enough housing; we must also protect tenants from displacement and eviction. It is not enough to reduce speculation in the market; we must also make tax structures fairer and support affordable housing production. It is not enough to fund affordable housing; we must also make it faster and less expensive to build housing. SPUR views the ideas in these reports as mutually reinforcing and invites readers to engage with each report. A summary of the entire project — Housing the Region: A 50-Year Vision to Address the Bay Area's Housing Crisis — can be found at spur.org/housingtheregion.

Where Housing Should Go

The New Civic Vision described in this report is a spatial vision. It discusses where new housing could and should go in order to promote environmental sustainability and equity. But it's important to remember that this vision is also about people. The new housing units this report proposes building are homes. They are homes for the current and future residents of the Bay Area. They are homes for our children and our neighbors' children. They are homes for people at all income levels — low-income families, moderate-income families and even upper-income families, so that they don't outcompete everyone else for scarce housing. This housing is for nurses and teachers, for the essential workers who are stocking the grocery store and caring for the elderly, for child-care providers, for restaurant workers and for everyone who makes this region work.

The homes described below are a combination of market-rate housing and affordable subsidized housing. They include small accessory dwelling units, modest duplexes and apartments with shops on the ground floor. In our report *Model Places*, SPUR described what this future housing growth might look like in different types of neighborhoods.⁶

The following is a summary of SPUR's report *A Civic Vision for Growth: Principles for Creating an Equitable and Sustainable Region*,⁷ an analysis of where housing should go in the region and what it will take for the Bay Area to produce a sufficient amount of housing to prevent income inequality from deepening.

Finding 1:

Without changes to zoning codes, the Bay Area cannot accommodate all who are anticipated to live here by 2070 (i.e., existing residents and their children, as well as newcomers). A shortage of housing raises prices and exacerbates displacement.

To evaluate the housing possibilities in the Bay Area, SPUR compared two simulations, named “Business as Usual” and “New Civic Vision.” The Business as Usual scenario projects where housing would go under existing zoning policies, whereas the New Civic Vision proposes land use changes that would further environmental and equity goals. Under the Business as Usual scenario, the region would be able to accommodate projected job growth (2.1 million jobs by 2070),⁸ but housing would be underbuilt by 800,000 units. As mentioned above, such housing shortages produce negative consequences, including exacerbating inequality, driving up housing costs and contributing to environmental degradation. As those with higher incomes seek housing, they are able to outbid those with lower incomes for scarce housing resources.

The New Civic Vision would accommodate all 2.2 million housing units within the region's existing urbanized areas.

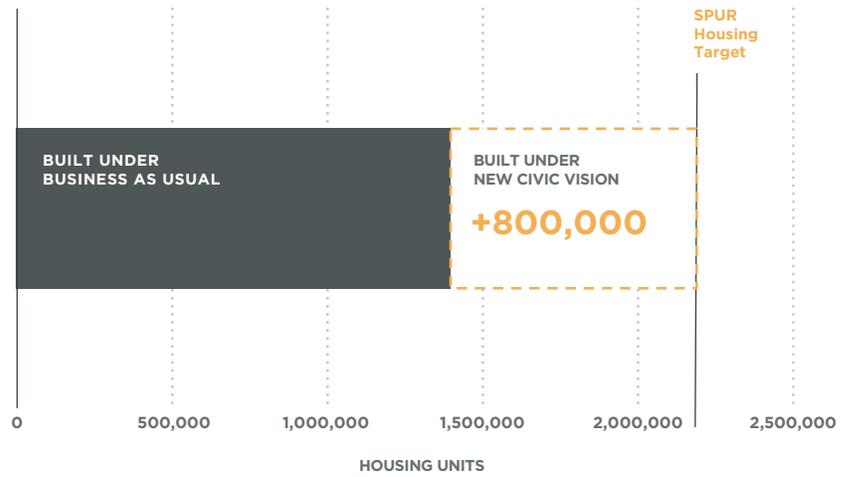
⁶ Benjamin Grant et al., SPUR and AECOM, *Model Places: Envisioning a Future Bay Area With Room and Opportunity for Everyone*, September 2020, <https://www.spur.org/publications/spur-report/2020-09-21/model-places>

⁷ Sarah Jo Szambelan, SPUR, *A Civic Vision for Growth: Principles for Creating an Equitable and Sustainable Region*, <https://www.spur.org/civicvisionforgrowth>

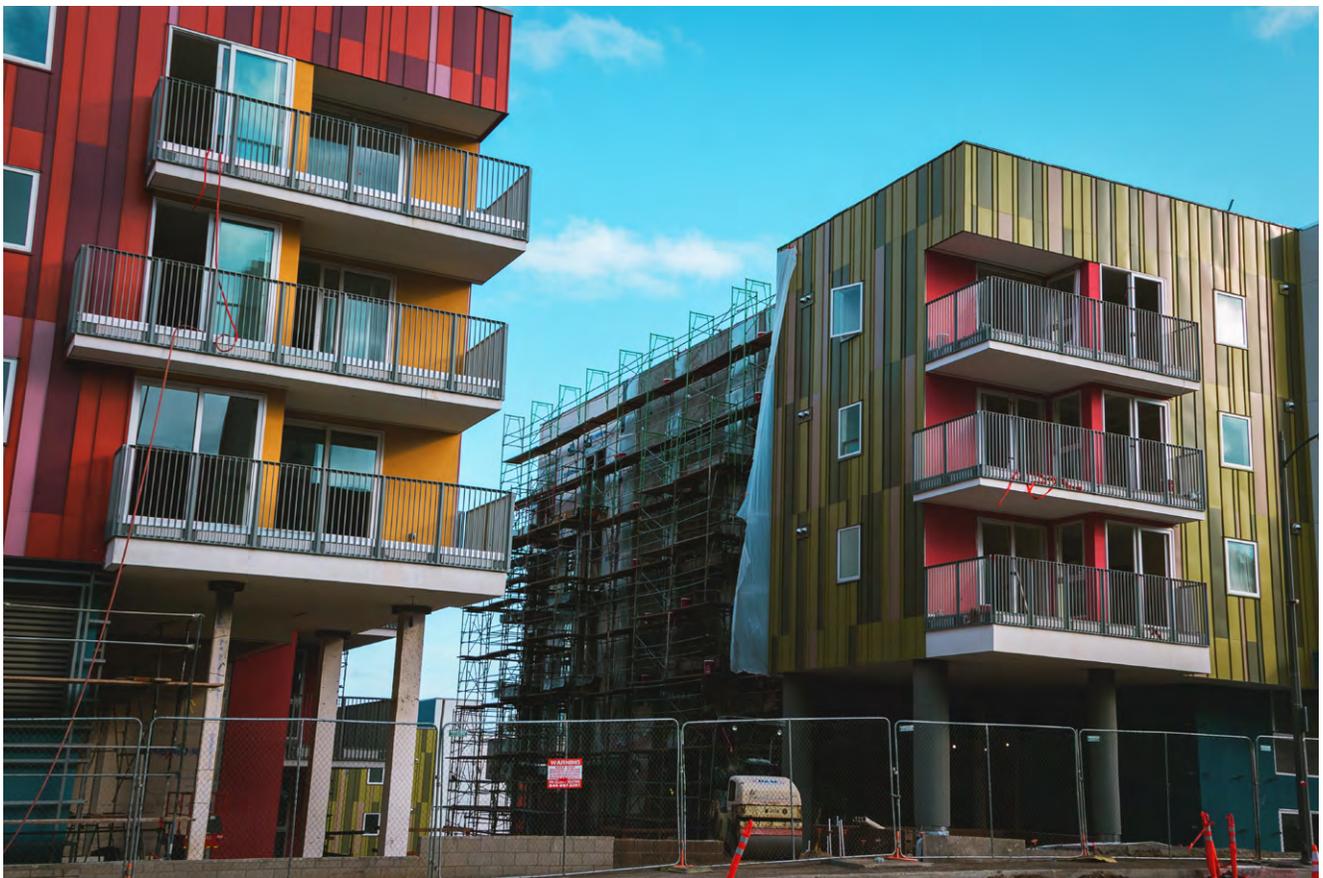
⁸ See note 1.

