

Frank Brunings

Notes on Affordable Housing

"Instead of focusing on population, environmentalists should be working with community leaders and activists to build diverse movements to implement sustainable development strategies. When broader reforms are developed, population stabilization becomes just one strategy to build sustainable and equitable societies. Other strategies would promote race and gender equality, eradication of poverty, empowerment of disenfranchised communities, corporate accountability, reduced consumption, sustainable use of natural resources and protection of the natural resources."

Santos Gomes as quoted in: Urban Ecology Number 4, 1997. Santos Gomes is a Senior Research Associate at the Pacific Institute for Studies in Development, Environment, and Security. He serves on the National Population Committee of the Sierra Club and the Board of the Political Ecology Group.

Frank Brunings has had 25 years of experience in the field of Planning for Housing. Frank hired on as part of the update of the 1982 Monterey County General Plan; wrote the Greater Salinas Area Plan, which includes the Rancho San Juan Area of Development Concentration; prepared three Certified Monterey County Housing Elements; and was Monterey County's first and only "Housing Coordinator." In this position, Mr. Brunings was responsible for running the county's Inclusionary Housing Program and developing housing policies and programs. He now works for the Redevelopment Agency of Santa Cruz County as Manager of Housing Programs and Projects. These "Notes on Affordable Housing" have been taken from a talk given by Frank Brunings on October 14, 2001.

**COMPONENT 1:
MAKE JOB GROWTH A FACTOR
IN THE REGIONAL HOUSING ALLOCATION PROCESS**

SOME OBSERVATIONS:

The current Regional housing needs allocation process needs repair - the results don't make sense, for example:

	Sand City	Soledad
Population (2000)	261	7,146
Housing units (2000)	87	2534
Employment (2000)	3,500	3,700
AMBAG Regional Housing Allocation (1992)	350	1191
Population/Housing Allocation ratio	1.34	.16
Jobs/Housing Allocation ratio	10	3.1
Tax revenue per capita (2000)	\$7,222	\$44

- Growth in each jurisdiction should be measured by job as well as population increases.
- The equation for calculating the quantity of housing needed in any jurisdiction should include jobs generated within the jurisdiction.
- The housing prices should be commensurate with the affordability levels as determined by wages.
- Projected housing needs should be allocated to each jurisdiction by housing prices or costs based on wage levels.

HOW TO CHANGE THE PROCESS FOR DISTRIBUTION OF REGIONAL HOUSING NEEDS

FIRST, A LITTLE BACKGROUND:

Government Code Section on Distribution of Regional Housing Needs (My emphasis)

Govt. Code Section 65584 (a)

*"The distribution of regional housing needs shall, based upon available data, take into consideration market demand for housing, employment opportunities, the availability of suitable sites and public facilities, commuting patterns, type and tenure of housing need, the loss of units contained in assisted housing developments, as defined in paragraph (8) of subdivision (a) of Section 65583, that changed to non-low-income use through mortgage prepayment subsidy contract expirations, or termination of use restrictions, and the housing needs of farmworkers. The distribution shall seek to reduce the concentration of lower income households in cities or counties that already have disproportionately high proportions of lower income households. **Based upon population projections produced by the Department of Finance and regional population forecasts used in preparing regional transportation plans, and in consultation with each council of governments, the Department of Housing and Community Development shall determine the regional share of the statewide housing need.**"*

Government Code Section on improving the balance between employment generating land use and residential land use in the (My emphasis)

Govt. Code Section 65890.5 (a)

The guidebook shall include the following: (1) Methodologies for measuring the balance of jobs and housing. (2) Methodologies for analysis of the projected needed housing supply to serve projected employment growth. (3) Methodologies to encourage the balance of jobs and housing. (4) Incentives which local, regional, and state agencies may offer to the private sector to encourage developments and design which will facilitate an improved balance between employment generating land use and residential land use. (5) Methodologies cities and counties may use to analyze trip generation and vehicle miles traveled to and from employment centers.

