Testing the American Dream

in the San Francisco Bay Area

2009 Housing Report

Association of Bay Area Governments

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Testing The American Dream

In early 2009, four percent of all residential loans in the country were in some stage of foreclosure. An additional eight percent were at least one payment behind. Both foreclosures and delinquent mortgage payment rates were the highest on record since 1972.[1] At the same time, home prices had dropped 19 percent from the previous year, the largest ever recorded year-over-year decline in housing prices, bringing median home values back to 2002 levels.[2]

The nation was unquestionably in a housing crisis. The collective American Dream of buying a home, combined with investor frenzy, tail spun the country into a level of financial chaos unseen since the Great Depression. The crisis has upended government budgets, sent unemployment rates to new highs, and has devastated communities with instability. Though many causes can be argued, the problem began with a nationwide mortgage crisis that erupted in 2006 with its roots stretching back nearly a century.

National reports on the housing crisis and widespread foreclosures are increasingly available, as are studies of local impacts. However, little has been written on how the crisis played out in the San Francisco Bay Area. The Association of Bay Area Government's (ABAG) 2009 Housing Report, *Testing the American Dream*, focuses on the housing crisis and its direct impact on the Bay Area. The report examines regional shifts in home values and the spread of foreclosures as well as the ripple effects that falling home values have had on government revenues, negative equity, and housing affordability. The report explores how the crisis has impacted renters and housing production.

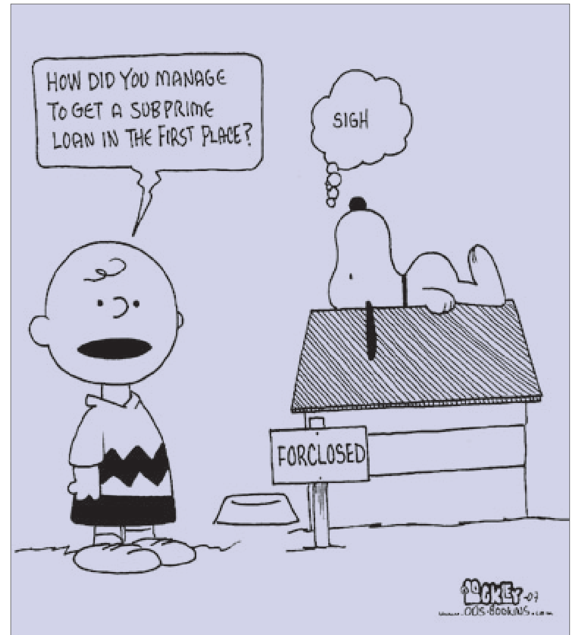
The Housing Crisis

Nationwide, indicators of a looming housing crisis began to emerge in 2005 and 2006. For the first time in a decade, the country's supply of new homes outweighed demand from buyers. After home prices doubled in seven years, home price appreciation slowed to nearly a standstill in 2006. Foreclosures also began to inch up in many parts of the country. These factors soon led to an unraveling of housing markets across the country; however, the Bay Area appeared insulated. Home prices in the Bay Area continued to rise through most of 2005 and 2006, even hitting record highs in 2007. Even though foreclosure rates began to creep up in 2006, they were still considered low by historical measures, and remained below state averages.

The apparent strength of the Bay Area market was masking real variations. While San Francisco and Santa Clara counties were experiencing the lowest foreclosure rate increases in all of California in 2006, Solano and Contra Costa counties were reporting some of the highest rates in the state. Marin County posted a median home price of over one million dollars in 2007, the first county in the state to reach such a threshold, even while Sonoma, Napa, and Solano counties were witnessing steady price declines.

Before long, what began as localized problems spread to much of the Bay Area. Through 2007 and 2008, foreclosure rates in the region soared and home values plummeted. In first quarter 2009, the Bay Area's median home price was 43 percent lower than a year ago. During the same period, California's price dropped 25 percent and the nation's dropped 12 percent.

The Bay Area's cities and counties experienced the peak of the crisis differently. Foreclosure rates increased in all nine Bay Area counties, but to a much greater extent in Contra Costa and Solano counties. In the first quarter of 2005, Solano County had almost no foreclosures. Four years later, the county had the highest foreclosure rate in the region and among the state's highest, at 11 foreclosures for every 1,000 owner-occupied homes. In contrast, the foreclosure rates of the western counties ranged from 1 per 1,000 homes in San Francisco to 4 per 1,000 homes in Sonoma.



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While home price declines were nearly ubiquitous in the Bay Area during the crisis, with some areas witnessing drops of over 50 percent from 2005 to 2009, a few cities in Santa Clara, San Francisco, and San Mateo counties recorded rising home values.

Testing the American Dream explores how the crisis unfolded differently across the region by highlighting the experiences of four cities. Antioch and Fairfield experienced some of the highest foreclosure rates and greatest home value declines in the region. Antioch's problems can be traced to the surge of new housing construction that occurred in recent years. Fairfield adopted various measures to address rising foreclosures, including actions to impede the vandalism and crime that blighted foreclosed properties in the early waves of the crisis.

Sunnyvale and San Francisco, on the other hand, were less impacted by the crisis. Sunnyvale experienced a decline in home values, which city staff hope will keep the city affordable to a wider range of households. San Francisco saw only a minimal increase in foreclosures in recent years, but has noticed that some parts of the city have been impacted more than others.

Consequences of a Crisis

The housing crisis has impacted the country's financial institutions, unemployment numbers, and major industries. Locally, the ripple effects of foreclosures and falling home values have reached far beyond affected homes and families to local governments, neighborhoods, schools, and the development community.

The region's declining home values have impacted local government revenues which are largely dependent on property taxes. Since the housing crisis, estimates put California's accumulated loss in property value at almost $38 billion, which means that the state's local governments have lost $377 million in annual property taxes. Contra Costa County jurisdictions have lost an estimated $116 million in property taxes due to the county's high rate of foreclosures, and Solano County jurisdictions may face a $9-12 million budget shortfall.

Homeowners have also been hurt by declining home values and equity. The sharp rise and fall of home prices in the Bay Area has led to a greater incident of negative equity than in other parts of the country. At the end of 2008, 27 percent of Bay Area homeowners had negative equity in their homes, compared to 18 percent nationally. Among households who originated loans in 2006, 92 percent in Solano County had negative equity by 2009 (compared to 32 percent in San Francisco). High rates of negative equity increased the number of foreclosures, since households with negative equity often cease making their mortgage payments and instead choose to go into foreclosure.

Somewhat unique to the Bay Area, there is actually a positive side to the housing crisis that is often quoted by housing advocates, and prospective new home buyers. With the crisis and falling home values, the Bay Area may finally become more affordable to the average resident. Median home prices are closer to the region's median income than they have been in years. The California Association of Realtors estimates that 44 percent of households in the region could afford a median priced home at the beginning of 2009, compared to only 10 to 15 percent during peak housing values.

On the other hand, families looking to buy a home face obstacles that were not present a few years ago, such as stricter underwriting standards, less access to credit, and higher down payment requirements.

Affordability may also be stymied by the drop in new home construction. Housing production declined in the Bay Area, falling 37 percent from 2007 to 2008. Some parts of the region witnessed much steeper drops. Sonoma County saw an 80 percent decline in building permits issued. Permits for affordable housing—open only to households who fall under certain income limits—were slightly more stable, declining 21 percent. Affordable housing developers face additional challenges in securing financing, since previously reliable sources like state bond funds and the Low Income Housing Tax Credit have withered.

Much of the discussion of the foreclosure crisis focuses on owner-occupied homes. Yet renters are also feeling its impacts. In the Bay Area, nearly ten percent of all first quarter foreclosures from 2005 to 2009 affected units in multi-family buildings. The number of multifamily units in foreclosure increased from 22 in first quarter 2005 to 500 in first quarter 2009. In some cases, tenants have no forewarning that their property is facing foreclosure, and may be subject to utility shut-offs, loss of security deposits, and eviction. In the past year, governments at the local, state, and federal level have enacted legislation to increase protection for renters whose buildings are foreclosed.

An Uncertain Future

The Bay Area will eventually emerge from its financial and housing problems. The region experienced among the country's greatest home price run-ups in the beginning of this decade, and continues to have some of the country's highest home values, largely because of its desirability as a place to live. While high home prices led to a painful crash, the region's underlying strengths remain sound.

The Bay Area that emerges from this crisis may look different than it does today. Developers are likely to focus new construction in areas that suffered least from falling home values, such as in San Francisco and Santa Clara counties. Recovery may also take longer in areas that experienced high foreclosure rates. However, residents will continue to want to live in the Bay Area, and developers will continue to build to meet that demand, but where and in what form this development takes place is likely to shift in coming years.

The Making of a Crisis

The gulf between the statements of President Bush in 2004 and President Obama in 2009, cited in the right sidebar, illustrates just how far the national economy shifted in a mere five years. When President Bush spoke in 2004, housing values and sales were soaring, and expanding homeownership was one of the administration's key priorities. Americans previously shut out of homeownership—including minorities and low-income families—were increasingly able to own a home. By the time President Obama spoke in 2009, homeowners across the nation were questioning the wisdom of their purchases. Foreclosures had skyrocketed to unprecedented levels and home values were plummeting. California was one of the states most impacted by the crisis, with parts of the San Francisco Bay Area especially hard hit.

How did the Bay Area, and the nation, fall so far in only a few years? The causes and trajectory of the current national crisis are extensive and have been explored elsewhere. The key points described here provide context for the crisis' impact on the Bay Area housing market.

The American Dream

President Bush's endorsement of an "ownership society" reflects a long tradition of American efforts to extend homeownership. Early examples came in the wake of the Great Depression—a period marked, like today, by foreclosures and a housing crisis. In the early 1930s, the government introduced the thirty-year fixed-rate mortgage and offered the first widespread mortgage insurance. These steps were followed by the creation of Fannie Mae (then called the Federal National Mortgage Association) to buy mortgages on the secondary mortgage market. Additional homeownership support programs were introduced, including funding to help veterans buy homes.[3]

At first, these efforts were wildly successful. By the middle of the century, homeownership—which had previously been a privilege of those with significant capital—became a realistic dream for many middle-class Americans. Between 1940 and 1950, homeownership rates jumped from 44 percent to 55 percent of households. Rates continued to grow in the next ten years, as more households took advantage of government programs and banks extended mortgages to middle-class families. Nearly 62 percent of American households were homeowners by 1960.[4]

Efforts to expand homeownership stagnated after the 1960s, with rates remaining relatively constant at 62-64 percent of the population

"Our economy is growing: It's strong and it's getting stronger... Housing starts and homeownership are incredibly strong right now... Our nation's 68 percent homeownership rate is the highest ever. More people own homes now than ever before in the country's history, and that's exciting for the future of America."