FIGURE 1
Under the Business as Usual Scenario, the Bay Area Won't Have Enough Housing

If the region proceeds with status quo policies and zoning, by 2070 the amount of housing built will fall 800,000 homes short of the amount needed.

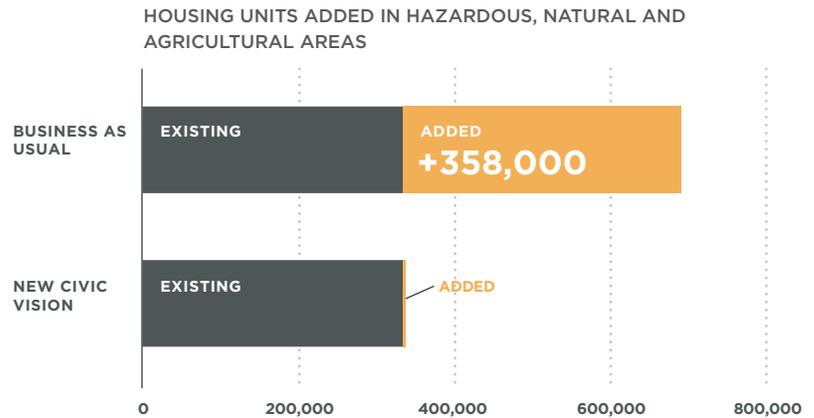


Between 2010 and 2018, Los Angeles built 84,000 multifamily homes — more than any other California city.



Finding 2: Without changes in policy, the region will continue to grow in natural areas, farmlands and hazardous areas.

FIGURE 2
The New Civic Vision Protects People and the Environment
If current policies don't change, 358,000 new housing units will be added in hazardous and protected areas by 2070, exacerbating climate change impact like threats from wildfire. The New Civic Vision would protect both people and the environment by adding almost no new housing in these areas.



Under the Business as Usual scenario, the region would add 358,000 units of housing in natural, agricultural and hazardous areas. Hazardous areas are those that are highly vulnerable to wildfire, flooding or sea level rise. As mentioned above, housing growth in natural areas and hazardous areas can contribute to greenhouse gas emissions, exacerbating climate change. Under the New Civic Vision, very little growth would occur in these areas.

Bay Area open spaces like Las Trampas Ridge in Contra Costa County provide wildlife habitat, clean drinking water, air purification and other important ecosystem services.



Finding 3

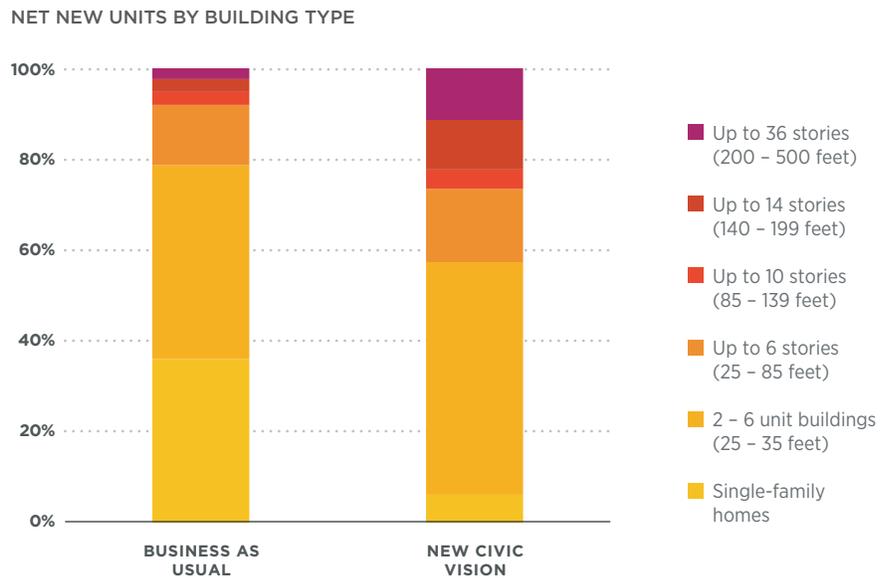
The region can support the housing growth we need in three ways: by growing near transit, by growing along commercial corridors and in pre-war downtowns, and by encouraging modest density in suburban locations, particularly those that offer great schools and other amenities.

The New Civic Vision would accommodate growth in several different ways. First, SPUR proposes adding housing within walking and biking distance of existing and future transit, with the highest-density housing closest to stations. Second, we propose adding housing along commercial corridors such as El Camino Real. **The region can accommodate more than a million new units in these more efficient, transit-oriented locations.**

In addition, we propose adding modest density to neighborhoods that are predominantly made up of single-family homes, particularly those with great schools and amenities. **The region has capacity for more than a million new units in these infill suburban locations** in forms such as accessory dwelling units, triplexes, fourplexes and low-density apartment buildings.

FIGURE 3
The New Civic Vision Allows More Families to Thrive in the Bay Area

Compared to the Business as Usual scenario, the New Civic Vision would create twice as much multifamily housing and a fraction of the single-family homes.



The New Civic Vision would create twice the amount of multifamily housing as the Business as Usual scenario, with far fewer single-family homes. Two- to six-unit buildings and single-family homes would go mostly into previously exclusive neighborhoods, while taller buildings would be built in transit-centered and walkable areas.

While the New Civic Vision proposes adding more high-rise development than the Business as Usual scenario, the majority of growth would occur through new multifamily buildings (typically between two and six stories tall) or small apartment buildings (two- to six-unit developments) rather than single-family homes.

FIGURE 4
A Vision for New Housing Concentrated in Small Apartment Buildings

In the New Civic Vision, roughly 1.1 million housing units would be provided in two- to six-unit buildings.

BUILDING TYPE	DESCRIPTION	NUMBER OF UNITS	APPROXIMATE NUMBER OF BUILDINGS
Single-family	Single-family homes	128,000	128,000
Small apartment buildings	Two- to six-unit buildings, 25 feet to 35 feet	1,127,000	282,000
Midrise apartments	25 feet to 85 feet	357,000	3,500
Buildings from eight to 14 stories	85 feet to 139 feet	96,100	460
Buildings from 14 to 20 stories	140 feet to 199 feet	233,000	830
Buildings over 20 stories	200 feet to 500 feet	250,000	560
Total		2.2 million	415,000

Recommendations

The following recommendations describe how zoning policy should change in order to fulfill this vision of growth — one that would preserve agricultural lands and open spaces and ensure that new housing does not go in hazardous areas, while concentrating growth near transit, along commercial corridors, in pre-war downtowns, in areas of high opportunity and in existing suburban neighborhoods.

Recommendation 1

Change zoning codes to allow for a sufficient amount of housing near transit, commercial corridors and suburban infill locations.

In order to achieve the New Civic Vision, the region's built landscape has to change. Zoning, the rules that govern what can be built where, must evolve to allow taller apartments near transit and along commercial corridors. Our region has many of these buildings already, in neighborhoods throughout San Francisco and in downtown Oakland, but we will need more of them. At the same time, suburban cities throughout the Bay Area will have to allow more modest types of density, such as accessory dwelling units (“granny flats”), triplexes, fourplexes and three-story apartments in some locations. These building types also already exist throughout the region — but we will need to encourage more of them in more places.

The following is a summary of the principles that SPUR used to determine where growth should and should not go in the region. If we seek to accommodate 2.2 million new units in non-hazardous, already-urbanized locations, then zoning must change in order to allow for growth near transit, along commercial corridors and in the suburbs, particularly those suburban areas with great schools and amenities.

