



SPUR REPORT SERIES

EXECUTIVE SUMMARY

APRIL 2021

Housing the Region

A 50-year vision for solving the Bay Area's affordability crisis

Imagine a Bay Area where our greatest challenge, the scarcity and expense of housing, has been solved. This may sound like an impossible dream, but it isn't. Within the next 50 years, we can live in an affordable Bay Area. But only if we make significant changes, starting right now.

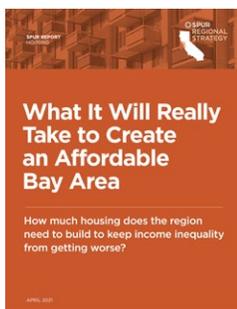
Imagine everyone has a home. Housing is plentiful and available at affordable prices to all, not just the wealthy few or those willing to commute for hours. People can choose to live in neighborhoods near transit, or close to good jobs. They can walk from home to regional transit stations or along commercial corridors to shops. Small apartment buildings with four to six units pleasantly cluster in residential neighborhoods. Families in single-family homes easily add in-law units to help house and care for aging parents. Some people own their homes and others rent, but if you rent, your life isn't consumed with anxiety over the threat of eviction or rising rents. Assistance programs help those at risk of missing rent payments, so they don't become homeless. Homeownership is not the only way to grow wealth. Skyrocketing housing costs are not a constant source of stress in people's lives. Rather, policies ensure access to housing for everyone and support a feeling of home, of community, of stability.

Housing the Region is a crucial 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 right scale. We can finally begin to consider the central question: "What interventions would actually be sufficient to turn the tide on the housing crisis?"

Making these changes requires upending current structures and systems. Addressing the Bay Area's housing crisis demands that we rethink almost every aspect of our housing system: how we make decisions about what is built and where, how we construct housing, how much funding we make available to build housing for those least able to afford it, how we think about what it means to be a renter versus an owner, how much and in what manner we tax ourselves to support the region we want to live in, and who gets to benefit from the system we create.

The alternative, which is to continue on the current path, will only lead to greater housing unaffordability, greater anxiety about how to afford living in this region, more overcrowding, continued displacement of families from their homes and neighborhoods, and more and more people living on the streets.

Housing the Region consists of four reports designed to define the region's housing crisis and put forth concrete steps to build a better, more affordable region:

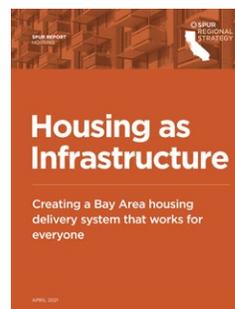


What It Will Really Take to Create an Affordable Bay Area

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 by 2070 to prevent income inequality from getting worse: approximately 2.2 million homes, or roughly 45,000 homes a year for 50 years.

spur.org/affordablebayarea



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 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.

spur.org/housingasinfrastructure

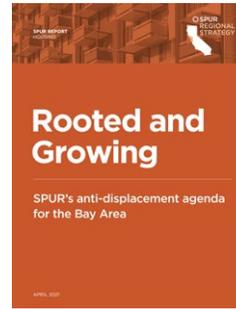


Meeting the Need

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

The region needs to produce 2.2 million 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.

spur.org/meetingtheneed



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 build 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.

spur.org/rootedandgrowing



Recommendations

Three reports in the series make policy recommendations:



Housing as Infrastructure



RECOMMENDATION 1

Expand affordable housing funding and production.

In order to produce enough affordable housing, state, regional and local governments will need to create significant new funding resources. SPUR estimates that the need for state and local subsidies to address future housing needs will be roughly \$3.5 billion a year until industrialized housing and other cost-reducing measures are widely adopted. At the same time, funding must be available during downturns in order to capitalize on lower land and construction costs when fewer market-rate housing projects are being built.



RECOMMENDATION 2

Place land and buildings in public or nonprofit ownership.

Putting land and buildings under nonprofit or public ownership is one of the most important things the public sector can do to encourage long-term housing affordability and reduce speculation. Cities in Europe and Asia have had great success with “social housing” systems because of access to large swaths of public land. The Bay Area can emulate these successes by empowering a new regional housing finance agency to acquire, manage and dispose of land and property, while also devising a regional land banking strategy. Public and philanthropic institutions should develop financial resources during market upswings that can be spent during downturns to acquire existing property and convert it to permanently affordable housing.

**RECOMMENDATION 3****Make it possible to build middle-income housing.**

SPUR estimates that a minimum of 408,500 homes must be built for middle-income households. These families typically do not qualify for housing subsidies, but they are also unable to afford market-rate housing in many parts of the Bay Area. Failing to plan for and build middle-income housing puts pressure on the more affordable parts of the housing market, leading to gentrification and displacement. We can address this housing need by encouraging the market to produce more modest housing types and providing limited subsidies to help create middle-income housing in expensive Bay Area housing markets.

**RECOMMENDATION 4****Develop financial and public policy tools that can be deployed to encourage private housing construction during a downturn.**

During a downturn, the annual construction of market-rate housing usually slows to a trickle, which places pressure on the housing market during a recovery, when new workers flood the region and drive up the cost of housing. In order to encourage the construction of market-rate housing during downturns, the public or philanthropic sector should provide loan guarantees to reduce risk and a public infrastructure bank should be created to serve as a co-investor in property development. Additionally, cities and state legislators should make zoning changes that enhance project feasibility.