(b) The guidebook shall seek to describe and evaluate the various tools available to local, regional, and state governments to measure, evaluate, and improve the balance of jobs and housing and to mitigate the undesirable effects of any imbalance between jobs and housing. The guidebook shall describe efforts by cities, counties, and regional agencies to improve the balance of jobs and housing.

CHANGES NEEDED:

1. Sponsor and introduce legislation that would require a projection for jobs by wage rates as part of calculation for distribution of regional housing needs.

2. Connect State Govt. Code Section 65584 (a) on distribution of regional housing needs with Govt. Code Section 65890 (5)(a) to require jobs housing balance calculation as part of the housing demand estimate.
3. Deny Housing Element certification unless a jurisdiction can provide adequate sites for projected housing demand generated by job growth according to income based on wage rates.

A PROCESS FOR JOB-BASED CALCULATION OF HOUSING NEED:

Source: <http://www.co.monterey.ca.us/gpu/reports/JBhousing92001-files/frame.htm>

1. Job Projections by Major Economic Sector and Jurisdiction
2. Estimate Total Workers Per Household
3. Occupational Distribution Average Wages by Occupation
4. Allocate Workers to Households by Income Level for Each Jurisdiction
5. Estimate Dwelling Units Needed by Price Level for Each Jurisdiction

SOME MORE OBSERVATIONS:

Jurisdictions that cannot accommodate household demand based on jobs and population may need to negotiate with other nearby jurisdictions in order to relocate or transfer their housing need within a reasonable commute shed as defined by amount of time traveled.

Existing state law allows the transfer of housing allocation between jurisdictions and within a county and its jurisdictions providing opportunities for reallocation. For example:

1. Govt. Code Section 65584 (5) (a)

"A city or county may transfer a percentage of its share of the regional housing needs to another city or county, if all of the following requirements are met."

2. Govt. Code Section 65584. (c) (2) (5)

"The council of governments or the department shall reduce the share of regional housing needs of a county if all of the following conditions are met."

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- * The pressure jurisdictions receive from a changed State Law to accommodate job based housing demand internally may require giving incentives to nearby jurisdictions to accommodate housing externally. For Example: recent tradeoffs between Salinas and San Jose Re: Cisco Systems.
 - * Consider imposing a regional commercial/industrial impact or linkage fee with funds collected and redistributed according to revenue costs or benefits associated with zoning for residential, commercial and industrial land uses - begin to induce some level of fiscal neutrality into land use decisions.

COMPONENT 2: USE ANNEXATIONS TO YIELD A LARGER PERCENTAGE OF HOUSING AFFORDABILITY

SOME EXAMPLES:

- Davis, California - 35% affordable upon annexation
- Watsonville, California 50 % affordable upon annexation
- Breckenridge Colorado - 80% affordable upon annexation

WHAT IS UP IN BRECKENRIDGE ?

The Following is a quote from: **Breckenridge Town Council Meeting, Tuesday, September, 26, 2000**, Breckenridge Town Hall
<http://www.townofbreckenridge.com/cn-minutes>
(My emphasis)

"Mr. Hinton felt Mr. West had presented a compelling case that Town benefit requirements had been met; he questioned the need to extract "a pound of flesh ". Mr. Crispell felt the Town should "raise the bar" when it came to annexation,' he noted Breckenridge's appeal because of its open space and mountain vistas and noted these probable second homeowners houses would not contribute any social benefit to the Town (little community participation), but merely add to traffic and put a greater strain on services. General Council consensus was that an annexation should provide a social benefit to the community"

The Following is a quote from: **The Town of Breckenridge - Affordable Housing Strategy**
(My emphasis)

Annexation Policy

"The annexation policies of the Town have been highly effective in generating affordable housing. The policies used in the recent past can be formalized, listing the minimum standards for future annexations. The resources the Town brings to the annexation process include:

- *Allowing greater densities via the transfer of development rights within the Upper Blue Basin, including Town-owned sites*
- *Deferring water tap fees*
- *Waiving permit fees or other fees associated with the development process*

These resources can be used in the process to leverage the number of affordable housing units to be constructed on the annexed sites. A minimum of 80% of the dwelling units in a proposed annexation should be developed as deed restricted, affordable housing. A maximum of 20% of the units should be sold at market rates.