- President George W. Bush, March 2004

"I'm here today to talk about a crisis unlike any we've ever known. The American Dream is being tested by a home mortgage crisis that not only threatens the stability of our economy, but also the stability of families and neighborhoods... The foreclosures which are uprooting families and upending lives across America are only one part of this housing crisis. [There] are families who see "For Sale" signs lining the streets, who see neighbors leave, and homes standing vacant, and lawns slowly turning brown. They see their own homes—their largest single assets—plumeting in value."

- President Barack Obama, February 2009

through 1990. Rates began to increase again in the mid-1990s, and by 2005 close to 70 percent of American households owned a home. The increase was even more dramatic in California. The state's homeownership rates have historically been below the national average, but between 1990 and 2005, California experienced an eleven percent increase in homeownership compared to the national increase of eight percent.[5]

A Burgeoning Mortgage Market

Many of the factors that enabled the increase in homeownership rates also laid the groundwork for the current economic crisis. More relaxed federal government regulations on the mortgage industry in the 1980s allowed for the emergence of new products, including adjustable rate mortgages. Federal agencies introduced new securitization tools that enabled mortgage lenders to sell mortgages to third parties and thus have more immediate capital available for lending.

Relaxed lending standards led to rapid growth, beginning in the 1990s, of mortgage lending by non-depository institutions, such as Countrywide Home Loans and OwnIt Mortgage Solutions. These independent lenders were not traditional savings-and-loans, and as a result were not subject to typical banking regulations.

More recently, the federal government spurred homeownership by setting interest rates at near record lows. To pull the economy out of a slump caused by the dot-com bust and the terrorist attack of September 11, 2001, the Federal Reserve slashed interest rates at the end of 2001 and kept them under two percent through most of 2004. The federal rate cuts caused average mortgage interest rates to hit their lowest levels in over thirty years.[6]

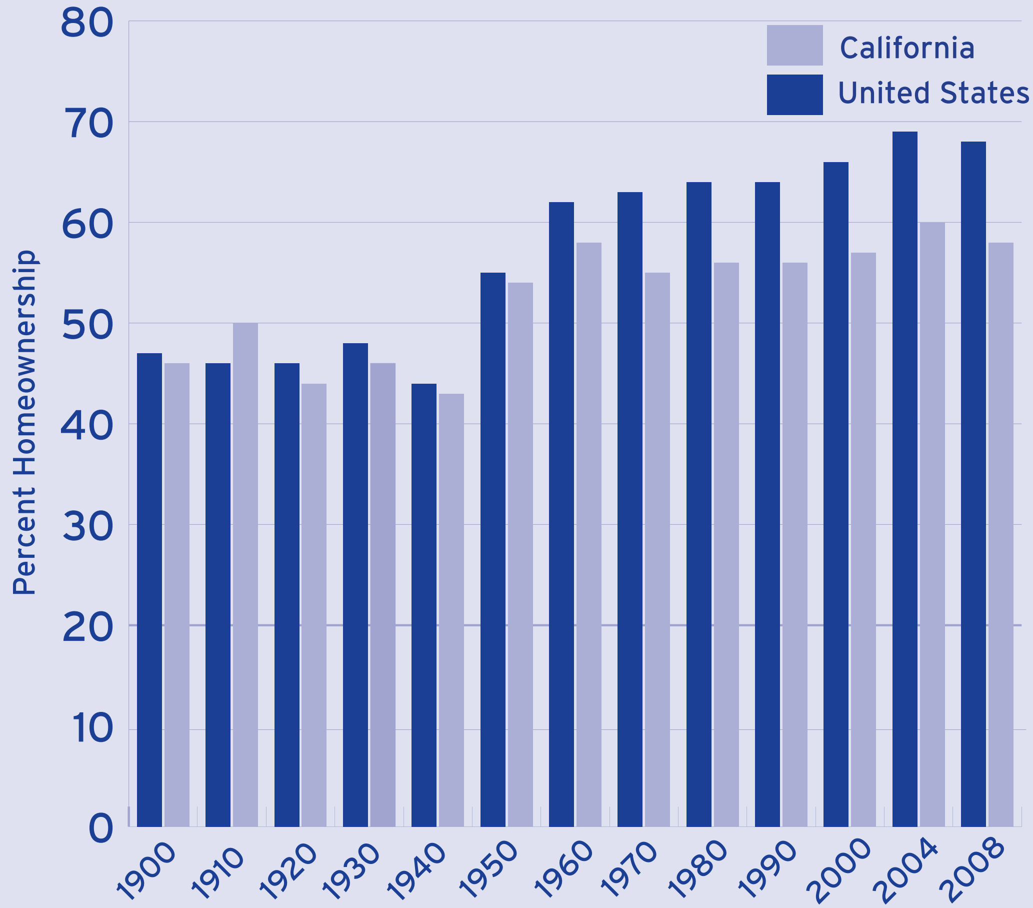
These governmental actions coincided with a worldwide demand for high-return investments. Extraordinary growth in new economies like China and Abu Dhabi created "a world awash in cheap money, looking for somewhere to go."[7] In the past, investors often looked to U.S. treasuries or bonds for conservative, yet stable investments. The recent interest rate cuts, however, lowered returns on such investments and investors began looking to the housing market as an arena for strong profits. With increasing securitization and growing technological knowledge, mortgage-backed securities appeared not only more profitable, but also safer than ever.[8]

At first, opportunities to invest in the housing market were limited. With homeownership rates at a standstill, there were few new mortgages available to be securitized and sold. Mortgage lenders, eager to meet investor demand, responded to this lack of supply by introducing new tools that would allow more households to take on mortgages. Recent deregulatory trends and growth of non-depository institutions offered the perfect environment for just the kind of creativity lenders needed to increase the supply of mortgages to eager investors.

Subprime loans—generally defined as loans with higher than average interest rates made to borrowers with poor credit scores—became the most popular of these new tools. Households who would not have qualified for traditional mortgages, due to poor credit histories, debt, or low incomes, were eligible for these newly created mortgages. Higher interest rates were intended to compensate for the additional risk lenders took in providing mortgages to a wider range of borrowers. Subprime loans were also appealing to, and often pushed onto, existing homeowners to "cash in on" accumulating home equity via home equity loans.

Non-depository institutions spearheaded subprime lending, which initially represented a small share of the mortgage market, just six percent in terms of value in 2001. By 2006, the country's largest and most established banks had entered the subprime market, and subprime lending grew to 20 percent of the $3 trillion mortgage market.[9] In addition to the appeal to lenders and borrowers, the growth of subprime lending was also fueled by Fannie Mae and Freddie Mac, quasi-governmental agencies that were among the largest purchasers of subprime mortgage securi-

California Homeownership
Rises and Falls with the Tide



Source: U.S. Census Bureau, Housing and Household Economic Statistics Division ties. In 2004, the agencies purchased $175 billion in subprime securities, 44 percent of the market.[10] Other exotic mortgage products, including mortgages with adjustable rates and with very low or no down payments, also took off at the beginning of the decade. Interest only loans, for which borrowers make low monthly payments toward interest for the first two years of a mortgage followed by larger payments for 28 years, comprised 31 percent of all mortgages in 2005, up from ten percent in 2002.[11] By the middle of the decade, these exotic strategies were often used in combination, an approach that had nearly no precedence.

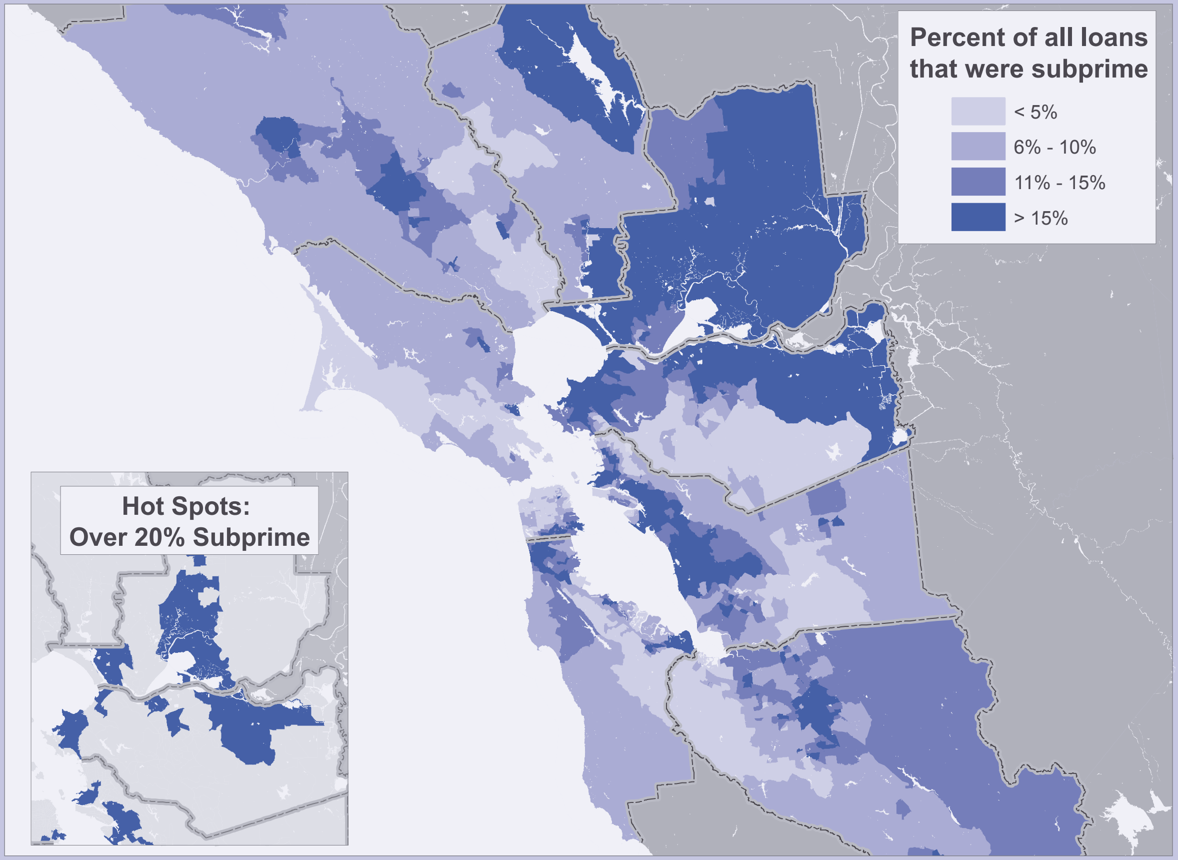
The Housing Bubble

At the beginning of this decade, low interest rates, a growing investor base, and new mortgage products all drove up the demand for homes. Booming home construction could not keep pace. In 2004 and 2005, the national inventory of unsold homes hovered around three to four months, an estimate of how long it would take to sell all the existing homes on the market. This was well below the six-month timeframe that is considered a healthy supply-demand balance, meaning supply matches demand. The imbalance was even greater in California, where the unsold inventory ranged from one to two months.[12] With demand greater than supply, home prices across the country began to rise. In the past, home values had increased at a slow but steady pace. The average increase in prices from 1950 to 2000 was less than one-half of one percent per year, after adjusting for inflation.[13] In contrast, annual price appreciation reached more than 15 percent in 2005.[14] By the summer of 2006, home prices had doubled from their 1999 levels.[15]

Subprime lending and other new mortgage products played important roles in driving these upward trends. In addition to increasing demand for housing, these products enabled borrowers to take on more debt to afford increasingly expensive homes. In 1989, the average down payment made by first-time buyers was ten percent; by 2007 it had dropped to two percent.[16] This meant that a household with $20,000 saved for a down payment in 1989 would have qualified for a $200,000 home. By 2007, this same household would qualify for a $1,000,000 home, even before factoring the additional purchase power afforded by historically low interest rates.