A | Concentrate jobs and housing close to existing and future regional rail and light rail stations and high-frequency bus stops.

Concentrating jobs and housing near transit enables people to get to and from work without driving. It is one of the most important steps that can be taken to reduce the greenhouse gas emissions that fuel climate change, flood and wildfires, while also reducing traffic. SPUR's Regional Strategy includes a robust transit network consisting of heavy and light rail and high-frequency bus service.

The New Civic Vision calls for adding housing and jobs near transit. In some places, the first quarter-mile next to locations with significant rail service has been reserved for job uses, because people are most likely to ride transit to job centers. Since significant rail service is rare in the Bay Area, this covers a relatively small number of locations. After the first quarter-mile in these locations, there would be mixed-use development (including office, retail and housing) at decreasing densities based on how far the development is from transit. For other types of transit, the plan proposes station areas of varying size based on how much transit is available.

FIGURE 5
Busier Transit Stations Call for More Housing
 Proposed transit station areas for different types of transit Under the New Civic Vision, more intensive transit investments, such as hubs and transfer stations, would have larger station areas that could be designated to accommodate additional housing.

TRANSIT TYPE	STOP OR STATION TYPE	TOTAL STATION AREA
Ferry	All terminals	Quarter-mile
Bus and light rail	Most stops	Quarter-mile
Bus and light rail	Transfer stops and stations	Half-mile
Light rail	Regional hubs and end-of-line stations	Half-mile
Bus rapid transit	All stops	Half-mile
Rail	Most stations	Half-mile
Regional express bus	Regional hubs	1 mile*
Rail	Regional hubs	1 mile*
Rail	Interregional hubs	1.5 miles*

*In these larger station areas, the locations closest to transit have been prioritized for offices over housing.

The region could accommodate 500,000 units in these transit-oriented locations — putting approximately a quarter of its new housing on 3% of its land.

Recent development at Macarthur BART Station in Oakland has added both market-rate and affordable housing within close walking distance of transit.

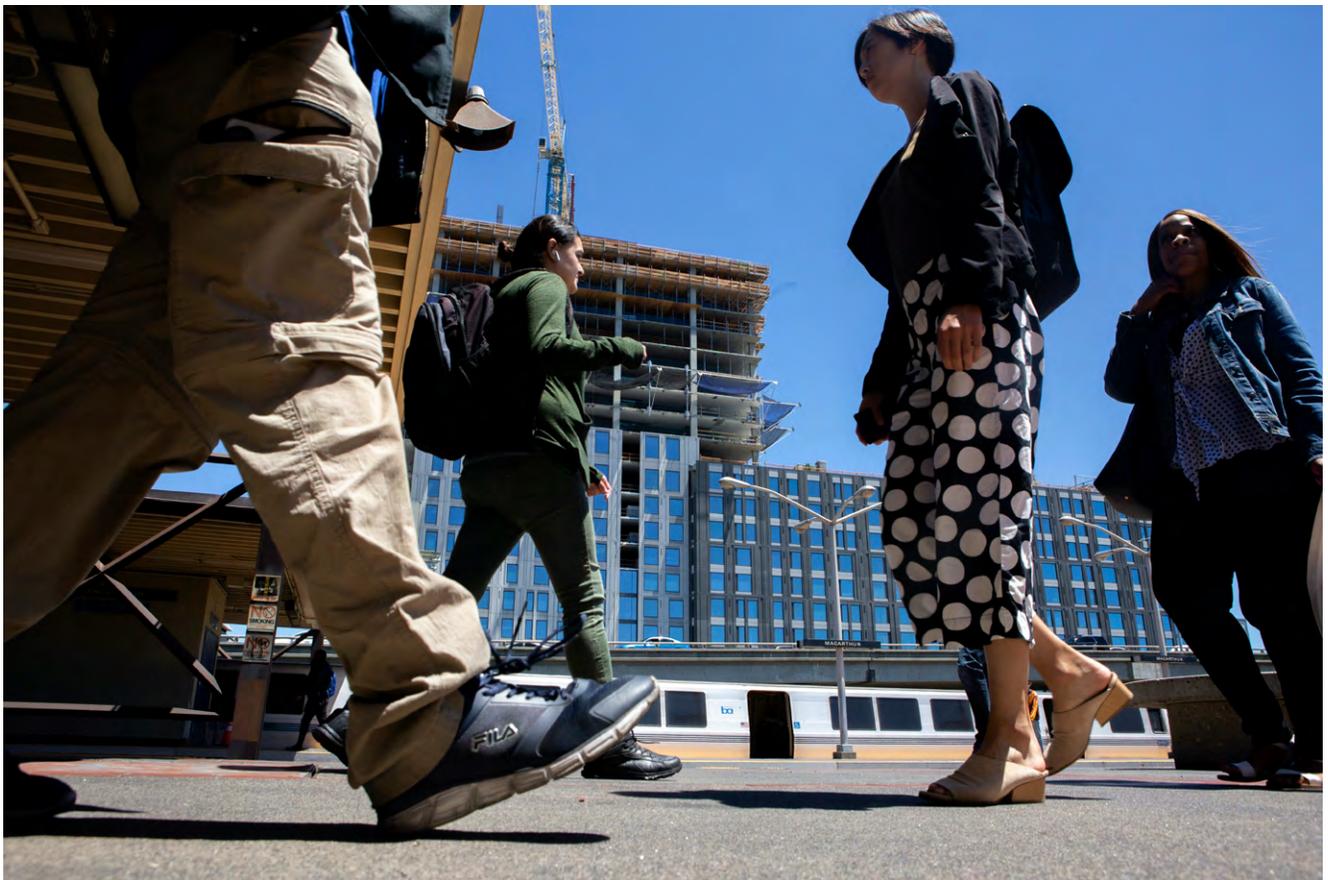
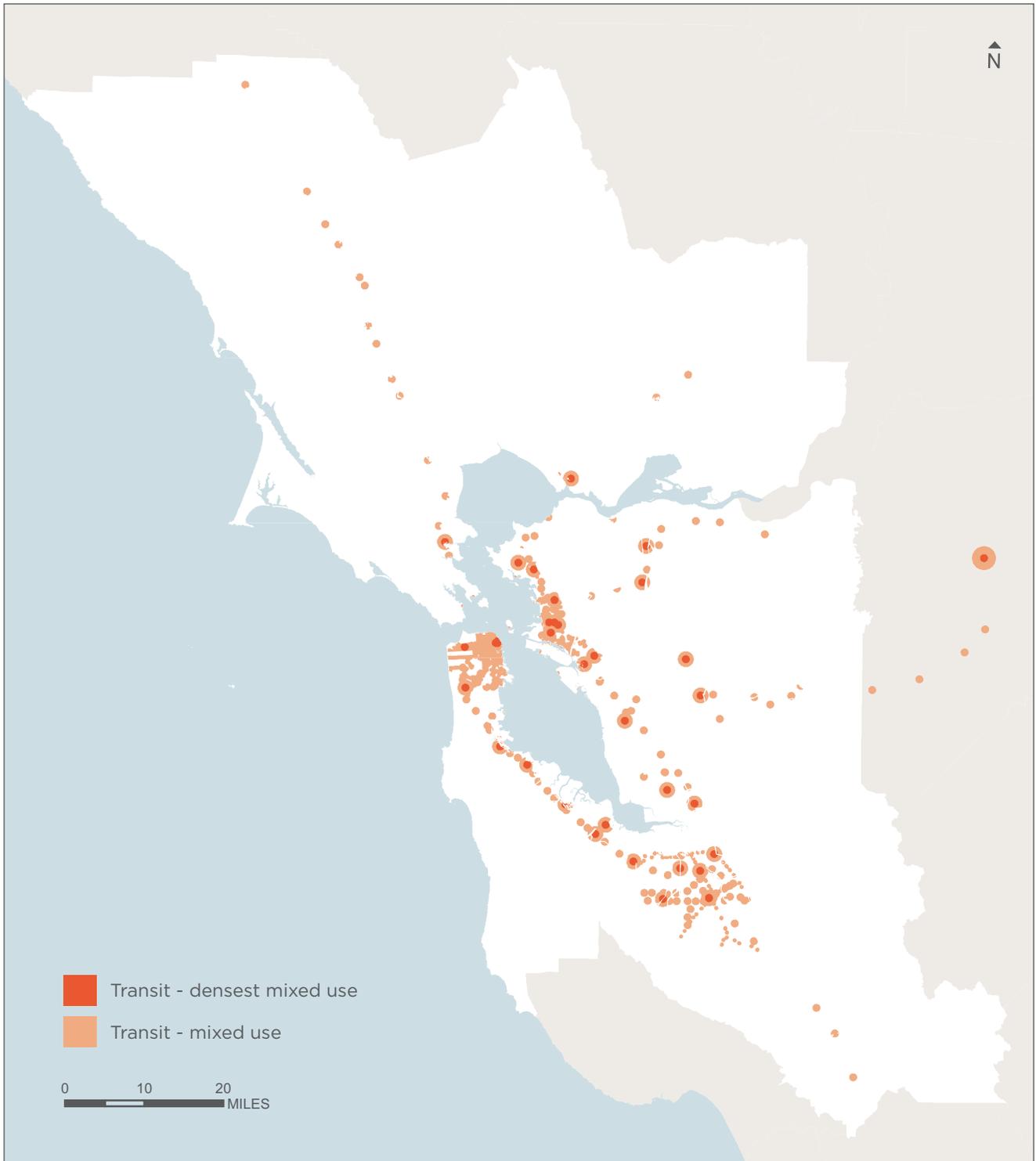