HOW TO USE ANNEXATIONS TO YIELD A LARGER PERCENTAGE OF HOUSING AFFORDABILITY:

1. An urban growth boundaries determination should leave one direction open for long-term expansion and growth and to take advantage of creating housing affordability through annexations.
2. Direct City growth over farmland but toward mountains **away from prime farmlands.**
3. Transfer the development rights and revenue streams from poorly planned high density areas (East Salinas) toward **affordable development in annexed areas** in order to relocate households and generate a revenue source to pay for high density inner city properties (I'm not 100% percent sure on this idea, I haven't run, or run into, the numbers). In poorly planned high density areas demolish structures, clean up toxics, improve infrastructure, assemble land, in-fill with housing designed to build social capital, re-forest, set affordability restrictions, provide pricing commensurate with wages.
4. Relocate residents of poorly planned high-density areas to affordable developments in annexed areas to initiate a more cost **efficient urban in-fill process.**

UNINTENDED CONSEQUENCE OF URBAN GROWTH BOUNDARIES IMPOSED WITHOUT REQUIREMENTS FOR HOUSING AFFORDABILITY

The following are quotes from: *A Line in the Land: Urban-growth Boundaries, Smart Growth, and Housing Affordability* Policy Study No. 263 By Samuel R. Staley, Ph.D., Jefferson G. Edgens, Ph.D., and Gerard C.S.Mildner, Ph.D. November 1999 (<http://www.rppi.org/ps277central.html>) (My emphasis)

"Growth boundaries also appear to be implemented without significant attention to potential impacts on housing-price appreciation and affordability, particularly for low-income households."

Growth Boundaries and Housing Affordability: The Case of Portland

*"While considered by many as one of the most successful examples of growth boundary implementation, the Portland case also reveals many of the pitfalls and unintended consequences that can result from their application. More specifically, the Portland experience provides a useful perspective on how growth boundaries may start with one purpose and then be transformed into a vehicle for achieving new and **sometimes** unanticipated objectives. The potential impact of a growth boundary on housing prices is also becoming clear in Portland."*

Growth versus Affordable Housing in Portland

*"Metro and local-government officials have been quiet in discussing the **rise of housing prices** in inner-city neighborhoods and their gentrification **by higher-income groups**. Housing prices in inner-city areas such as Southeast Portland, Northeast Portland, and North Portland increased*

by 85 percent, 78 percent, and 103 percent, respectively between 1990-95, while the suburban communities averaged 45 percent. Inner-city gentrification, while a laudable planning goal, creates a burden carried mainly by Portland's poor. As they are displaced by higher-income families, poorer households are less able to find better housing on the urban fringe and in suburban areas."

HOW HIGHER HOUSING AFFORDABILITY REQUIREMENTS AFFECT LAND ECONOMICS

The following quotes are presented as answers to frequently asked questions and are from: *Local Government Initiatives for Affordable Housing: In Evaluation of Inclusionary Housing Programs in California*. By Seymour I. Schwartz and Robert A. Johnston, Environmental Quality Series No. 35 Institute of Governmental Affairs and Institute of Ecology, Kellogg Public Service Research Program University of California, Davis, 1981. (My emphasis)

Do higher affordability requirements raise the price of housing?

"In cases where the developer faces a loss of profit, he/she will try to avoid this potential loss by raising the price of market-rate units or by reducing the bid price for land to be developed. In other words, the developer will try to pass the cost of the subsidy forward to the new home buyer or backward to the landowner. If the project is already in progress, losses in profit cannot be passed back to the landowner. However, in the longer term on subsequent land purchases for development in the jurisdiction, we can expect prospective reductions in profit to be partially passed back to the landowner in the form of lower prices for the land."

How will landowners be affected by the lower prices for the land?