The availability of high-leverage loans combined with soaring home prices induced speculators to enter the housing market. Whereas the initial demand for housing came from worldwide investors buying mortgage-backed securities and families purchasing homes in which to live, a new wave of interest came from individuals buying homes and quickly reselling them for a profit. Calculations by the *San Francisco Chronicle* in 2005 revealed that most households in the Bay Area could earn more money by buying a home than by working. That year, the median price of a Bay Area home increased $106,000 over the previous year, an amount 40 percent greater than the average Bay Area household earned in a year. A homebuyer who had seen the value of his East Oakland home increase $95,000, an amount greater than his annual income, commented, "It almost seems too good to be true."[17]

Subprime Lending in the Bay Area



The Bay Area is notable for the significant growth in subprime lending between 2004 and 2006. Subprime lending increased by about 90 percent for the country as a whole, yet increased nearly 200 percent in the region.

Despite this marked percentage increase, during the peak of subprime lending, Bay Area households did not actually take on as many subprime loans as in other parts of the state and country. In 2006, more than 28 percent of all loans originated in the country were subprime, while only 20 percent of loans in the Bay Area were subprime.

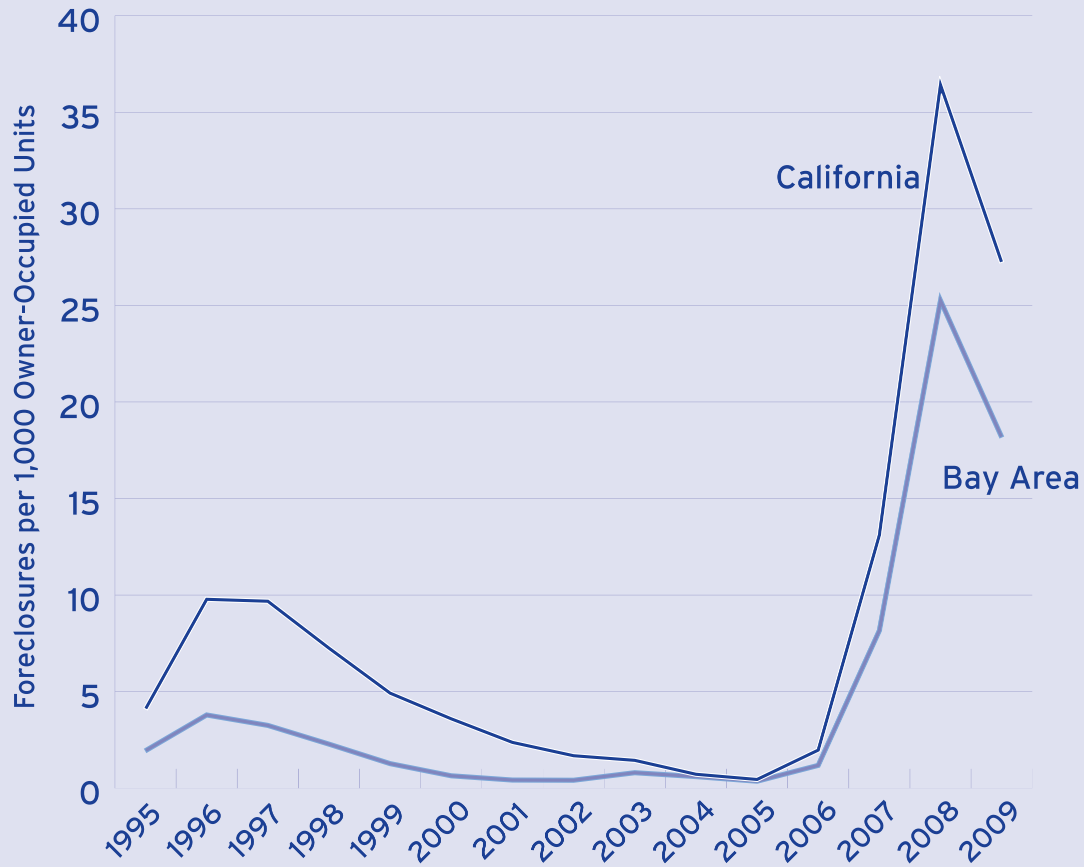
Certain portions of the Bay Area saw particularly high incidences of subprime lending. In 2005 and 2006, the rate of subprime lending in Solano County surpassed national averages. Contra Costa and Alameda Counties experienced the second and third highest rates of subprime lending in the region. These three counties later experienced among the highest numbers of foreclosure in the region.

The stability of the housing market depended on rising home values. Speculators were able to sell multiple properties at a profit as long as home values increased. Rising home values enabled homeowners, who found themselves in over their heads with mortgage payments, to easily sell their home and pay off the mortgage. Even if a homeowner's adjustable interest rate increased, there was safety in knowing the home could easily sell, often for more than its original purchase price. The great assumption was that home values would continue to rise.

An American Nightmare

The conditions that led to expanded homeownership and ever increasing home values proved unsustainable. The construction boom eventually caught up with demand, easing the supply-demand imbalance that fueled much of the price run-up. In 2006, the inventory of unsold homes hit 7.5 months for the first time in over ten years, indicating an oversupply of homes.[18] Mortgage interest rates were also increasing, growing to 6.4 percent in 2006 after three straight years of rates below 6 percent.[19] These conditions began to stem rising home values. By the middle of 2006, nationwide home appreciation rates slowed to less than one percent for the first time in over a decade.[20]

Foreclosure Rates



Source: California Rand, DataQuick, California Association of Realtors

Initially, the softening of home prices failed to trigger widespread concern, and was even viewed as a necessary correction to an inflated market. Later, developers, increasingly concerned about the slowing market and the large inventory of homes, cut sales prices. Builders preferred to sell homes at reduced prices rather than be left with unsold homes. Families with homes on the market were forced to drop asking prices to stay competitive, driving home values down even further.[21]

The drop in home values, coupled with rising interest rates, exposed the precariousness of new mortgage products. Adjustable rate mortgages, now a significant portion of all mortgages, left many new homeowners shocked by larger monthly payments when rates reset above their initial levels. Furthermore, declining home values left struggling homeowners with an inability to sell their homes for a profit; while higher interest rates meant refinancing at a lower rate was not an option. Foreclosure became the only option.[22] By 2007, nearly 14 percent of subprime loans entered the foreclosure process, compared to fewer than 6 percent just two years earlier. Since subprime loans represented large share of the mortgage market, the number of foreclosures began to skyrocket.

Bay Area Foreclosures With Adjustable Rate Mortgages

Source: MDA DataQuick Information Systems

Rising foreclosures pushed home values down even further, and a vicious cycle began. New foreclosures increased the number of properties on the market, at a time when the market was already saturated with unsold new homes. Sold in auctions at discounted prices, foreclosures brought down average sales prices and forced all home sellers in certain areas to cut asking prices. In reaction to the foreclosure crisis, banks tightened credit standards and made it harder to access mortgages, particularly the high value mortgages that helped sustain the boom. By 2007, home values fell for the first time since federal housing agencies began keeping statistics in 1950.[23] By early 2009, average home prices across the United States were down 32 percent from their peak in 2006.[24]

Through this foreclosure-home value cycle, a crisis that originated with subprime mortgages spread to all corners of the housing market. Soon the turmoil entered the world's financial markets, as domestic and international investors who relied heavily on mortgage-backed securities during the boom years quickly saw their balance sheets plummet. The resulting financial crisis led to bank collapses, soaring unemployment, and drops in government revenue.

The compounding consequences further exacerbated problems in the housing market. Previously reliable homeowners, faced with job cuts and declining assets, were forced into foreclosure. By mid-2009, prime fixed-rate loans represented the largest share of new foreclosures, indicating a shift in the crisis away from subprime loans and into traditional mortgages.[25] The crisis also continued to spread into new housing market locations that seemed resilient. In the Bay Area, notices of default increased at an especially quick pace in the more affluent areas that previously had low rates. These areas, including parts of San Francisco and Marin Counties, also saw especially steep home price declines in the summer of 2009.[26]

The Bay Area Awakens

Inklings of Local Trouble

In 2005, early warning signs emerged around the country foreshadowing the coming housing crisis. Debate heated up over whether or not the U.S. was in the midst of a housing bubble. Foreclosure rates began to rise, growing by 25 percent over the course of a year. In early 2006, home price appreciation dipped below one percent for the first time in eight years.[27]

Yet amidst these looming troubles, the Bay Area was faring well. In the first quarter of 2005, Bay Area housing prices increased by 24 percent over the previous year.[28] Prices continued to soar throughout 2005, jumping from a January median home price of $580,000 to $659,000 by December.[29] And while the country was experiencing increasing numbers of foreclosures in 2005, Bay Area rates hit record lows.[30] In part, the Bay Area's strength during this period was due to the region's modest rate of residential construction relative to other parts of the state, especially portions of the Central Valley and Inland Empire.[31] The Bay Area's tight housing market contributed to escalating home values, which in turn minimized foreclosures. Unlike other parts of the state, struggling homeowners in the Bay Area could still easily sell their homes.[32]

