

Creating affordable housing outside the public arena in California: innovations in design, regulation and finance

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Housing which is affordable and proximate to places of employment is crucial to sustaining California's economic competitiveness. This is particularly so in highly impacted metropolitan California communities such as the San Francisco Bay Area.ⁱ Funding from California State Agencies helps to incentivize construction of new, affordable housing units throughout the state but, given limited funding it largely supports the production of housing for extremely low (<30%) and very low (30-50%) area median income (AMI) households. The California Regional Housing Needs Assessment (RHNA) identifies the gaps that exist in regions between housing need and housing supply and establishes targets to meet this need. The objective is to encourage local investments to fill the gap between housing need and availability and shape federal and state investments toward that end.

Median income (and income of those needing access to housing) in California ranges widely as does the desired housing type. For 2014, farmworker housing in the Central Valley, service delivery workers in the central coast, and, entry-level multifamily rental housing for highly educated IT workers in Silicon Valley are all represented in this population. But projects serving households with low (51%-80%) and moderate-income levels (81%-120% AMI) is not typically competitive for subsidy from limited state funds. The housing occupied by these families is largely produced by the private sector and has been labeled in the literature (and variously defined) as "workforce" housing. The Urban Land Institute (ULI) defines "workforce housing" as affordable to households of low, moderate and above moderate income in the range of 60-120% of AMI. The Housing Land Trust Fund of San Francisco Bay defines "workforce housing" as housing that is affordable to private and public sector workers

with incomes at or below that of teachers and public workers. However, no shared definition of “workforce housing” currently exists.

The urgency to seek housing solutions for low and moderate-income households in California is recognized widely and reflected in data on housing prices. The Center for Housing Policy’s first quarter report for 2014 lists 13 California metros in the 15 highest metro median home prices in the US. The top four California metros (San Francisco, San Jose, Santa Anna and Santa Cruz) outrank Hawaii and New York.ⁱⁱ

This paper reports on a research study recently completed for the California Department of Housing and Community Development (HCD) in support of the agency’s efforts to formulate the 2015-2025 Statewide Housing Plan to address the range and variation in California’s housing need. It recommends supportive policy and practice to enhance the creation of housing for low and moderate income households, variously referred to as “workforce” housing, based on study of, and lessons learned from, successful and innovative housing projects for working families created in California primarily through private sector initiative. The paper will:

1. Identify best practice cases of successful housing accessible to low and moderate income households that demonstrate innovations that are pertinent to California in meeting the regional housing needs of the state;
2. Delineate the design, regulatory and economic parameters of innovations that underlie these successful projects and a context sensitive development strategy of permutations and variations in effective practices in design, production, regulation and ownership; and,
3. Outline the needed policy to support/encourage private investments and partnerships to produce housing for this segment of the population in California.

The work presented will feature ten different projects developed constructed in the last ten years that demonstrate context-specific innovations in design, regulation and finance that have enabled the private sector to construct housing for low and moderate income families in California.

Notes:

i “Driving Home Economic Recovery: how Workforce Housing Boosts Jobs and Revenues in Marine,”

<http://nonprofithousing.org/wpcontent/uploads/DrivingHomeEconomicRecovery.pdf> accessed 10.12.14. Marin Community Foundation, www.marincf.org

“Building Livable Communities Enhancing Economic Competitiveness in Los Angeles”

L. A. Business Council,

http://labcinstitute.org/files/LABC_MHTJ_Report_2012_only_final_r-1.pdf

accessed 10.12.14

ii Center for Housing Policy, “Paycheck to Paycheck, 2014 Rankings: Most to Least Expensive Metro Areas for Homeownership”

<http://www.nhc.org/MosttoLeastExpensiveOwnership2014.pdf> Retrieved Oct. 10, 2014.