FIGURE 6
Growth Should Be Densest
Near Transit

Under the New Civic Vision, more housing would be built near transit stations.



Commercial corridors such as San Pablo Avenue can accommodate new housing, like this affordable housing apartment building in Berkeley developed by Satellite Affordable Housing Associates.



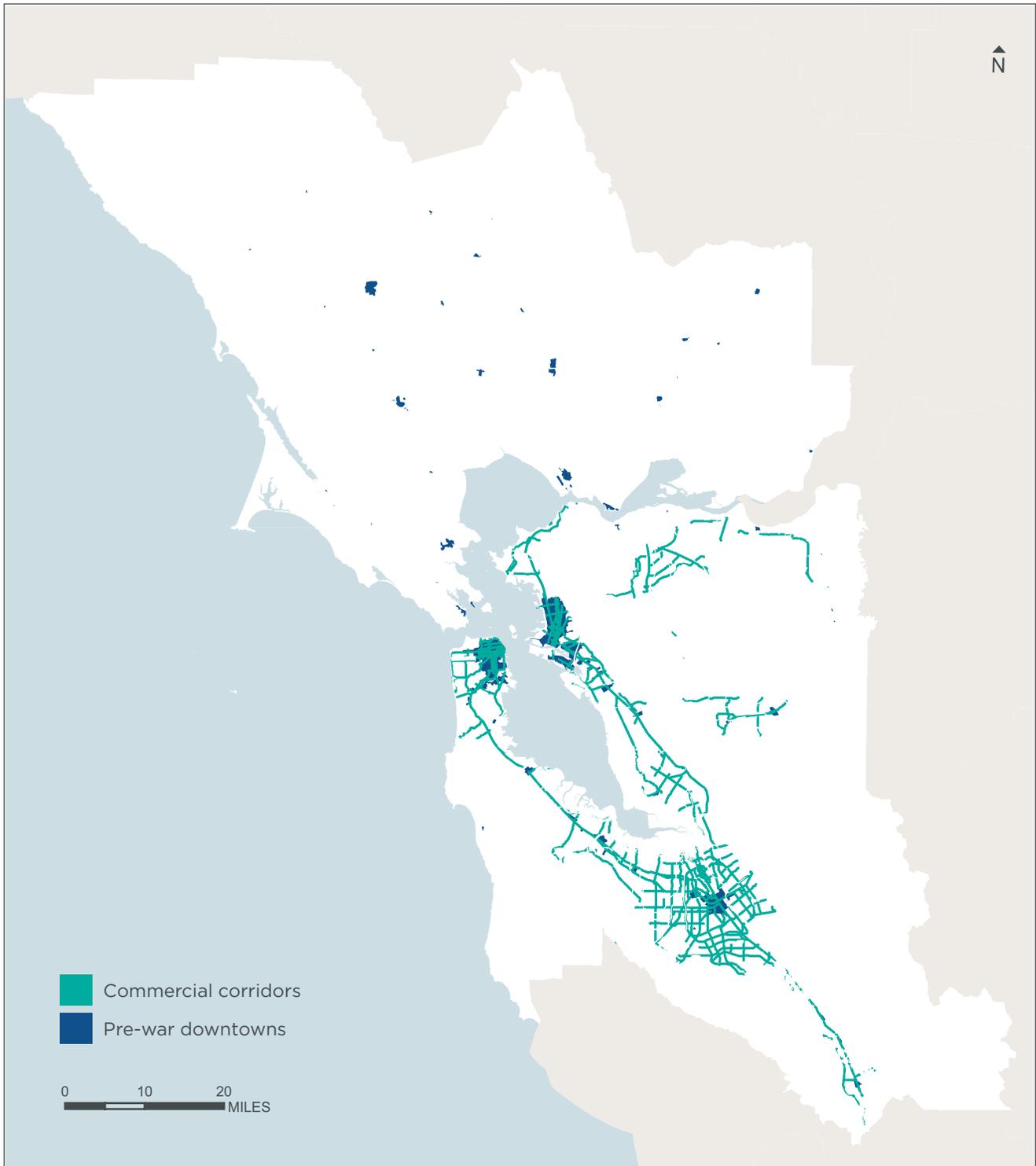
B | Concentrate jobs and housing along major commercial corridors such as El Camino Real and in pre-war downtowns in order to promote transit-supportive density.

Commercial corridors such as El Camino Real and San Pablo Avenue offer an opportunity to add new housing and jobs at densities that also make it possible to run great transit service. Right now, these areas are typically characterized by lower-density retail and office development. Along commercial corridors, new mixed-use housing up to eight stories is recommended.

Pre-war downtowns (those built before World War II) often have a great network of walkable streets that make them a good place to add housing. In the Bay Area, such places include the downtowns of Alameda, Fairfield, Mountain View, Santa Rosa, Pleasanton and Livermore. In these locations, SPUR's plan suggests mixed-use housing up to five stories. The region could accommodate 543,000 units along commercial corridors and in pre-war downtowns.

FIGURE 7
Growth Should Also Concentrate Along Commercial Corridors and in Pre-War Downtowns

Numerous commercial corridors and older, walkable downtowns provide opportunities to increase density throughout the Bay Area.



High opportunity areas include communities such as Los Gatos in Santa Clara County.