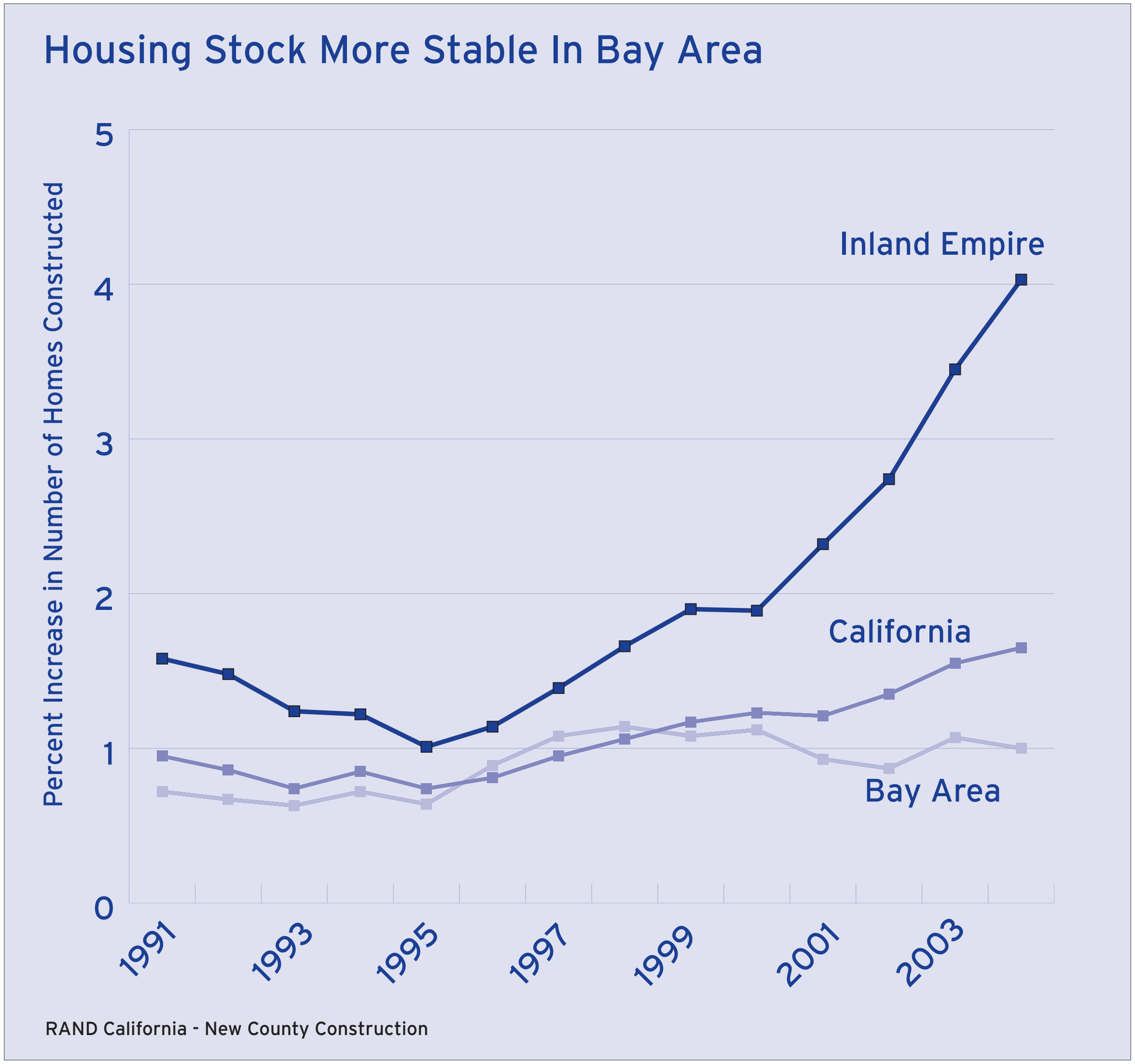
Whereas the emerging crisis was clearly visible in other parts of the state and country, early signs of a troubled housing market were much more subtle in the Bay Area. One indicator was declining home sales. From 2001 through late 2004, the number of homes sold in the region soared, growing from 105,000 to over 150,000 annual sales. This trend began to reverse toward the end of 2004, when the number of sales stagnated. In 2005, sales began to steadily decline and by 2006, they had dropped back to 2001 levels.[33]

The time unsold homes spent on the market also grew. The inventory of unsold homes grew from about 2 months in early 2005 to 3.6 months by the beginning of 2006.[34] Despite this growth, the unsold inventory was still below the region's historical average of about seven months, and well below troubled Southern California spots like Orange County, where the inventory was at ten months in March 2006.[35]

Forewarnings next became evident in home sale prices and foreclosure rates. Home price appreciation in the Bay Area began to soften in early 2006, when home prices increased seven to ten percent over the previous year. This was interpreted as a softening of the market only in relation to the soaring price increases of previous years. October 2006 brought the first decline in the median sale price in the Bay Area, a drop of one-half percent off the previous year's price. Small price declines over the next two months caught the real estate community's attention, primarily because home prices had increased for the previous fifty-five consecutive months, stretching back to early 2002.

By the beginning of 2007, prices began to rise again in the Bay Area, hitting record highs in the spring of 2007. In light of decreasing home values across the sate, these price increases further suggested that the Bay Area might avoid the looming national housing crisis. Variations in the region, however, belied the apparent strength of the Bay Area housing market. Marin County, in 2007, became the first county in the state to have its median home price exceed one million dollars, pulling up the Bay Area average.[36] This contrasted with the experience of Sonoma, Napa, and Solano counties, where monthly price declines of over five percent had begun in mid-2006.

Even as home values stayed strong at the regional level, foreclosure rates began to creep upward. Bay Area foreclosure rates slowly increased in the first and second quarters of 2006, but were still considered low by historical measures and well below statewide averages. In the Bay Area, foreclosures were seen as a pinpointed problem

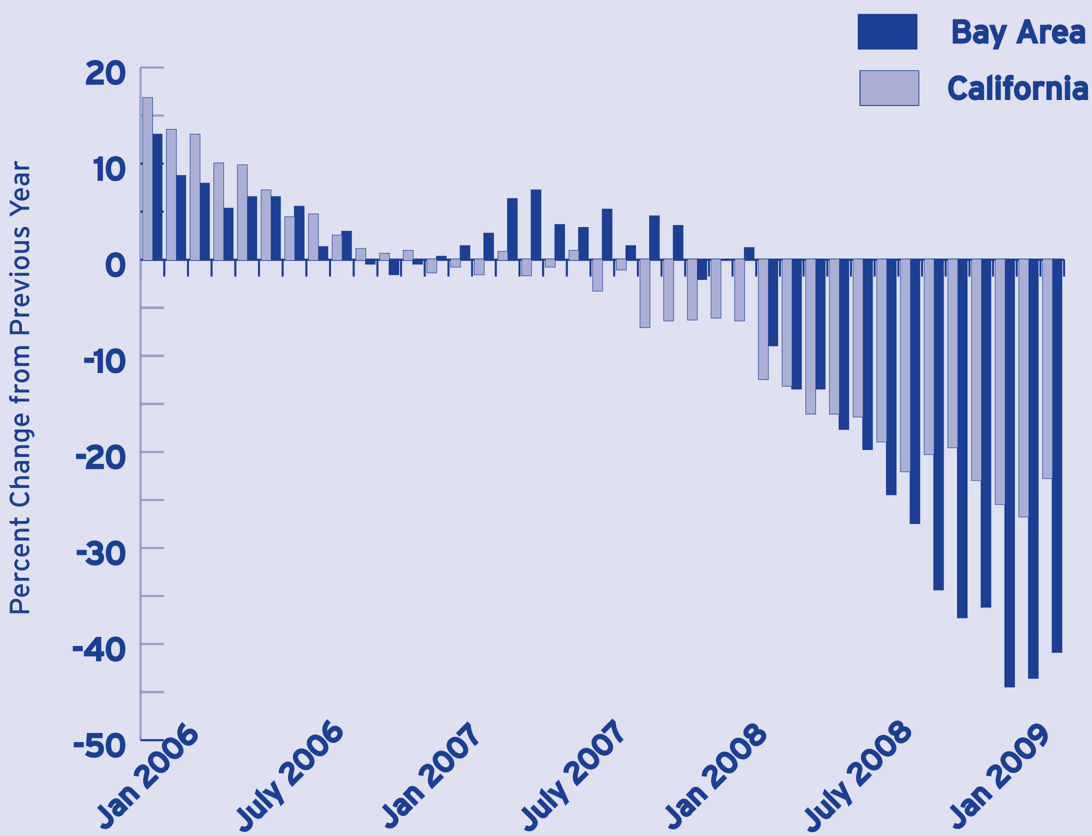


limited to particular parts of the region. Solano and Contra Costa Counties reported some of the highest foreclosure rates in the state in 2006, while San Francisco and Santa Clara counties experienced the lowest foreclosure rate increases in all of California.[37] At the end of 2006, when asked about the impact of foreclosure increases on the Bay Area market, DataQuick's chief analyst John Karevoll replied, "None right now, literally none."[38]

The Crisis Hits Home

By 2007, it became clear that the Bay Area could not remain insulated from the foreclosure crisis. The strength of some housing markets within the region could no longer counteract growing troubles overall. For the first time, foreclosure rates in the Bay Area soared above those seen in the mid-1990s, the traditional benchmark for record high rates. By the middle of 2007, Bay Area headlines took on ominous tones, referring to foreclosures going "through the roof" and describing an "American nightmare."[39] Foreclosure rates came down at the end of 2008 and in the first quarter of 2009, largely due to temporary foreclosure moratoria implemented by Fannie Mae, Freddie Mac, and several private lenders, though foreclosures remained at record high levels. Contributing to rising foreclosure rates was the fact that

Bay Area Home Prices Fall Further



Source: MDA DataQuick Information Systems

more families receiving default notices were ending up in foreclosure. In 2007, over 45 percent of default notices in the Bay Area resulted in homes being lost to foreclosure, compared to 12 percent in the preceding year.[40]

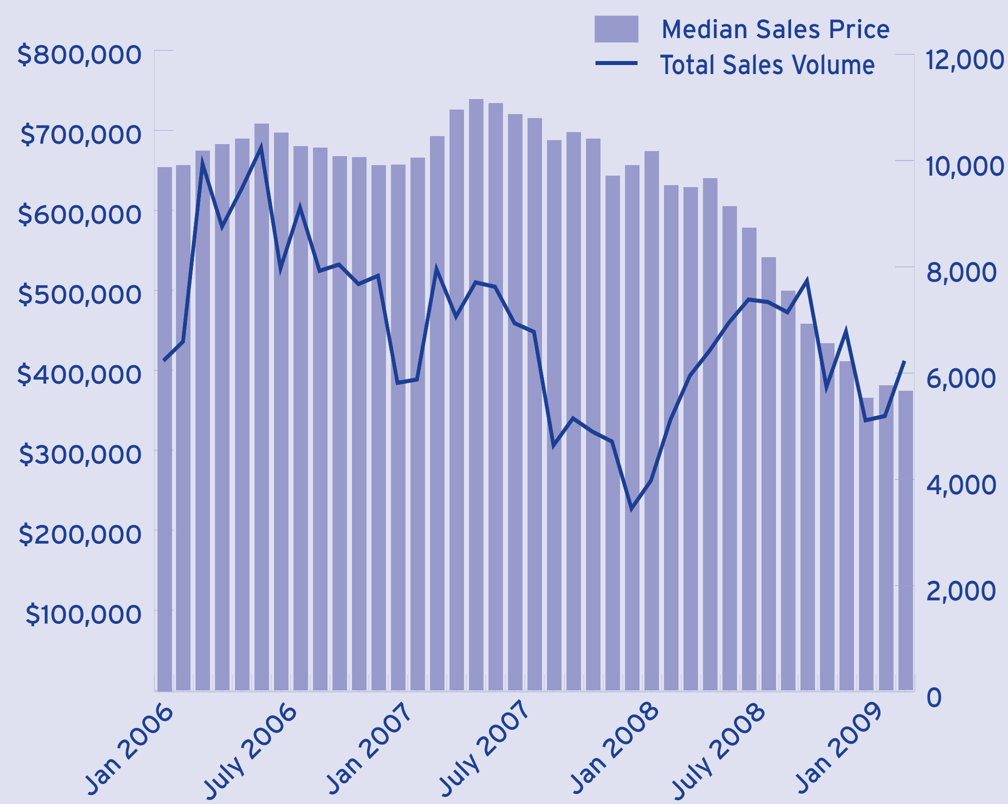
The high home prices that helped the Bay Area avoid the earlier pains of the housing crisis later contributed to the magnitude of the region's eventual crash. The record-breaking home values, witnessed in 2006 and 2007, translated into steady and steep declines by the beginning of 2008. Home values declined by 1 percent early in 2008, and by 36 percent at the end of the year, as measured by month-to-month sales. In first quarter 2009, the Bay Area's median price was 43 percent lower than in first quarter 2008. During the same period, California's price dropped 25 percent and the nation's dropped 12 percent.

