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Improving the Bay Area's Affordability: Recommendations from SPUR

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The Bay Area is yet again in the midst of an affordability crisis. We are all feeling the impacts as the rising cost of housing threatens to drive away the diversity that makes this region so special. The causes are complicated. One key data point: The region has added 600,000 jobs in the past five years and only 50,000 housing units. This means tens of thousands of new people are competing with existing residents for a fixed housing stock and are bidding up prices. Those with the fewest resources are the most harmed when housing costs increase.¹ It is clear that more subsidized affordable housing is critical. But there is a scale problem for affordable housing. Say we assume the average subsidized affordable housing unit costs \$250,000, can we produce enough for the full need? 10,000 affordable units costs \$2.5 billion; 100,000 costs \$25 billion; 1 million units costs \$250 billion. We should spend more. But we also have to think broadly. We must improve the market provision of housing. And we must work on affordability by raising wages for those at the bottom and middle as well as improve our regional transit system. The following briefing focuses on housing-specific ideas we believe are worth pursuing:

1. Significantly increase the amount of subsidized affordable housing region-wide.

There are tens of thousands of privately developed, permanently affordable units today in the Bay Area. But the need is dramatically greater. Cities have different funding mechanisms for new affordable housing construction: inclusionary requirements; various fee programs such as local impact fees or jobs-housing linkage fees and “boomerang” funding from former Redevelopment Areas. Such funding mechanisms are appropriate in places where the development math makes the fee possible without shutting off all development. The following are a few additional actions:

- Pursue local or regional General Obligation Bonds for affordable housing. For example, San Francisco passed a \$310 million GO bond for affordable housing; other counties are considering their own sources of funding and could consider GO bonds or other sources.²
- Create a joint powers agreement or trust fund that can aggregate or pool local revenue (such as local fees for affordable housing) to invest regionally. The fees could then be spent in jurisdictions based on an agreed-upon regional formula to ensure actual construction of new affordable housing units.
- Create an acquisition-rehab fund to purchase existing housing (including “Naturally Occurring Affordable Housing”), seeded through one-time appropriations of funds.

2. Make it much easier to add supply at all levels.

In the long run, fixing the structural imbalance between supply and demand is the only way to make the region more affordable for most people.³ Regional projections show close to 700,000 additional units of housing needed between 2015 and 2040.⁴ How will we build this housing?

- Make dense housing in walkable neighborhoods, particularly priority development areas (PDAs) possible to build as of right, without additional environmental scrutiny.
- Eliminate minimum parking requirements for new housing development.

¹ See: <http://www.lao.ca.gov/Reports/2016/3345/Low-Income-Housing-020816.pdf>

² See: http://www.spur.org/sites/default/files/publications_pdfs/SPUR_Voter_Guide_November_2015.pdf#page=2

³ See: <http://www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf>

⁴ See: <http://abag.ca.gov/abag/events/agendas/e012116a-Item%2007A.%20Final%20Regional%20Forecast.pdf>



- Undertake neighborhood plans to increase housing in communities throughout the region, particularly along or near major transit corridors.⁵
- Undertake rezonings of shopping centers, neighborhood shopping streets and other non-industrial commercial areas to encourage housing (including housing over retail).⁶
- Reduce discretionary transportation investments to cities that don't support housing.

3. Launch a wave of experiments to produce middle-income housing.

There is a strong desire to find ways to create middle-income housing without using public subsidy. But thus far, strategies for encouraging market creation of middle-income housing are still niche. That doesn't mean we shouldn't try some of these promising newer approaches; it means we should enter into them with a spirit of experimentation.

- Support the creation of secondary units in single family neighborhoods.⁷ Allow tandem parking for these units instead of requiring the creation of more off-street parking.
- Establish partnerships with universities to create student and faculty housing.⁸
- Add a new option to existing inclusionary housing laws that produces more subsidized units that serve moderate- or middle-income levels, at a reduced subsidy per unit.⁹
- Encourage the conversion of underutilized hotels for housing.
- Expand second mortgage programs as appropriate to assist middle-income households in purchasing their first home.

4. Protect existing rent controlled housing stock in cities with rent control.

While there are downsides to rent control, it is a core tenant protection allowing many people to stay in cities with such policies. There are seven Bay Area cities with some form of rent control and others studying it.¹⁰ Having well-written tenant protection laws is crucial. Also, the practice of buying rent controlled buildings for the purpose of converting units to tenancy-in-common units or condos should be discouraged.

5. Reinvest in public housing and advocate for increased value of vouchers.

Publicly-owned housing is a smaller share of all housing than it once was. Still, there are thousands of units of public housing (including 6,300 public housing units in San Francisco). Reinvesting in existing units and bringing new affordable units to housing authority property is appropriate throughout the region. The Bay Area should also seek to make sure that people with housing vouchers can make use of them by advocating for appropriate Fair Market Rents (FMRs) to be set by HUD. Currently the FMRs are too low to cover the difference between asking rents and what the voucher holder can afford to pay.

The solutions sketched here have two great virtues: a) they are possible to implement at the local level; and b) they are mutually supportive. We should pursue all of these as real, practical ways to make the region more affordable. As the Bay Area engages in regional planning efforts, it is critical that we build enough housing in the appropriate transit-oriented locations and identify new funding sources to add affordable housing throughout the region. Every city in the region needs to do its part if we're going to impact housing prices.

⁵ Zoning For More Housing. SPUR report. June 1, 2006. <http://www.spur.org/publications/spur-report/2006-06-01/zoning-more-housing>

⁶ Housing Above Retail. SPUR report. June 1, 2006. <http://www.spur.org/publications/spur-report/2006-06-01/housing-above-retail>

⁷ Secondary Units, A Painless Way to Increase the Supply of Housing. SPUR Report. June 1, 2006. <http://www.spur.org/publications/spur-report/2006-06-01/secondary-units>

⁸ More info: Student Housing. San Francisco Housing Action Coalition. <http://www.sfhac.org/positions/studenthousing>

⁹ Affordable By Design. SPUR report. November 20, 2007. <http://www.spur.org/publications/spur-report/2007-11-20/affordable-design>

¹⁰ Bay Area cities with rent control include: Berkeley, Campbell, East Palo Alto, Fremont, Hayward, Los Gatos, Oakland, San Francisco, San Jose. See: <http://www.dca.ca.gov/pub/publications/landlordbook/appendix2.shtml>