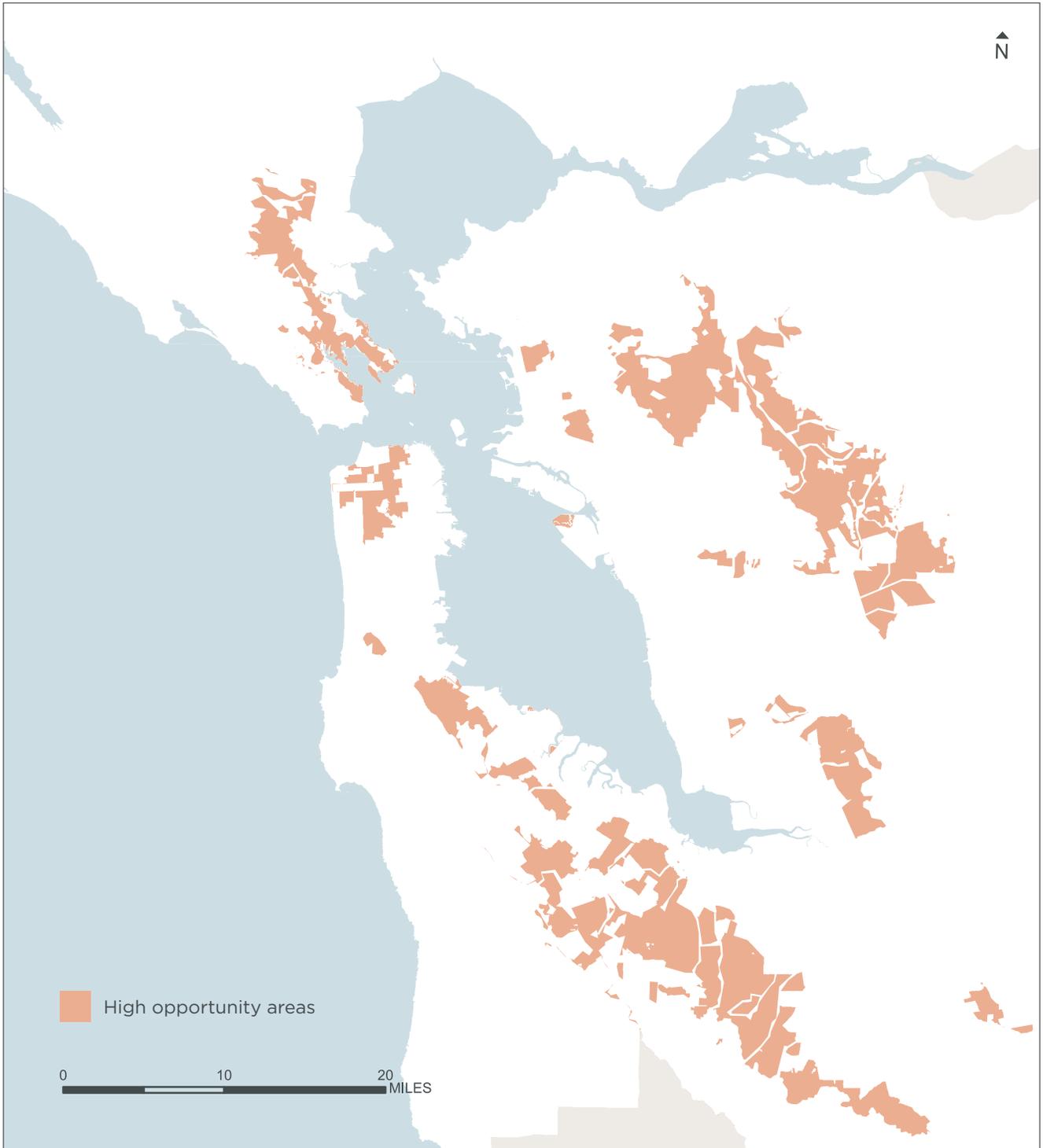


C | **Add housing in areas with good K-12 schools and access to high-quality jobs and other public services.**

One way to address racial segregation and inequitable access is to prioritize adding diverse types of housing in “high opportunity areas.” These are defined by the State of California as areas with good schools and high-quality amenities. Typically, these areas are only accessible to those who can afford to purchase an expensive single-family home. Adding different housing types to these neighborhoods (such as duplexes, fourplexes and three-story apartments) would give people of different incomes and racial backgrounds the ability to access these opportunities, helping to combat the physical and economic segregation that has been imposed upon people of color for so many decades. The region could add roughly 513,000 units in these locations.

FIGURE 8
**New Housing Should Be Added
in High Opportunity Areas**

“High opportunity areas” are affluent residential neighborhoods with access to good schools and other tools for building wealth.



D Allow modest density in single-family neighborhoods, including accessory dwelling units (ADUs) and smaller apartments (two to six units).

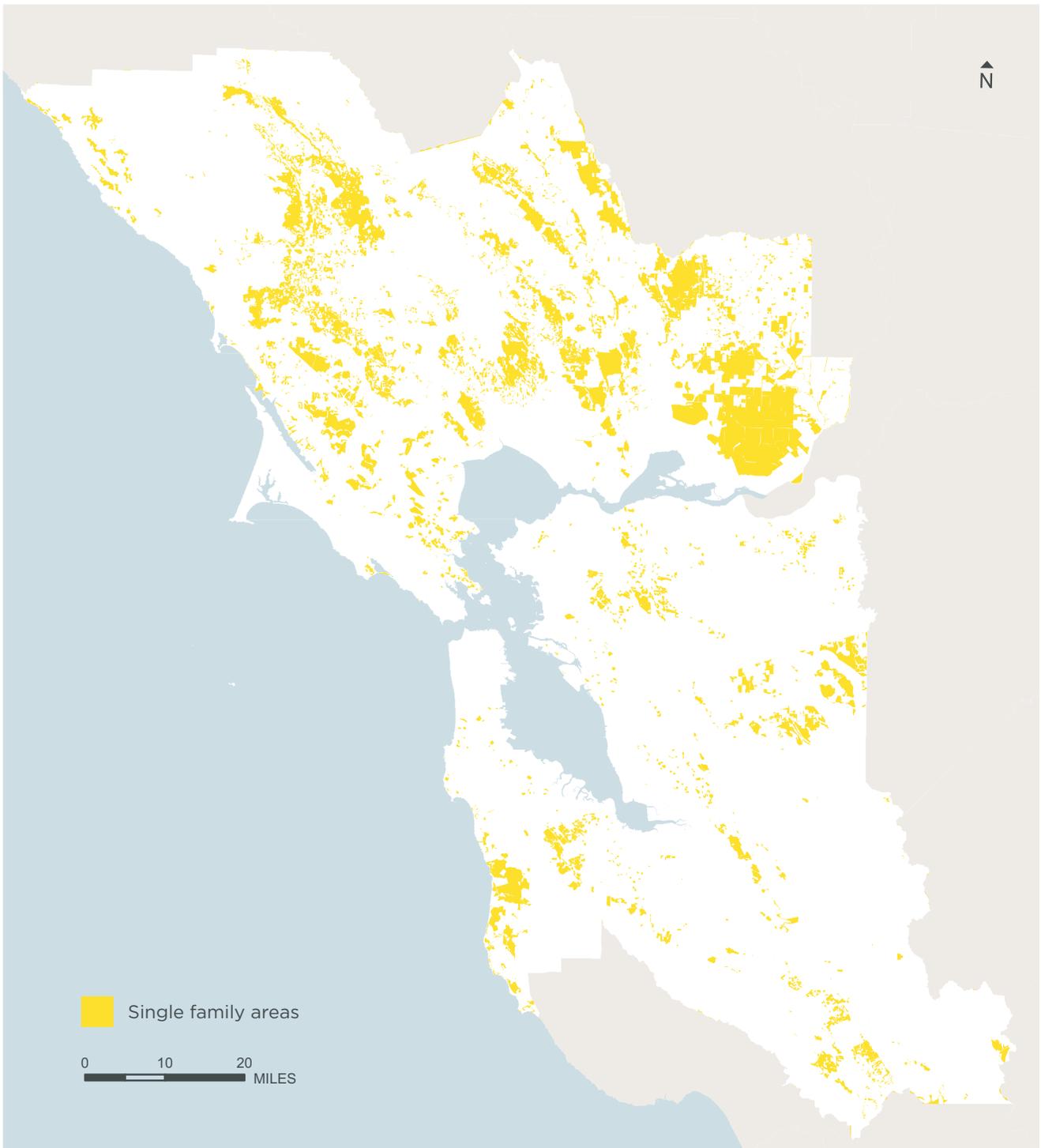
Throughout the Bay Area's suburbs, there are opportunities to tuck thousands of units into existing neighborhoods through modest changes, including adding granny flats and small apartment buildings such as duplexes, fourplexes and sixplexes.