Declines in Bay Area housing values can be partly attributed to the region's spike in foreclosures in 2007. Economists estimate that, all else being equal, the value of a home declines about one percent for each nearby foreclosed property. If the foreclosed property is vacant or neglected, the impact can be even greater.[41] This phenomenon played itself out in the Bay Area, where the rate of home value depreciation accelerated in areas most heavily impacted by foreclosures.

Neighborhoods with high foreclosures and falling home values also experienced the highest sales volumes in 2008 and 2009. This up-tick in home sales was spurred by investors and first-time homebuyers looking to take advantage of depressed prices in the region. Home sales among lower-priced homes in eastern Contra Costa County, for example, were especially strong during this period as buyers searched out "bargain" properties.[42]

On the other hand, sales of the highest priced homes in the region stalled. At the beginning of the crisis, high end homes seemed immune to the troubles facing less expensive properties. On May 17, 2007, a *San Francisco Chronicle* article touted expensive homes as “bucking” statewide trends and continuing to increase in value even as average home values dropped. One local realtor described his over $2 million market as being "on fire." Two years later—to the day—the *Chronicle* published an article illustrating the troubles of the high-end housing market. The inventory of unsold homes priced above $1 million had doubled since 2008, whereas the inventory of homes under $500,000 had fallen.[43] The housing crisis had permeated even markets that once appeared immune to its reach.

Bay Area Home Sales Volume & Prices



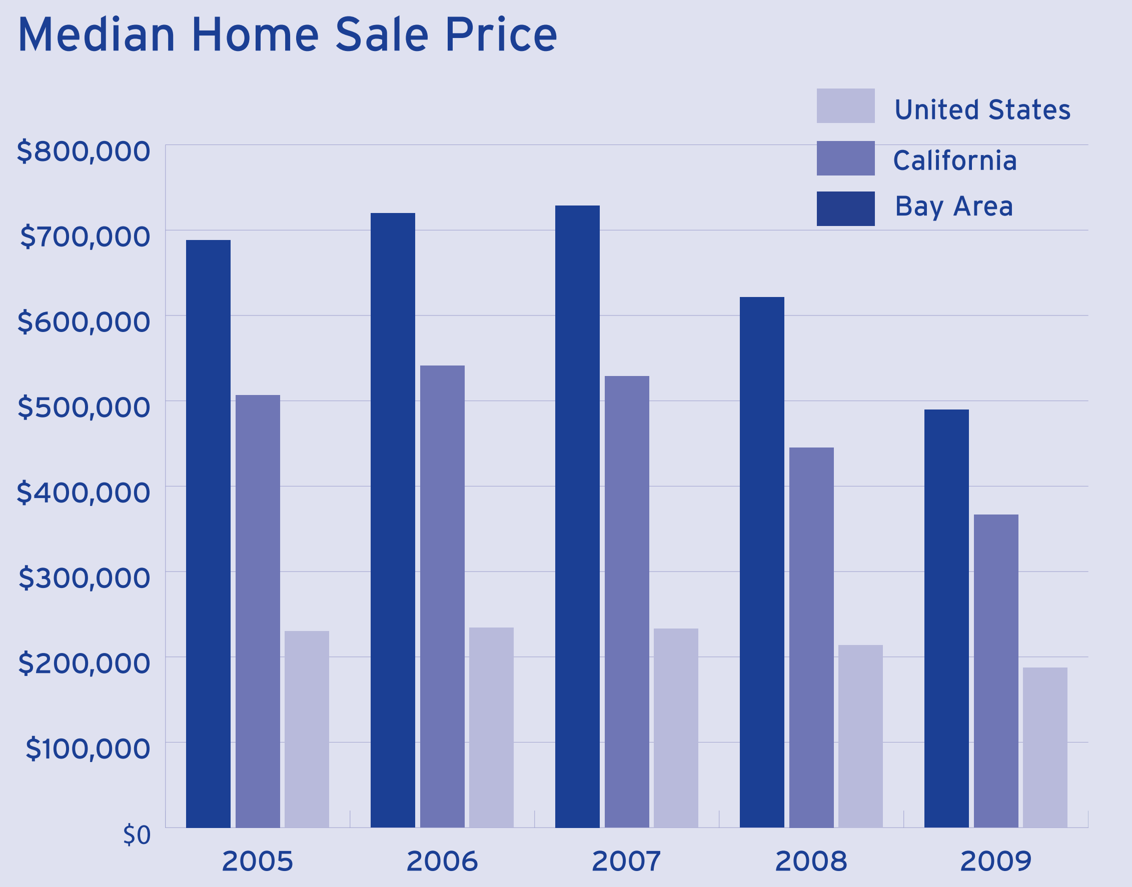
Source: MDA DataQuick Information Systems

The Fall Out From Declining Home Values

Government Revenues Drop

Just when governments were facing increasing service demands from residents troubled by unemployment and foreclosure, they found their budgets suffering. The economic downturn hurt government revenues across the board as unemployment led to drops in income tax revenues, sluggish sales hurt sales taxes, and a state budget crisis forced the state to retract or delay many of its promised contributions to local government budgets.

The troubled housing market also had a more direct impact on local government revenues via stalled development and declining home values. Many cities and counties rely on development impact fees and permits to fund essential infrastructure projects. When construction cooled—or, in many places, stopped—these revenues disappeared. The housing crisis' impact on home values led to falling property taxes. As foreclosed homes were sold they established a new, significantly lower basis for determining property tax rates. Local governments estimate revenues based on previous years' trends, and the unexpectedly sharp decline in property values (and therefore tax revenues) left many governments with budget shortfalls.



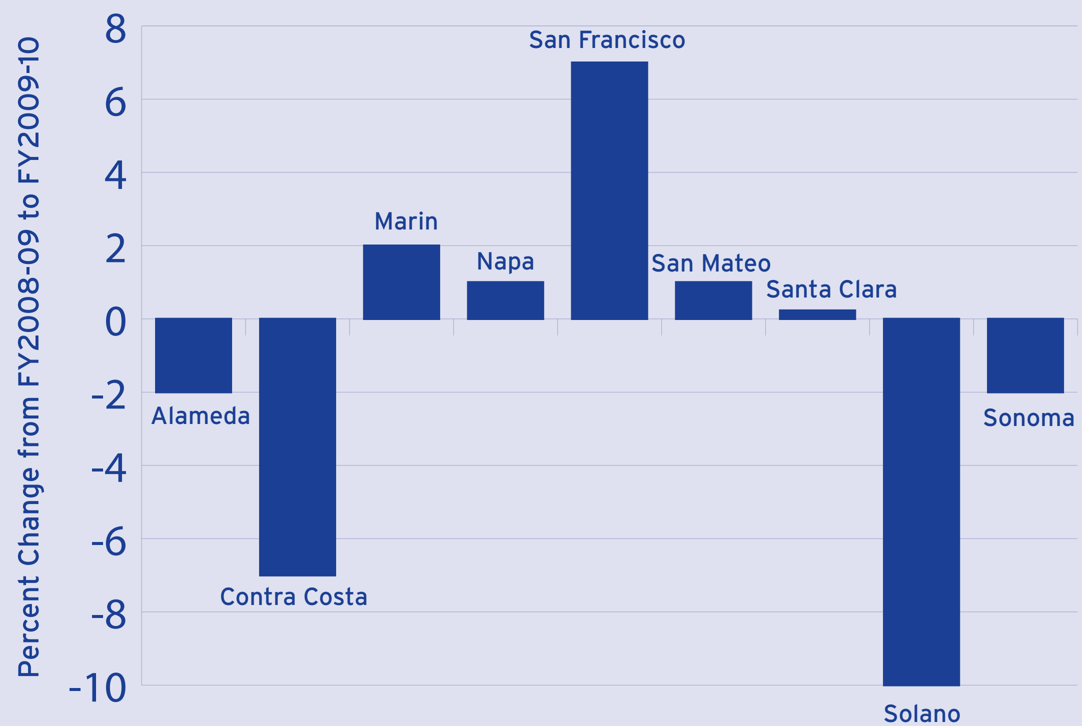
Bay Area and California Data-DataQuick/California RAND
U.S.- National Association of Homebuilders

In California, government revenues and budgets cannot be examined outside the context of Proposition 13. California ranked fifth in the nation for property tax revenues in fiscal year 1977-78. California governments took in $63.57 of property tax revenues per $1,000 of personal income, 45 percent greater than the US average. Proposition 13 amended the State's constitution in 1978 to limit property tax increases to no more than two percent per year, regardless of the home's changing value.

Designed to keep homes affordable to California families, Proposition 13 also had the effect of significantly diminishing government revenues needed for public services. By fiscal year 2005-06, California fell to 36th in the nation for property tax revenues. California governments were bringing in $27.61 for every $1,000 of personal income, well below the national average of $34.92.[44]

The effects of Proposition 13 have been compounded by falling home values. Since the housing crisis, estimates put California's accumulated loss in property value at almost $38 billion, which means that the state's local governments have lost $377 million in annual property taxes, a loss that will not be recouped until homes are resold at higher rates.[45] Contra Costa County jurisdictions have already lost an estimated $116 million in property taxes due to the county's high rate of foreclosures, and Solano County jurisdictions may face a $9-12 million budget shortfall.[46]

Projected Change in Property Tax Revenues



Source: County Assessors

Governments depend on property tax revenues to fund education, libraries, and city and county health and welfare services. The strain on government budgets frequently leads to service cuts, which in turn creates significant pressures on non-profit organizations to provide relief services to individuals and families.