"Landowners who face a lower bid price for their land will not sell if that price is inadequate to meet their future expectations. If a developer is successful in passing back the potential loss of profit in the form of reduced land prices, and landowners are still willing to sell, the situation can be viewed as in the case of the developers. The landowner will suffer reduced profits, but if the price is large enough to induce a sale, we may infer that normal profits are still being earned."

Won't higher affordability requirements put developers out of business?

"As long as returns are large enough to keep the developer's resources employed in construction, this is evidence that he/she must be earning a fair return. If the developer is faced with an inadequate return, considering the risks involved, he/she will simply move to some other location or employ his/her resources in a different endeavor. Thus, the fact that construction activity does not appear to decrease indicates that the program is not causing subnormal developer returns."

What happens when the Developer can transfer the cost forward to the buyer?

"If a prospective buyer of market-rate units buys at a higher price after all, caused by the shifting of the developer's cost (of the "subsidy") forward, this means that the buyer's consumer's surplus is reduced. Although the buyer is able to buy at a price equal to or less than his/her willingness-to-pay (hence value placed on the house), less money is available for other (less valued) items of consumption. This is a distributional matter of concern to the prospective buyer, and hence to the policymaker. Shifting costs forward to market-rate housing also prices some buyers out of the market in that jurisdiction. These prospective buyers will suffer a loss of benefits (welfare) as a result of having to settle for less desirable housing or a less desirable location than they would have obtained otherwise. If the buyer who is priced out of a particular house or jurisdiction is affluent, he/she may be able to obtain a good quality substitute. In jurisdictions that do not have a highly segmented market, the reduction in housing opportunity to relatively affluent households could place pressure on the rental supply and on lower-priced homes, and therefore affect less affluent households. The distributional and political consequences will be different in such a jurisdiction."

COMPONENT 3: INFILL DEVELOPMENT: INVEST (in Fort Ord) AT THE FRONT END RECAPTURE AT THE BACK END

In-fill, and adaptive reuse development is expensive. Here are just a few of the reasons why:

- Historical preservation
- Changes to building code requirements
- Demolition costs
- Clean-up and disposal of any hazardous wastes, toxics
- Infrastructure upgrades

A MODEL FOR A POTENTIAL IN-FILL INVESTMENT FUND

The following is a quote from: *New Partnership Tackles Bay, Valley Growth Questions, IRP Urges Better Jobs-Housing Coordination In 5 County Region*, by William Fulton, California Planning and Development Report, Vol. 15, No. 3, March 2000

"The most interesting idea to emerge from the IRP is the concept of jobs housing "Incentive Zones" that would receive tax and regulatory breaks in the same fashion as enterprise zones. The partnership is asking the legislature to pass a bill permitting the designation of 5 to 10 such zones of various sizes scattered around the region... The sites would be eligible for a slew of special incentives, including the following.'

1. *Delivery of all 100% of property tax revenue generated within the zone to the city or county containing the zone rather than splitting revenues among all taxing entities.*
2. *Streamlined environmental review within the zone under the California Environmental Quality Act.*
3. *Priority for Low Income Housing Tax credits, funds from the state infrastructure bank, and similar discretionary state funding sources.*
5. *Brownfield style loans for up-front planning and environmental evaluation of the sites.*

AN EXAMPLE OF WHERE A POTENTIAL IN-FILL INVESTMENT FUND COULD BE USED

The Following is a quote from: City of Seaside Minutes Special Council Meeting May 4, 1998 (bbs.ci.seaside.ca.us/seainfo/archive/) (My emphasis)

Questions from Council

"Council Member Mancini asked if housing in the new development areas would be affordable for Seaside residents. Mr. Shagrin replied.' There are no particular development proposals before the City but there is an expectation that whatever housing that is built at Hayes Park will not be rental housing but owner-occupied. In general, when housing is subject to affordability restrictions, a maximum sales price is established for the units. That sales price is associated