Modest density, such as this duplex in the Netherlands, could be added in single family neighborhoods to help address the housing shortage.



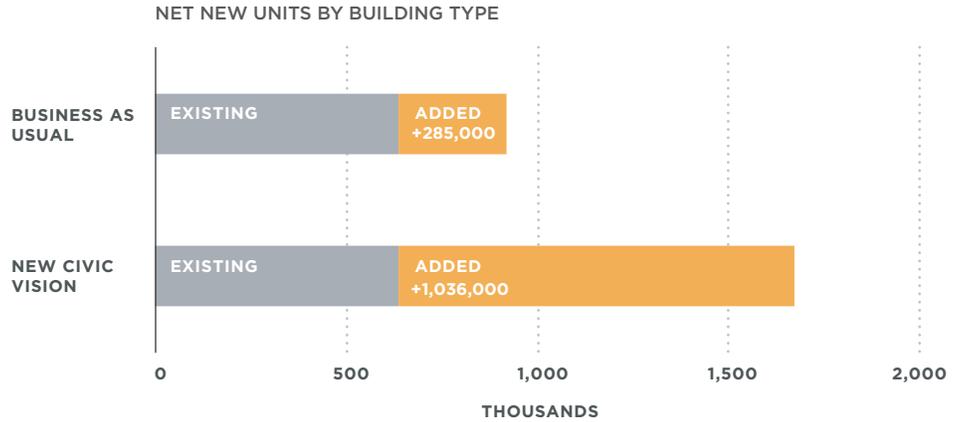
FIGURE 9
Today's Single-Family
Neighborhoods Should Allow
Other Housing Types

ADUs, duplexes and smaller apartments can all help add housing in lower-density suburbs, which proliferate in the Bay Area.



The region could add roughly 523,000 units in these locations. Add that to the vision for the high-opportunity areas, and the region would gain more than a million new housing units in previously exclusive neighborhoods, primarily in the form of accessory dwelling units and two- to six-unit buildings.

FIGURE 10
Housing Expands Access to Previously Exclusive Neighborhoods
 The New Civic Vision would add three times as many households in well-resourced neighborhoods as the Business as Usual scenario.



In order to build the proposed 2.2 million housing units, cities and counties will need to change their zoning codes to allow for different types of housing and the state’s land use framework will need to be significantly strengthened. Recommendation 2 below describes the land use changes needed.

The Promise of ADUs

One form of modest density that holds particular promise for the region is the accessory dwelling unit, or ADU. ADUs today take many forms, but in essence they are additional housing units that have been added to an existing home. Also known as secondary units, in-law apartments, granny flats, casitas and backyard cottages, ADUs can be found in virtually every community across the state, though many existing ADUs were not built legally.

SPUR has supported the removal of barriers to the creation of more ADUs for decades, arguing that they provide a wide-ranging set of benefits not only for individual households but also for the community at large. The widespread creation of more ADUs across the region could help address the need for more housing, serve as a stabilization and anti-displacement strategy, and meet the diverse needs of the Bay Area’s population.

ADUs help meet the needs of people and families through all phases of life.

- These often-smaller units, attached to or on the same property as the original home, offer flexibility to meet a homeowner’s needs over time as the family expands, contracts, divorces and so on. ADUs work well to meet the needs of multigenerational households. They can be used by adult children, aging parents, family caregivers and others to support a household at different times in life.
- ADUs offer the potential for rental income when needed by the homeowner.

ADUs are a form of modest density, creating more housing options in all kinds of communities.

- ADUs are a flexible and appropriate form of low-impact infill development that works in all kinds of places, including single-family neighborhoods, suburban areas and more exclusive communities.
- Putting ADUs in suburban neighborhoods adds a wider variety of housing types (rental units in primarily homeowner communities, smaller units among single-family homes) for different types of households, allowing people to remain in their community as they age or their circumstances change.

ADUs are good for the climate.

- Because they can be created in infill locations, ADUs help combat climate change, which is exacerbated by more driving.

ADUs can help grow the economy around small-scale development.

- ADUs offer more ownership and investment opportunities for individuals rather than for corporations.
- Creating more ADUs can support a growing industry of small-scale lenders and small general contractors and builders, boost local employment and offer jobs for community college grads with minimal training.
- ADU demand can help increase modular housing production, which in turn can fuel greater construction efficiencies.

ADUs are generally faster and less costly to build and often rented for lower market rents.

- Smaller units can be less expensive to build. Often ADUs take advantage of already-existing but underutilized space (garages, storage space, extra bedrooms, etc.), reducing construction costs.
- Because of the physical attributes of these units, ADUs are often rented for more affordable market rents.

ADUs are an anti-displacement strategy.

- Adding an income-producing ADU to their homes can allow lower-income homeowners to remain in place.

In recent years, local and state governments in California have made tremendous progress in supporting the creation of more ADUs, pivoting from planning and zoning policies that largely prohibited or limited ADUs to local policies that allow them and state policies that *require* localities to allow them. As the housing crisis has worsened, local governments have quickly adopted ADUs as an early step to address housing shortages. New organizations and initiatives have sprouted up to help facilitate the adoption of ADU policy at the state and local levels as well as to design, construct and deliver ADUs and to help homeowners get access to loans.

Barriers still remain. Clearly, ADUs have been a policy success — once the target of NIMBY opposition, they've become low-hanging fruit within a couple of years — and they should serve as a model for other changes to housing policy. But the actual number of new or legalized ADUs, while growing, remains small. Local approvals and permitting have become much faster and more efficient



in many places (again, a model for streamlining the multifamily housing approvals process), but it is not yet easy in most areas. The state's industry around small-scale development is still small and needs to grow. Much broader access to small loans and capital, especially for lower-income homeowners, is needed to make these projects financially possible for many households.

Under our proposal, in the Bay Area of 2070, ADUs would dot the entire region. These compact homes would be found in all kinds of communities, giving more people access to previously exclusive suburban enclaves but adding density to urban neighborhoods as well. The process for a homeowner to propose an ADU and get it approved and built/installed would be fast, simple and affordable. All cities would do their part to create more ADUs as housing options for Bay Area residents.

This two-bedroom accessory dwelling unit in San Jose helps to address the need for more housing while fitting in nicely to a single family neighborhood.



Recommendation 2

Strengthen the state's land use laws to support housing production.

One of the core impediments to building enough housing is that local governments are neither required nor sufficiently incentivized to change their zoning codes to allow for enough housing in the places that would further environmental sustainability and equity. Local government decision-makers (such as city council members) are responsive to and elected by their local constituents, many of whom do not want more housing for a variety of reasons — fear of traffic, distaste for new and/or tall buildings, concern about who the residents will be. Yet local governments, for the most part, get to determine how much housing gets built within their jurisdictions, which in turn determines how much housing gets built in the region. This creates a collective action problem, with most cities and counties failing to allow enough housing, which causes a housing shortage, which drives up housing prices.

The state and regional planning agencies should have a stronger role in determining *how much* housing gets built *in which cities and types of locations* (i.e., near transit and along commercial corridors). Local governments could still continue to have a say in *what that housing looks like* as well as more precise input into locations (e.g., this particular corner should have taller buildings, this other one shorter because of local conditions). If this balance of powers is not achieved, it will continue to be nearly impossible for the region to produce the needed amount of housing.