The decline in property tax revenues has been accompanied by an increase in the demand for services as more and more households are impacted by the recession. The Alameda County Community Food Bank has experienced a 40 percent increase in demand since 2007.[47] San Francisco experienced a 50 percent increase in demand for emergency shelters from 2007 to 2008, and shelters throughout the Bay Area have longer than average waiting lists. Particularly telling is that in both San Francisco and San Mateo counties, 60 percent of people seeking shelter have never been homeless locally.[48]

In November 2009, property taxes will be adjusted to reflect new, and for the most part, lower assessed property values. Alameda, Contra Costa, Solano and Sonoma counties are expected to be the most affected by lower values. However, not all Bay Area communities will fare poorly. San Francisco is expected to see a significant gain in property tax revenues in the new fiscal year. In the East Bay, Alameda, Albany, Berkeley, Emeryville, Lafayette, Moraga, Orinda, and Piedmont are seeing slight increases in assessed property values.[49]

The Negative Equity Cycle

Negative equity, owing more on a mortgage than the home is worth, is another significant impact of falling home values. The sharp rise and fall of home prices in the Bay Area in recent years has led to greater incidents of negative equity than in other parts of the country. At the end of 2008, 27 percent of Bay Area homeowners had negative equity in their homes, compared to 18 percent nationally.[50]

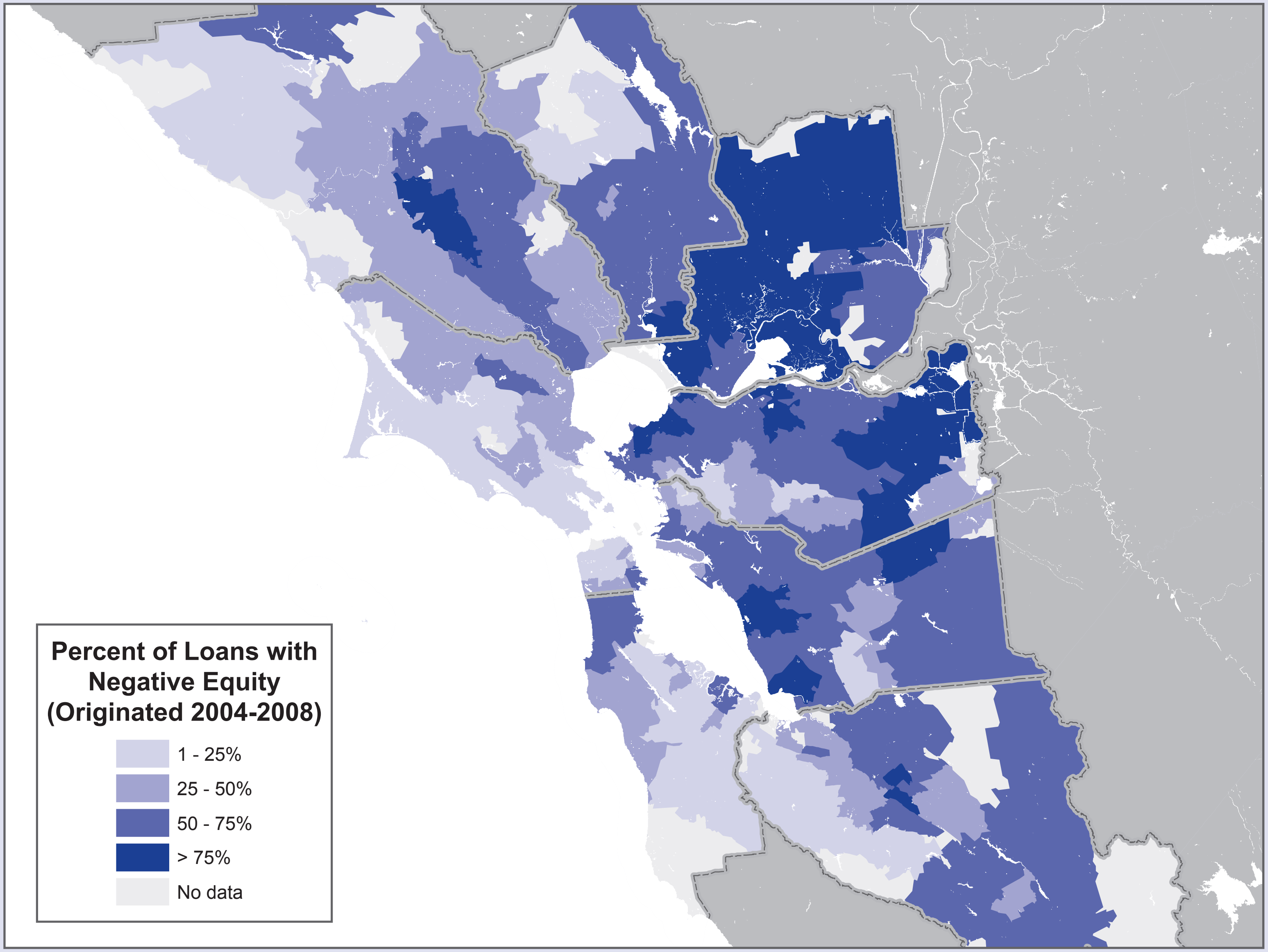
The year of loan origination is a significant determinant of whether a home is likely to have negative equity. Of loans originated between 2004 and 2009, those originated in 2006—just as the Bay Area was nearing its peak home values—had the highest rates of negative equity as of first quarter 2009. Among 2006 originations, San Francisco had the lowest percentage of loans with negative equity, at 32 percent, and Solano had the highest percentage, at 92 percent.

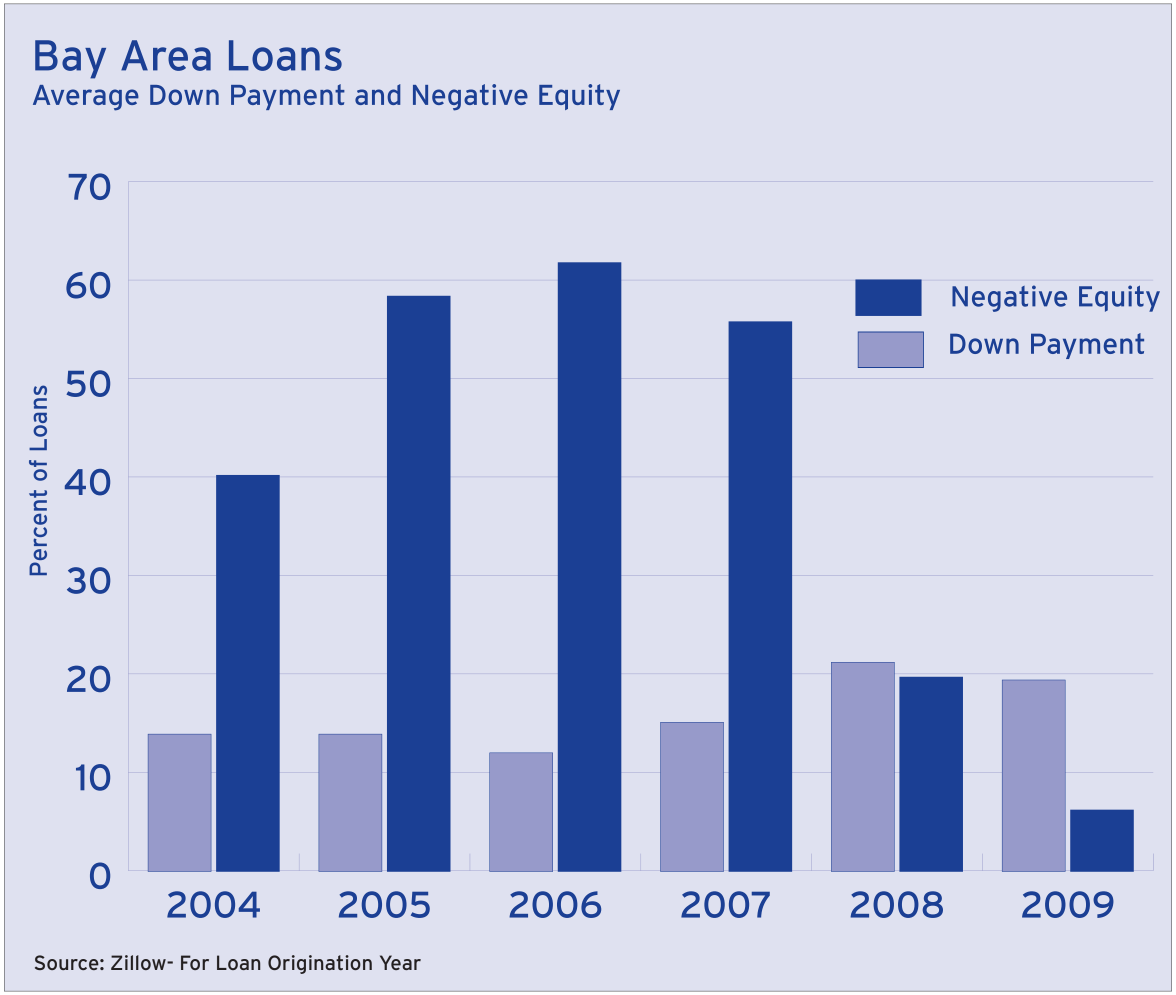
Increases in incidences of negative equity create a vicious foreclosure-home value cycle. When the housing crisis first hit the Bay Area, the increase in foreclosed properties contributed to declining home values. Later, declining home values contributed to foreclosures. Some households with negative equity simply cease making their mortgage payments and choose to go into foreclosure (a "strategic default"). The more the value of a home falls, and the greater the number of nearby foreclosures, the more likely households are to voluntarily default on their mortgage payments and foreclose. And though many homeowners (up to 80 percent in a recent study) have a moral aversion to foreclosing, sufficient negative equity, coupled with a job loss or health problems often forces the issue.[51]

Negative equity is undesirable for any homeowner, but the implications are particularly severe in the Bay Area. Traditionally, homeowners with severely depressed home values had no way to escape their inflated mortgage obligations, but in early 2009, the federal government released a program that provided some homeowners access to low-cost refinancing. Homeowners were eligible if they owed 105 percent or less of the home's present value and the original mortgage was within conforming limits set by Fannie Mae and Freddie Mac (under $417,000 for a one-bedroom home).

Even though the majority of Bay Area homeowners who took out loans in 2005 and 2006 found themselves with negative equity, over 60 percent were not eligible for assistance because their loans exceeded these terms.[52] The federal

Negative Equity





government recently broadened the terms of the program by increasing the loan-to-value limit to 125 percent, but analysts suggest that this change would still leave the vast majority of Bay Area homeowners ineligible.[53]

Home Affordability

In 2005, the median home price in the Bay Area was three times the national average.[54] Between 2000 and 2006, home price increases outpaced growth in median incomes by a factor of four to one. Did the subsequent drops in home prices solve the Bay Area's affordability problem?

By some measures, affordability has improved. The differential between housing price and median income has diminished over the past few years, and low-priced homes are widely available for purchase.

The California Association of Realtors' Housing Affordability Index calculates the percentage of households for whom mortgage payments for a median priced home would not exceed 40 percent of the household's monthly income. At the height of the housing bubble, only 10 to 15 percent of all Bay Area households could afford a median priced home. When home prices plummeted, the region's affordability index increased to 44 percent by 2009.[55]

Housing affordability was further improved by federal and state government programs promoting homeownership. Tax credits rewarded first-time homebuyers for taking advantage of the more accessible housing market. The federal government provided an $8,000 tax credit for new home purchases before December 2009. California offered a $10,000 tax credit in early 2009, but the program had so many participants it stopped accepting new applications in July.

