



Date: July 22, 2014
To: ABAG Regional Planning Committee
From: Miriam Chion, Planning & Research Director
Subject: **Housing Strategies: Regional Prosperity Consortium**

Introduction

Increasing access to affordable housing is one of the core elements of Plan Bay Area. One of the ways in which ABAG and MTC are advancing implementation of this objective is by supporting the housing-related efforts of the Regional Prosperity Consortium. This Consortium has come together to work on a three-year initiative funded by a \$5 million grant through the Sustainable Communities Partnership Program of HUD. This initiative funded several dozen pilot projects, research papers and case studies that will support the implementation of Plan Bay Area with respect to economic mobility and opportunities for low- and moderate-income workers, production and preservation of affordable housing close to transit, and neighborhood stabilization in communities at risk of displacement

Using several housing pilot projects as examples, the purpose of this report is to discuss ABAG's role in leveraging deliverables from the Consortium's work to advance implementation of the adopted Plan Bay Area and to inform development of Plan Bay Area 2017. This initiative has resulted in increased technical knowledge, inter-agency collaboration, and organizational capacity. As the initiative enters its third and final year, it is timely to consider how ABAG can build upon these assets.

Bay Area Housing Context

The need for affordable housing is one of the most significant challenges to implementing Plan Bay Area's proposed land use pattern and equity goals. Although the recent rapid escalation of housing costs has given the impression that the Bay Area faces a housing "crisis," in fact, the region is afflicted with a chronic housing affordability problem. Over the past several decades, housing production in the Bay Area has not kept pace with demand, contributing to high housing costs. According to Census 2010, 43 percent of Bay Area households are overpaying for housing with 23 percent seriously over-paying.¹ The recent economic recovery has highlighted the lack of affordable options, as housing costs have increased sharply in many of the areas in the region with the greatest access to jobs and amenities, leading to the potential displacement of lower income households.²

¹ Overpayment is defined by the US Census as spending 30 percent or more of one's household income on housing costs for rentals and 38 percent or more for homeowners. Serious over-payment is defined as spending 50 percent or more of one's household income on housing costs. These figures include both rental and ownership properties.

² An 2014 study by RealFacts says Bay Area rents rose around 10% last year (*San Jose Mercury News*, 4/14/14).

This affordability challenge is likely to get worse. Similar to other regions in the United States, job growth in the Bay Area is projected to be concentrated at the top and bottom of the wage scales. Wage and salary inequality has risen sharply in the last decade and is now greater in the Bay Area than in the United States or California.³ This inequality means that higher income households will generally outbid lower income households, which can lead to economic displacement of lower income households.

Plan Bay Area forecasts that the number of people in very low- and low-income households will increase from 40 percent to 43 percent of all households by 2040. As a result, 56 percent (371,000) of the 660,000 new homes needed to meet the region's housing need over the next 30 years will need to be affordable to very low- and low-income households. Although increasing overall housing production is critical to meeting this need, significant subsidies will be needed to meet the need for homes affordable to very-low and low-income households.

The difficulty of meeting the need for affordable housing has increased dramatically in recent years with the steady reduction of federal and state subsidies for affordable housing development; the elimination of redevelopment agencies and their requirements for dedicated local housing trust funds and for construction of new and replacement housing; and the legal challenges to the use of local inclusionary housing policies.

ABAG Housing Objectives and Activities

To address these challenges, ABAG is working with regional and state agencies, legislators, housing and business advocacy organizations, and others to identify and promote policy changes and new funding sources to provide local jurisdictions with the flexibility and resources needed to meet unique local housing needs in each community. The two primary objectives of ABAG's housing activities are to:

- 1) Increase housing production, particularly affordable units and
- 2) Decrease displacement of low-income families.

ABAG's efforts to meet these objectives are organized around the following goals:

- Remove barriers to housing production
- Increase funding for affordable housing
- Promote affordable housing preservation

ABAG is applying its strengths in research, engagement, advocacy, and information sharing to help jurisdictions identify housing sites and entitle housing developments; advocate for increased State, regional, and local funding for development and preservation of affordable housing and complete communities; promote effective measures to mitigate economic displacement and move-in exclusion in PDAs; and build support for affordable housing and displacement mitigation.

³ *Economic Prosperity Strategy: Improving economic opportunity for the Bay Area's low- and moderate-wage workers - Draft report.* A product of the Economic Prosperity Working Group (EPWG) of the Bay Area Regional Prosperity Plan. May 1, 2014.

Regional Prosperity Consortium

The Regional Prosperity Consortium funded a total of 43 pilot projects, most of which are directly related to housing (Attachments for details about the pilot projects). The initiative's housing-related efforts were focused on providing tools and resources to improve housing affordability near transit while stabilizing low-income neighborhoods as new investments raise property values.

At the Regional Planning Committee, two grant recipients will present their projects, related to preserving affordable homes near transit, in order to highlight opportunities for how the Consortium's work can be integrated into ABAG's efforts to assist jurisdictions in mitigating the potential for displacement in low-income communities. The two grants that will be presented are:

San Francisco Small Sites Acquisition and Stabilization Project

Recipients: Chinatown Community Development Center, Inc.; Bernal Heights Neighborhood Center; People Organized to Demand Environmental and Economic Rights; San Francisco Community Land Trust

The purpose of this grant is to develop a sustainable and scalable model for the acquisition and preservation of existing affordable housing units on small sites, and lay the groundwork for implementing that model to identify opportunity sites within four Priority Development Areas in San Francisco where disadvantaged communities are at greatest risk of displacement.

Preserving Affordable Housing near Transit

Recipients: Reconnecting America; California Housing Partnership Corporation

The purpose of this grant is to identify the location of at-risk affordable housing properties near public transit and work with local governments to implement policy solutions for preserving those properties. It will focus on three jurisdictions, including San Jose and Fremont, and will include development of a Preservation Toolkit with suggestions for use by other jurisdictions.

Discussion Questions

ABAG staff would appreciate input from the Committee in response to the following questions:

- What implications do the findings and recommendations from these pilot projects have for Plan Bay Area 2017?
- How can ABAG best support local efforts to ensure housing choices in local communities, such as promoting affordable housing preservation or displacement mitigation?
- What role should the Regional Planning Committee play in helping ABAG build upon and exercise stewardship over the technical knowledge, inter-agency collaboration, and organizational capacity developed through the HUD grant?

Attachments:

Attachment 2 — Regional Prosperity Consortium Project List

Attachment 3 — Regional Prosperity Consortium Project Descriptions

Attachment 4 — San Francisco Small Sites Acquisition and Stabilization project application

Attachment 5 — Preserving Affordable Housing near Transit project application