Even if each jurisdiction allows a sufficient amount of housing, currently there is no guarantee that the housing will get built. Part of the challenge has to do with market conditions in different parts of the region; if the costs to build housing outpace what the rents and sales prices will be, then housing is not financially feasible and the development will not move forward.

Part of the reason some projects do not get built has to do with process. The required steps that projects must go through to gain approval add time and cost to the development process. The longer a project takes to gain approval, the longer a developer must continue to pay taxes on vacant land, pay lawyers to attend hearings and pay consultants to prepare analyses. Sometimes in the midst of a process, housing projects are required to reduce the number of planned units or make other costly changes. While sometimes these changes improve the project by creating better urban design or adding community amenities, other times they just take time and reduce the number of new homes that might have been built.

In recent years, considerable strides have been made to strengthen the processes that guide housing production at the state level. However, there is more work to be done.

In order to achieve this goal, SPUR recommends the following:

A | Ensure that each region and each jurisdiction receive an appropriate growth allocation.

Under current state law, each jurisdiction receives a target for the amount of new housing it is required to build over an eight-year period. This is known as the Regional Housing Needs Allocation (RHNA) process. The number of housing units allocated to each region (known as the Regional Housing Needs Determination, or RHND) is developed by the state in consultation with the regional planning body (in the Bay Area's case, this is the Association of Bay Area Governments, or ABAG). Allocations are based on a variety of factors, including population growth projections from the Department of Finance, the number of units that were not built during

prior RHNA cycles, the cost of housing in a jurisdiction, and overcrowding. ABAG then takes the overall RHND and allocates it to the cities within the region based on a methodology that is informed by statutory requirements. The RHNA formula must incorporate a variety of factors, including producing a sufficient amount of housing at all income levels, addressing the relationship between job growth and housing production and affirmatively furthering fair housing. The allocations are broken down by income levels, with specific targets for very low-income, low-income, moderate-income and above-moderate-income housing production.

After ABAG adopts a final RHNA, each local jurisdiction must update its housing element, the part of a city's general plan that identifies its housing needs and goals. These updates must describe how the jurisdiction will accommodate the required growth and change its zoning accordingly.

One significant challenge with the current process is that it is inherently political, with wealthier jurisdictions seeking to shirk their responsibility to provide new housing. Recent changes in state law have made it much more difficult for wealthier jurisdictions to seek smaller allocations, particularly since jurisdictions are no longer allowed to take low population growth into account and fair housing access is a required consideration.

While significant strides in this area have been made, there is room for improvement. Specifically, the legislature could codify that the California Department of Housing and Community Development (HCD) must take historic housing yields into account when certifying that a housing element has been sufficiently completed. A housing yield is the number of housing units a jurisdiction develops relative to the amount it zones for. For example, if a jurisdiction asserts that a site can accommodate 50 units, but that site only has a 10% chance of being developed, then the expected yield for that site is 5 units.⁹ HCD's Site Inventory Guidebook already calls for this analysis, but it's not clear whether HCD will require cities to do it.¹⁰

Alternatively, HCD could look at the housing yield of a particular jurisdiction over a period of time (i.e., the number of units a jurisdiction sought to develop in its last two housing element cycles relative to the amount of housing it actually produced). Let's say a jurisdiction planned for 1,000 units in the last two cycles but produced only 250 units. The expected yield for that jurisdiction is 25%. Therefore, zoning capacity would need to increase in order to actually see the construction of the desired number of housing units.

Additionally, the RHNA and RHND process could take into account the price of housing relative to regional averages or the averages of other high-cost metropolitan areas. Given that Bay Area counties frequently top the list of least affordable areas in the country, determining housing allocations that would reduce housing prices is crucial. By relying on an analysis of who in the region is cost-burdened, the current RHNA and RHND process fails to take into account the fact that the price of housing causes some people to move outside of the region in search of affordable housing, thereby driving up demand and potentially the cost of housing in the areas where people relocate.

B | Strengthen housing element enforcement.

One of the greatest challenges with housing element law is that historically there has been limited enforcement. While numerous positive changes have been made in recent years, more work is needed to strengthen the state's housing element law and its enforcement.

⁹ The "housing yield" concept and many other housing element and RHNA reforms are discussed in greater detail in the following report: Christopher S. Elmendorf et al., "Making It Work: Legal Foundations for Administrative Reform of California's Housing Framework," *Ecology Law Quarterly*, Volume 46, May 2, 2020, <https://ssrn.com/abstract=3500139> or <http://dx.doi.org/10.2139/ssrn.3500139>

¹⁰ Megan Kirkeby, California Department of Housing and Community Development, "Housing Element Site Inventory Guidebook Government Code Section 65583.2," Memorandum, June 10, 2020, https://www.hcd.ca.gov/community-development/housing-element/docs/sites_inventory_memo_final06102020.pdf

In order to improve housing element enforcement, HCD should be fully funded to do the necessary work to ensure both that housing elements are meeting the spirit of the law and that the rules and regulations that local jurisdictions adopt do not make it impossible to actually construct that housing. SPUR appreciates that Governor Gavin Newsom recently added funding to his 2021-2022 budget for housing element enforcement. This type of funding should be continued in future years. Additionally, a hotline should be created for anonymous complaints of violations of housing element law. This hotline could be staffed by HCD or by the attorney general's office. Whistleblower protections should be provided to ensure that local staff who make a complaint of a violation don't experience retaliation.

State law should be clarified to ensure that jurisdictions have the authority to take zoning actions that allow them to meet their RHNA and housing element requirements even if those actions are precluded by previously adopted voter initiative or charter constraints.

Additionally, housing element law should be modified to reduce the amount of time that jurisdictions have to complete rezonings related to housing elements. Currently, the law allows jurisdictions three years to complete rezonings identified in their housing elements, plus extensions under certain circumstances. The time allotted to complete rezonings should be reduced to two years, and the opportunities for extensions should apply only in extraordinary circumstances.

HCD currently has the authority under statute to refuse to certify or to decertify housing elements that include local regulations, fees and requirements that render housing construction infeasible.¹¹ HCD should develop guidance for how it will determine which local regulations, fees and requirements meet that threshold and should be prepared to exercise this authority when needed.¹²

State law should also be amended to define appropriate "default zoning" for projects that are allowed to move forward because cities fail to have compliant housing elements. Under an untested portion of the Housing Accountability Act, projects of any size can proceed as long as a jurisdiction does not have a compliant housing element and the project is either 20% affordable to low-income households or 100% affordable to moderate-income households.¹³ It would be preferable for the state to define what is allowable to build in these circumstances in order to avoid a situation where a rash of extremely out-of-scale development triggers a statewide backlash against housing production.

Lastly, local transportation funding should be conditioned on compliance with housing element law. Currently, local governments receive transportation funding from the state for a variety of uses, including street and road repair. State and regional governments could require that transportation funding be conditioned on compliance with state housing law and on zoning for a sufficient level of growth in the right locations. This growth should be defined by the RHNA process, housing element law and the Sustainable Communities Strategy,¹⁴ a geographically targeted regional plan to accommodate growth and reduce greenhouse gas emissions.

Allow housing projects that conform with the zoning code to be approved ministerially.

In many jurisdictions, new housing development, regardless of whether it meets zoning requirements, needs to be approved by the Planning Commission before moving forward. Some projects should be reviewed by

11 See California State Government Code, 65583(c)(3), https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=65583

12 Christopher S. Elmendorf et al., *Superintending Local Constraints on Housing Development: How California Can Do It Better*, July 8, 2020, <https://ssrn.com/abstract=3614085> or <http://dx.doi.org/10.2139/ssrn.3614085>

13 Written communication with Christopher Elmendorf, dated February 11, 2021.

14 The Bay Area's Sustainable Communities Strategy is called Plan Bay Area. More about Plan Bay Area may be found here: <https://www.planbayarea.org/>

a political body with discretion to deny the project. These projects should be limited to those that are very complex (master plan community) or require a general plan or zoning change. Barring these exceptions, most projects that conform with the zoning code could be approved ministerially (i.e., “by right”) by a planner who determines whether or not the project meets the zoning code and other requirements.