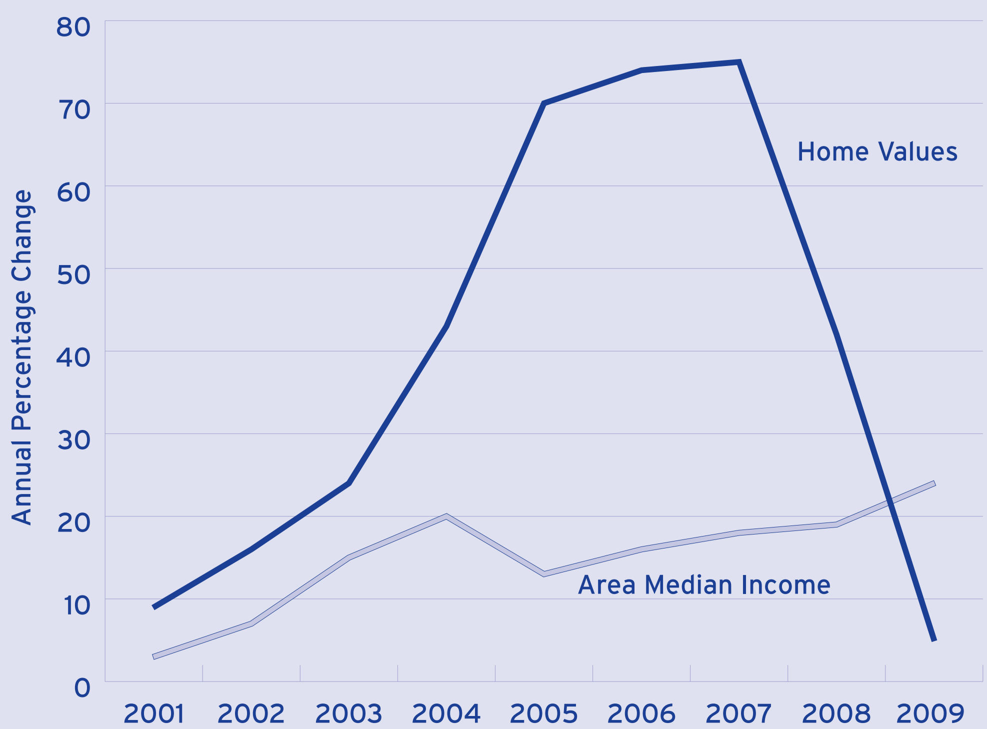
Despite these favorable home buying conditions, many households in the Bay Area still face significant barriers to affordable ownership. Households looking to qualify for a mortgage have to now comply with strict underwriting standards.

To compensate for the loose lending that instigated the crisis, lenders also require more paperwork, higher credit scores, and higher downpayments for a borrower to prove qualified. The credit score threshold for eligibility was raised from 620 to 720 (on the 850-point FICO credit rating scale), and downpayments have risen from zero to five percent prior to the crisis to a minimum of ten percent for conforming loans.

In qualifyng a household for a mortgage, lenders also now discount a household's financial assets by 30 to 40 percent due to market volatility and uncertainty. In 2007, Fannie Mae and Freddie Mac added risk grades to borrowers' credits scores, which increased the overall cost of a mortgage, and put ownership out of reach for many.

Bubble of Unaffordable Housing

Bay Area Home Prices Rise Relative to Incomes



Source: California Association of Realtors, Area Median Income is a Weighted Average of County Median Incomes Calculated by HUD

Location Matters

Foreclosures and Home Values by Location

The effect of the housing crisis on Bay Area communities has been as diverse as the communities themselves. Some neighborhoods were deeply hit, while others appeared relatively insulated. Location, density, and pre-crisis residential growth are all related to the severity of the crisis' impacts on cities and neighborhoods.

In 2005, foreclosures were relatively rare and limited to small portions of the Bay Area. In the first quarter of 2005, Sonoma, Marin, Napa, San Francisco, and Solano counties experienced almost no foreclosures. In fact, fewer than ten percent of the Bay Area's 1,405 census tracts had even one foreclosure. Though foreclosure rates were relatively low, a few areas in Alameda, Contra Costa, and Santa Clara counties were demonstrating clusters of foreclosures. Nearly three quarters of all foreclosures reported in early 2005 were located within these three counties.

Foreclosure hotspots grew in both magnitude and intensity over the next few years, as foreclosures went from a scattered problem to a pervasive crisis around the region. The growth in foreclosure rates in Alameda and Santa Clara counties was dwarfed by the exponential growth that occurred in Contra Costa and Solano counties. Contra Costa and Solano counties emerged as foreclosure-burdened areas beginning in 2007, and proceeded to record some of the highest rates in the area. In first quarter 2009, Solano County recorded 11 foreclosures for every 1,000 owner-occupied homes. In contrast, the foreclosure rates of the western counties ranged from 1 per 1,000 homes in San Francisco to 4 per 1,000 homes in Sonoma.

As with foreclosures, declining home values were a varying phenomenon throughout the Bay Area. Though housing price declines were nearly ubiquitous during the crisis, a scattering of areas experienced an increase in home prices. Western Bay Area counties, which were less impacted by foreclosures, saw fewer sales, and homes that did sell were high-end homes which contributed to higher home values. Frequent sales of lower-priced homes (often foreclosure resales) inland and in the eastern Bay Area counties countered the slower market along the coast.

The most extreme declines in home value occurred in Solano County, where county-wide sales prices decreased by 49 percent in 2009 from their 2005 values.

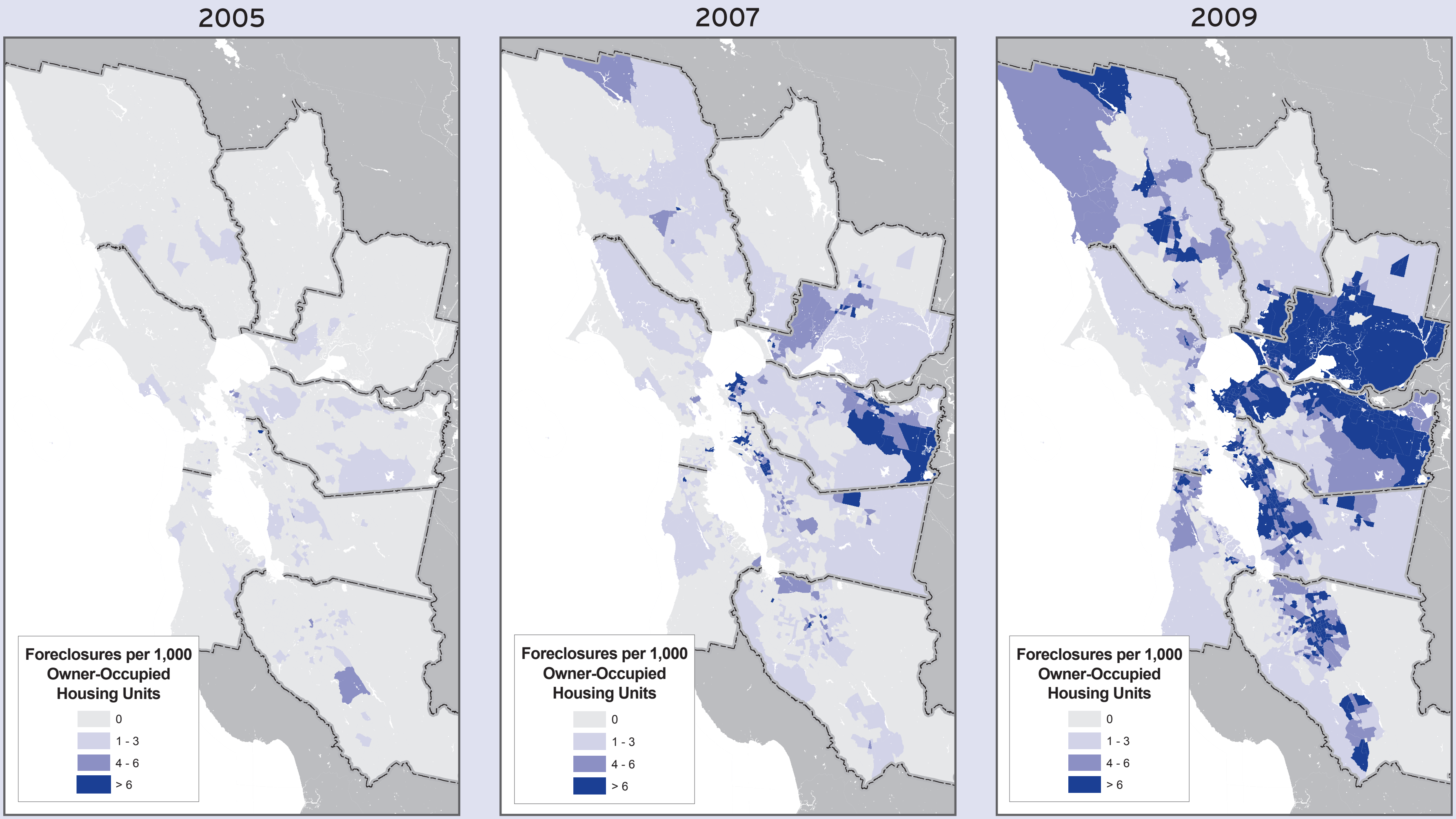
The Urban Vs. Suburban Experience

The Bay Area's major urban centers—San Francisco, San Jose, and Oakland—experienced an overall increase in the number of foreclosures and a decline in home values, but at varying intensities. Of the three cities, San Francisco was the least impacted by foreclosures and changing home values. The city's foreclosure rates peaked at 1 per 1,000 owner-occupied units in 2008, a fraction of the peak rates experienced in San Jose (5 per 1,000 in 2009) and Oakland (9 per 1,000 in 2008).