**RECOMMENDATION 5****Industrialize housing production.**

One of the biggest barriers to creating the 2.2 million new homes we need by 2070 is the high cost of construction in the Bay Area. SPUR believes that the industrialization of the housing production process — through modular and other forms of factory-built housing — will enable housing to be produced faster and at less cost. We can make industrialized construction the norm and not the exception by embracing building innovation in both the public and the private sectors while expanding and developing the construction labor force.





RECOMMENDATION 6

Change tax and public funding structures to support new housing.

California's current tax system does not incentivize housing production. Nor does it generate sufficient revenue to pay for the services that would enable Californians to flourish and the state to grow in an environmentally sound and equitable manner. The state tax system should be reformed in order to increase fairness and revenue while making it easier to pass funding measures to pay for housing. Additionally, the Bay Area should create a regional tax system that supports housing production.

Meeting the Need



RECOMMENDATION 1

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

In order to accommodate the 2.2 million new homes the region needs without building in natural areas, farmland or hazardous locations susceptible to wildfires and sea level rise, SPUR developed a sustainable and equitable future scenario called the New Civic Vision. To make the New Civic Vision a reality, zoning codes must change in order to allow for growth near transit, along commercial corridors and in the suburbs, particularly those suburban areas with successful schools and desirable amenities.



RECOMMENDATION 2

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

One of the biggest impediments to building enough housing is that local governments are neither required nor sufficiently incentivized to build enough housing in the places that housing should go in order to create a more equitable and sustainable region. Stronger state law could ensure that each city is planning for growth and passing zoning codes to support it, and that projects that meet these zoning requirements move forward quickly. Additionally, state and local governments should look to reduce fees and taxes on new housing construction while expanding other funding mechanisms to pay for development impacts and community benefits.





Rooted and Growing



RECOMMENDATION 1

Protect and support residents.

If we want to treat housing as a human right, supporting the people who contribute to our communities is essential. This means taking a stronger stance on protecting people, not just the buildings where they live, by actively enforcing tenant protection laws and strengthening other tools that keep people in their homes. Funding for short-term rental assistance should also be expanded.



RECOMMENDATION 2

Collect data and create planning tools to understand displacement pressures and support stabilization.

Planners should look at existing data — and start tracking new data — that can deepen our understanding of displacement pressures and inform better policymaking. Regional and local planning processes should include a consideration of displacement vulnerabilities and mitigations. A statewide or regionwide rental registry could help policy-makers track areas and populations at risk of displacement.



RECOMMENDATION 3

Reduce speculation in the housing market.

Real estate development creates many things of value, including public goods such as homes for people, workplaces for jobs and spaces for recreation. However, current development is failing to provide sufficient homes at reasonable prices or rents in the Bay Area. A more forceful use of policy and regulation could protect people and stabilize communities by deliberately shifting the rewards, incentives and penalties for desirable and undesirable behaviors in the market. This could include giving tenants, public agencies and affordable housing

nonprofits the first opportunity to purchase multifamily buildings or parcels, incentivizing property buyers to keep low-income renters in place, and creating a statewide residential vacancy tax to encourage property owners to put their vacant units on the rental market.



RECOMMENDATION 4

Expand homeownership opportunities for lower- and moderate-income households.

Expanding affordable homeownership can stabilize monthly housing costs for families while enabling households to build savings for the future. Homeownership has been the primary pathway for wealth-building in the United States, and people of color have been excluded from the benefits of homeownership in a multitude of ways. To open the door to homeownership for communities that have been shut out, the region should: support the development of alternative models of ownership, including shared equity programs; scale up down-payment assistance programs; and offer financial incentives and technical assistance to low-income homeowners interested in creating or legalizing accessory dwelling units.



RECOMMENDATION 5

Expand demand-side housing programs, such as vouchers and renter tax credits.

Demand-side housing assistance helps keep people housed while also allowing households some mobility and choice about where they want to live. The housing voucher program should be expanded to combat displacement and support the ability of families to live in high-opportunity areas — neighborhoods with access to good schools and other tools for building wealth — if they choose. At the same time, lawmakers should strive to reduce discrimination against voucher holders and to increase the value of the state's renter tax credit.

**RECOMMENDATION RG 6****Create neighborhoods of belonging.**

By 2070, SPUR envisions that Bay Area communities can evolve into places where people of different races, economic backgrounds, demographics and life experiences all feel comfortable and welcome. In most places, this will mean both retaining existing culture and commerce and evolving into something new. In order to create neighborhoods of belonging, we should strengthen key arts and culture organizations in neighborhoods experiencing change, find ways to address commercial displacement, encourage equitable practices in new development and educate new residents on ways to respect existing cultural norms.

Conclusion

The recommendations outlined above are interdependent. It is not sufficient just to produce 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 these recommendations as mutually reinforcing and invites readers to engage with each report in the Housing the Region series, available at spur.org/housingtheregion.

Fundamentally, creating an affordable Bay Area will require us to change the way we think about housing in our society. It will push us to reconsider our assumptions about what is possible. If we accept this challenge, we can start to create a region that is safe, prosperous, equitable and healthy, a Bay Area that will be a beacon through the 21st century and beyond.





Acknowledgements

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Housing the Region Task Force

We thank the following task force members for sharing their time and expertise with us. 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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