*with a monthly payment housing cost considered to be affordable to people in a particular income category. The LDA does not currently impose restrictions on sales prices or on who may buy new homes. If **the City decides to impose re-sale restrictions, it would be easier** to do so now, in the LDA. This is because it is easier for the City to impose restrictions sooner, as the owner of the land, than later, as issuer of land-use approvals, when there would be legal limitations.*

***Council Members Amos stated that Seaside has already done enough in terms of low-income housing** and that she would like to give Seaside residents the opportunity to move up without having to leave the City.*

In response to Mr. Choates' question, Mr. Shagrin commented that Redevelopment Agencies, for example, are required to spend specified amounts of tax increment monies on affordable housing for low- and moderate-income households. He was not aware of any such requirements imposed by FORA or any other kind of legislation on Hayes Park.

Developer Input

Danny Bakewell stated that the Kaufman & Broad-Bakewell Development Team has done everything it had promised and more. It put up a deposit allowing the City's costs to be deferred for hiring consultants and to mitigate any expenses the City would have incurred on behalf of its staff It has carried out assessments, surveys and other research. This research proved to be invaluable as the Team assisted in City negotiations with the Army, because the actual situation of the land differed markedly from what the Army had claimed. There was more asbestos and lead-based paint, for example, and the infrastructure cannot be enhanced; it will have to be completely redone. There are significantly more costs associated with this project than anticipated, but the Team is still committed."

COMPONENT 4: GO BEYOND AFFORDABILITY AND DESIGN NEW HOUSING TO ENCOURAGE DEVELOPMENT OF SOCIAL CAPITAL AS A COMMUNITY RESOURCE

DEFINITION OF SOCIAL CAPITAL

The following are quotes from: *Bowling Alone*, by Robert Putnam, 2000

"In recent years social scientists have framed concerns about the changing character of American society in terms of the concept of "social capital." By analogy with notions of physical capital and human capital - tools and training that enhance individual productivity - the core idea of social capital theory is that social networks have value. Just as a screw driver (physical capital) or a college education (human capital) can increase productivity (both individual and collective), so too social contacts affect the productivity of individuals and groups."

"What is at stake is not merely warm cuddly feelings or frissons of community pride. We shall review hard evidence that our schools and neighborhoods don't work so well when community bonds slacken, that our economy, our democracy, and even our health and happiness depend on adequate stocks of social capital."

DESIGN FOR SOCIAL CAPITAL BY NON-PROFIT AFFORDABLE HOUSING DEVELOPERS

The following is a quote from: *Good Neighbors Affordable Family Housing* by Tom Jones, William Pettus, AIA, Michael Pyatok, FAIA, 1995

"As noted elsewhere, an individual's or household's inability to afford housing is a combination of lack of earning capacity and a speculative private market that forces up the price of housing when people need it the most. The market responds well to those who have high incomes; apartment rents or home prices meet their income level or their willingness to pay. But a limited earning capacity insures a struggle to meet housing expenses. Other services required to help people maintain or increase their ability to work are now being included by CDC's who traditionally supplied only subsidized housing. These services include: child care to give parents time to work or train themselves to improve their learning capacity; child rearing classes to improve the next generation's chance of avoiding the problems of poverty; educational services to encourage prudent shopping, wise nutrition practices, and better management of limited household finances; and counseling to help break dysfunctional behavior patterns and top find jobs"

TYPES OF HOUSING AND RESIDENT SERVICES PROVIDED
BY NON-PROFIT HOUSING

- Typical two-story town homes rental units at 15 units/acre net with common open spaces.
- On-site management
- Permanent affordability
- Defensible space
- Community center facility used for:
 - Meetings, classrooms, game room, health screening, library, police substations, computer center, daycare and or childcare development
 - Classrooms: parenting, household budget, first time homebuyers,
 - English, after school tutorials, etc.
 - Game room: ping pong, pool, card games, air hockey, foosball, etc.
 - Age differentiated recreation:
 - Soccer half field
 - Multipurpose recreation court (basket ball, tennis, volley ball etc)
 - Basketball half or full court
 - Tot lots and play structures
 - Play ground and play structures
 - Community gardens, Edible landscaping, Outdoor furniture