Community input on development should be incorporated into community planning processes. It should not occur on a project-by-project basis. When every development is up for review by a discretionary body such as a Planning Commission, it adds enormous complexity to the process and puts projects at risk.

In order for projects to be approved ministerially, local jurisdictions should update their zoning codes to provide clarity around conditional use requirements, setbacks and other aspects of development that add discretion to the process due to the fact that variances are typically required. They will also need to ensure that certain types of zoning, such as “Planned Developments” (or PD permits), are reserved only for the scale of project where discretion by a Planning Commission is warranted.

Allowing housing to be approved ministerially would significantly lower risk in the process and should reduce the cost of producing housing. Higher risk creates higher financial hurdles for investors in housing. As risk declines, so should the cost of capital. At the same time, carrying costs (the cost of insuring, caring for and paying taxes on land during the entitlement process) would also be reduced due to time savings.

D | **Limit CEQA review to projects that require a change in general plan or zoning.**

Passed in 1970, the California Environmental Quality Act (CEQA) was originally conceived as a mechanism to provide information about the impacts of development in order to assist decision-makers in protecting the environment. It has since grown into a sprawling series of statutes and case law that unfortunately often serve to delay new housing construction in infill locations. Allowing housing projects that conform with zoning to be approved ministerially should go a long way toward ensuring that CEQA is not used as a tool to delay or undermine housing production, because ministerially approved projects are not subject to CEQA. However, state law should also be changed to ensure that CEQA review is limited to those projects that require a change in general plan designation or zoning. A conditional use permit, for example, should not trigger CEQA review. Lastly, the opportunity to bring CEQA lawsuits against a local housing element should be significantly curtailed. If HCD certifies that a housing element is in compliance, it should be exempted from CEQA litigation.

E | **Eliminate parking requirements in dense, transit-oriented locations and for small infill projects.**

Building structured parking spaces can cost between \$30,000 and \$75,000 a stall¹⁵ depending on whether the space is in a parking lot or in a structured underground parking garage. When jurisdictions require that housing projects include off-street parking, it drives up the cost of producing a new unit. Instead, state law should eliminate parking requirements in dense, transit-oriented locations, along commercial corridors and in other areas where residents do minimal driving (i.e., areas with low Vehicle Miles Traveled). There are already excessive amounts of existing parking in many of these locations, and these spaces could be made available for shared use in the future. In addition, the state should consider setting parking maximums in areas directly served by transit, such as areas within a short walk from BART or Caltrain.

15 Based on a SPUR survey of developers conducted in spring 2020.



Under previous California law, redevelopment agencies paid for public benefits, such as this community space in San Francisco's Mission Bay, through tax increment financing, which allowed the public sector to borrow money against future tax revenue.

F Reduce fees and taxes on new housing construction and utilize other funding mechanisms to pay for development impacts and community benefits.¹⁶

One of the challenges of the current tax system is that there are relatively few sources available to local governments to pay for infrastructure investment. After California eliminated redevelopment agencies as a tool to help pay for new community-serving infrastructure, local governments were left with few tools beyond impact fees. Local governments have compensated for this lack of revenue by adding fees and requirements to new housing development, driving up the average cost of housing and thereby depressing the amount of housing that can be built.¹⁷

¹⁶ California Forward and SPUR, *Does State Tax Policy Discourage Housing Production?*, September 23, 2020, <https://www.spur.org/publications/white-paper/2020-09-23/does-state-tax-policy-discourage-housing-production>

¹⁷ Turner Center, *Residential Impact Fees in California: Current Policy Practices and Policy Considerations to Improve Implementation of Fees Governed by the Mitigation Fee Act*,

Changing this dynamic requires two adjustments. The first is to find ways to fund community benefits and development impact fees. The tax changes described in our report *Housing as Infrastructure: Creating a Bay Area Housing Delivery System That Works for Everyone* would help with that effort. Adding a small increase to the Prop. 13 rate cap specifically for community investments could also help address this challenge. Alternatively, the state could allow for the re-creation of a more modest form of redevelopment in certain locations (where a government entity could borrow bonds against future property tax increases and use those funds to pay for infrastructure investments).

The other adjustment is to minimize taxes and fees on new housing construction with an eye toward preserving the feasibility of new construction.¹⁸ As mentioned earlier, HCD considers governmental constraints when certifying housing elements.¹⁹ HCD should monitor the combined cost of all fees assessed on new housing development throughout the state (called the “fee stack”) and develop a mechanism to cap fees in locations where the overall fee burden is undermining production.

G | Understand the cost implications of building code provisions relative to their benefits.

State and local building codes serve many important functions, among them protecting life safety, promoting environmental sustainability and considering basic quality-of-life standards. Over time, building codes have become lengthy, sometimes burdensome and costly and don’t always provide the benefits that should come with those costs. While local “reach codes” (requirements that surpass state building standards) often help pave the way for improved practices in broader geographies, sometimes they ignore the cost implications or other requirements/trade-offs. SPUR supports the public sector adopting cutting-edge environmental, seismic and fire protection innovations. But it is important to consider the design and cost impacts on housing production, which is also a public good.

The state could do two primary things to review the cost implications of the building code. First, in partnership with designers, engineers, builders, planners and others, the state should undertake a comprehensive review of the *existing* building code with an eye toward reducing unnecessary cost impacts and adopting and accommodating innovation.

Second, the state could require local jurisdictions to perform an analysis to fully understand both the costs and the benefits associated with *new* requirements, including how additional requirements would add to the overall fee stack (rather than considering new fees in isolation) and the cost of construction and implementation. Going forward, local jurisdictions would need to selectively choose where they want to be adding costs and for what benefit. As HCD reviews programs to mitigate constraints in housing elements, excessive local requirements should be considered a governmental constraint to housing development. Additionally, the state should be more aggressive about pushing for the adoption of construction technology that reduces construction costs and increases performance (including the use of factory-built or modular technologies) in order to offset the greater costs of new requirements.

August 5, 2019, https://ternercenter.berkeley.edu/wp-content/uploads/pdfs/Residential_Impact_Fees_in_California_August_2019.pdf

18 Ibid. This report has many thoughtful recommendations about how to improve the clarity and the policy outcomes around development fees.

19 California Department of Housing and Community Development, “Address and Remove or Mitigate Complaints,” <https://hcd.ca.gov/community-development/building-blocks/program-requirements/address-remove-mitigate-constraints.shtml>

Conclusion

Change is never easy. But we cannot afford to continue on our current path. The steps in this report will lead to a better future, one where everyone can live in homes they can afford and where housing policies protect the environment and stem the impacts of climate change. Updating zoning codes to allow sufficient housing in the right places and strengthening laws around land use are two pivotal moves that would enable the region to rise to this challenge. With the targeted improvements outlined in this report, the goal of producing 2.2 million homes in the Bay Area in the next 50 years lies within reach.

Of course, zoning for more housing on its own will not solve the Bay Area's affordability crisis. We need to find ways to produce much more affordable housing, to drive down the cost of building all types of housing and to ensure that existing residents are not displaced from their homes. SPUR discusses the other actions needed to achieve these goals in two additional reports in this series, *Housing as Infrastructure: Creating a Bay Area Housing Delivery System That Works for Everyone* and *Rooted and Growing: SPUR's Anti-Displacement Agenda*. All reports in the series can be found at spur.org/housingtheregion.

Appendix

We thank the following people for graciously sharing their time and expertise with us as participants in convenings, in individual interviews or as reviewers of this report. The findings and recommendations in this report are SPUR's and do not necessarily reflect the views of those listed below. Any errors are the authors' alone.

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