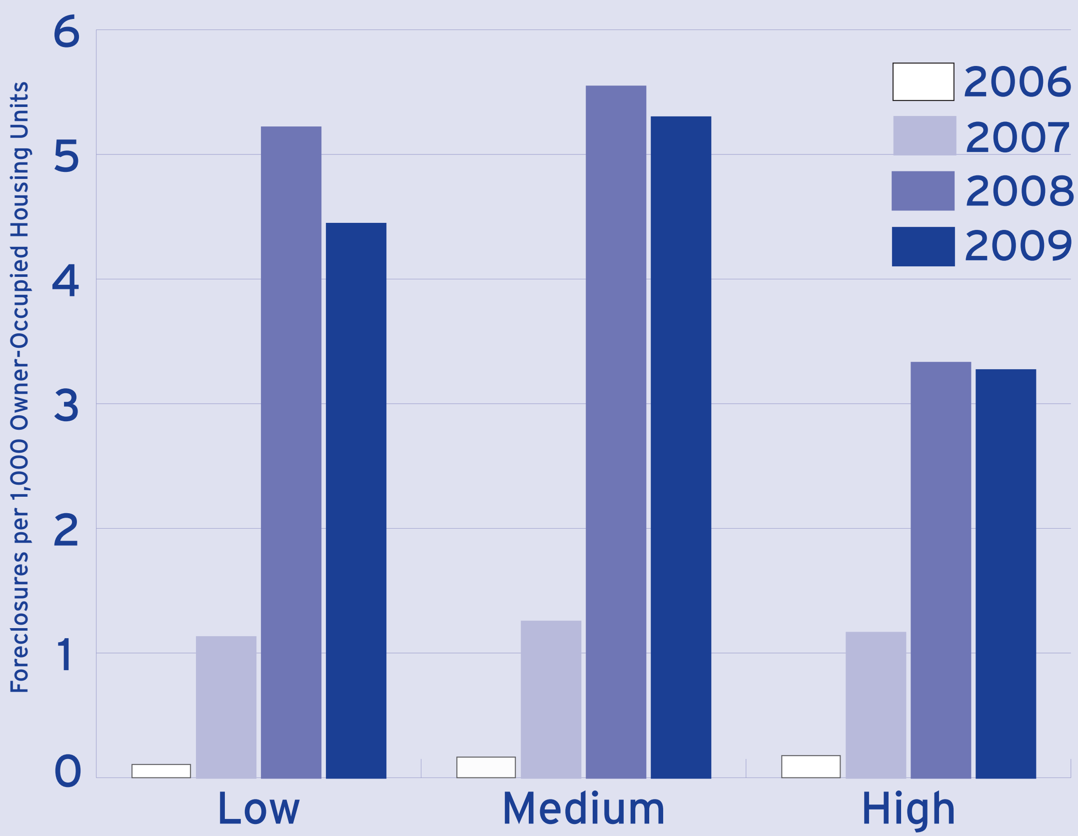
The region's three major cities experienced proportionate declines in home values, with San Francisco's prices decreasing by just seven percent in five years. The median price for a home in San Francisco in first quarter 2009 was $695,000, well above the regional median of $449,000. San Jose saw a moderate 28 percent decline in home value, while Oakland's prices dropped by 42 percent. First quarter 2009 median home values for San Jose and Oakland were $428,000 and $282,000, respectively.

Oakland was by far the hardest hit of the Bay Area's major cities. Homes in Oakland's eastern neighborhoods suffered the greatest declines in value, ranging from 59 to 74 percent.

Bay Area Foreclosure Rates



Foreclosures and Density



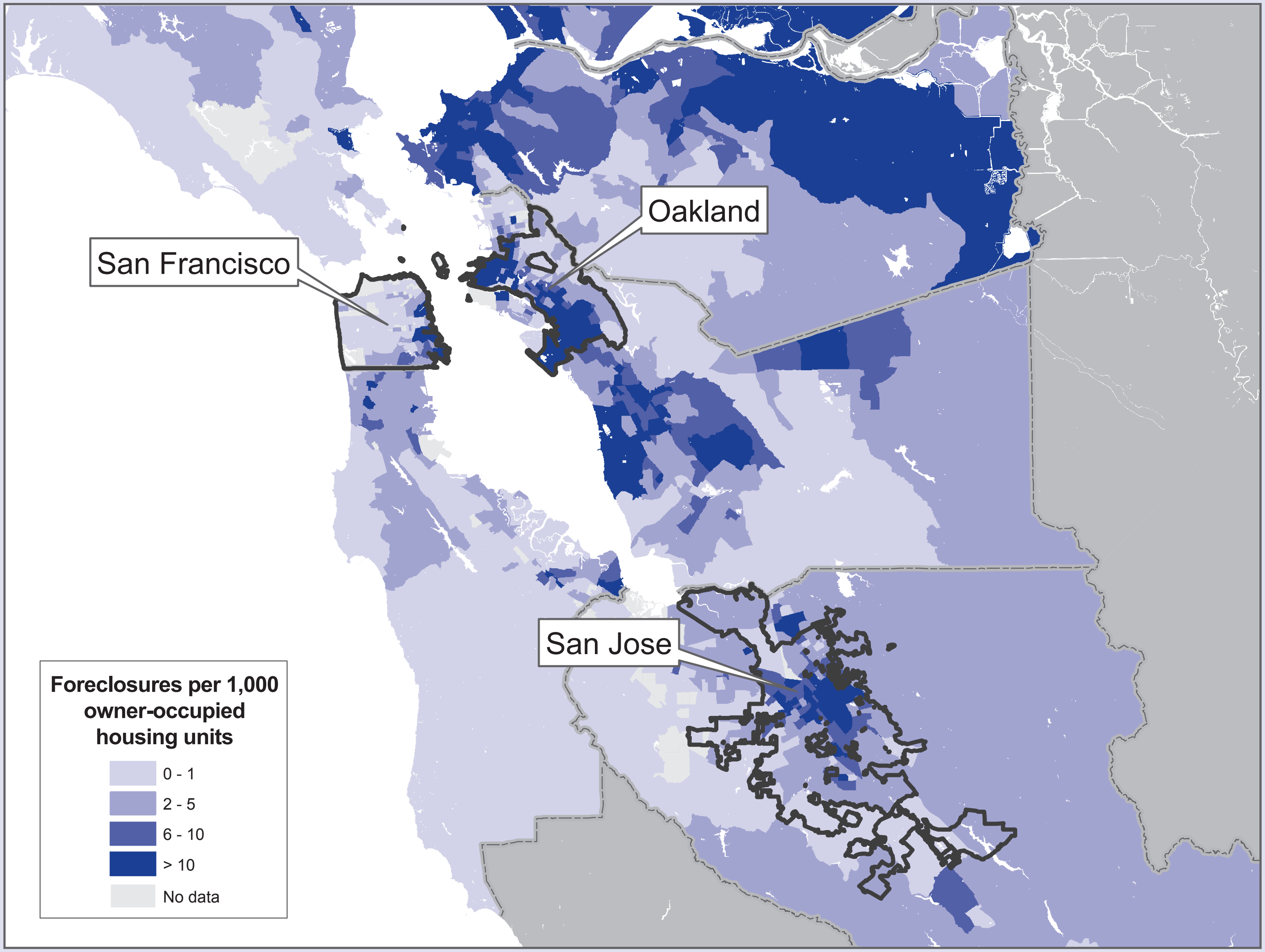
Source: DataQuick, U.S. Census- Low Density is less than 4 units per acre, Medium is 4 to 8 units per acre, High Density is more than 8 units per acre

As the crisis progressed, urban areas experienced decreasing shares of the region's foreclosures, relative to suburban and exurban areas. The shift in foreclosures from urban to newer suburbs can be illustrated by examining the relationship between foreclosure rates and residential density.[56] In 2005 and 2006, foreclosures occurred at approximately the same rate in low and high density areas. By 2007, however, low density areas had foreclosure rates more than two times those of high density areas, and by 2008 the ratio was over three to one.

The suburban or low density trend is partly the result of where the newest housing is concentrated in the Bay Area. Areas that experienced high foreclosure rates are the same areas that had significant increases in their housing stock in the preceding 10 to 15 years.

Four Bay Area counties that increased their housing stock the most between 1990 and 2000 - Napa, Contra Costa, Solano, and Sonoma - experienced the greatest increases in foreclosure rates between 2004 and 2008.

Foreclosure Rate Near Major Cities



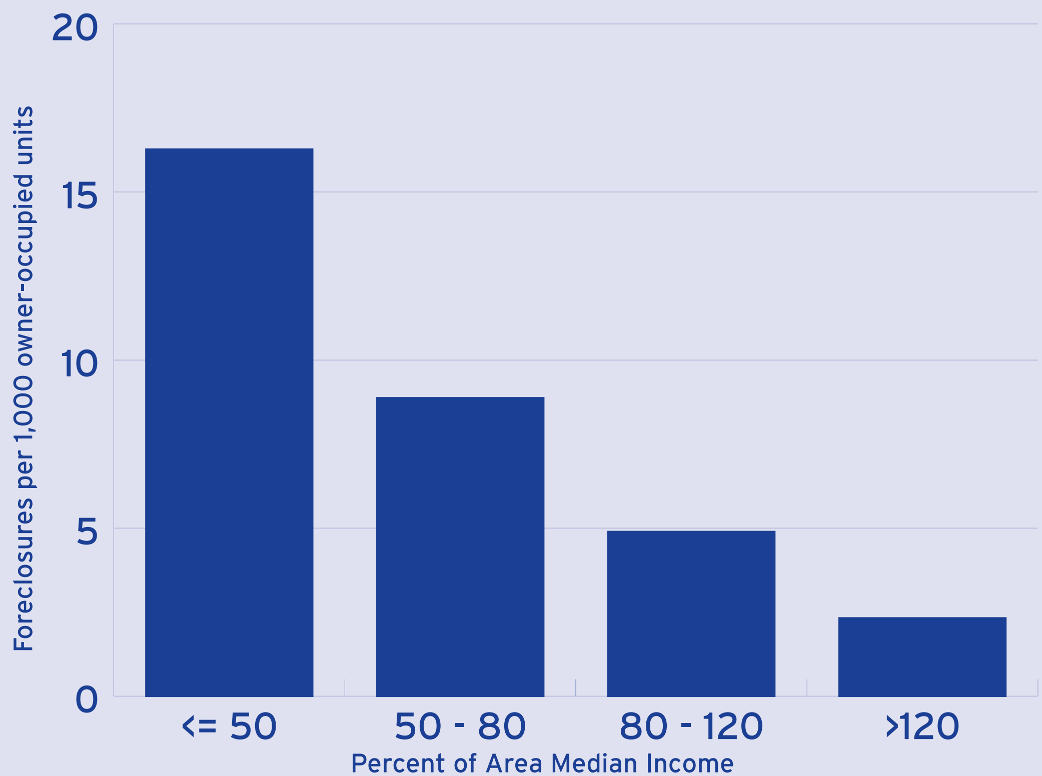
Communities of Concern

The housing crisis uniquely affected low-income and minority neighborhoods. Beginning in the late 1990s, lenders began to focus their efforts on expanding the mortgage market via subprime lending. Such loans were marketed to households who, under traditional lending practices, would be unable to quality for a mortgage.

In California, over 40 percent of all loans made to African Americans and Latinos were subprime, compared to an overall average of only 28 percent.[57] As a result, homeownership rates among non-white households increased dramatically. Between 1995 and 2005, African-American homeownership rates grew by 13 percent and Latino rates by 18 percent, compared to 6 percent growth for white households.[58]

Though foreclosure statistics on individual households by race and income are unavailable, aggregated data indicates that low-income and minority neighborhoods experienced greater foreclosure rates. In the Bay Area, foreclosure rates were three times greater in minority neighborhoods than in mostly white neighborhoods in the first quarter of 2009.[59] This relationship varied within the region. In Marin, San Francisco, and San Mateo counties, minority neighborhoods had much greater foreclosure rates than white neighborhoods. The relationship was not as strong in Solano County, where white and minority neighborhoods experienced more comparable levels of foreclosures.

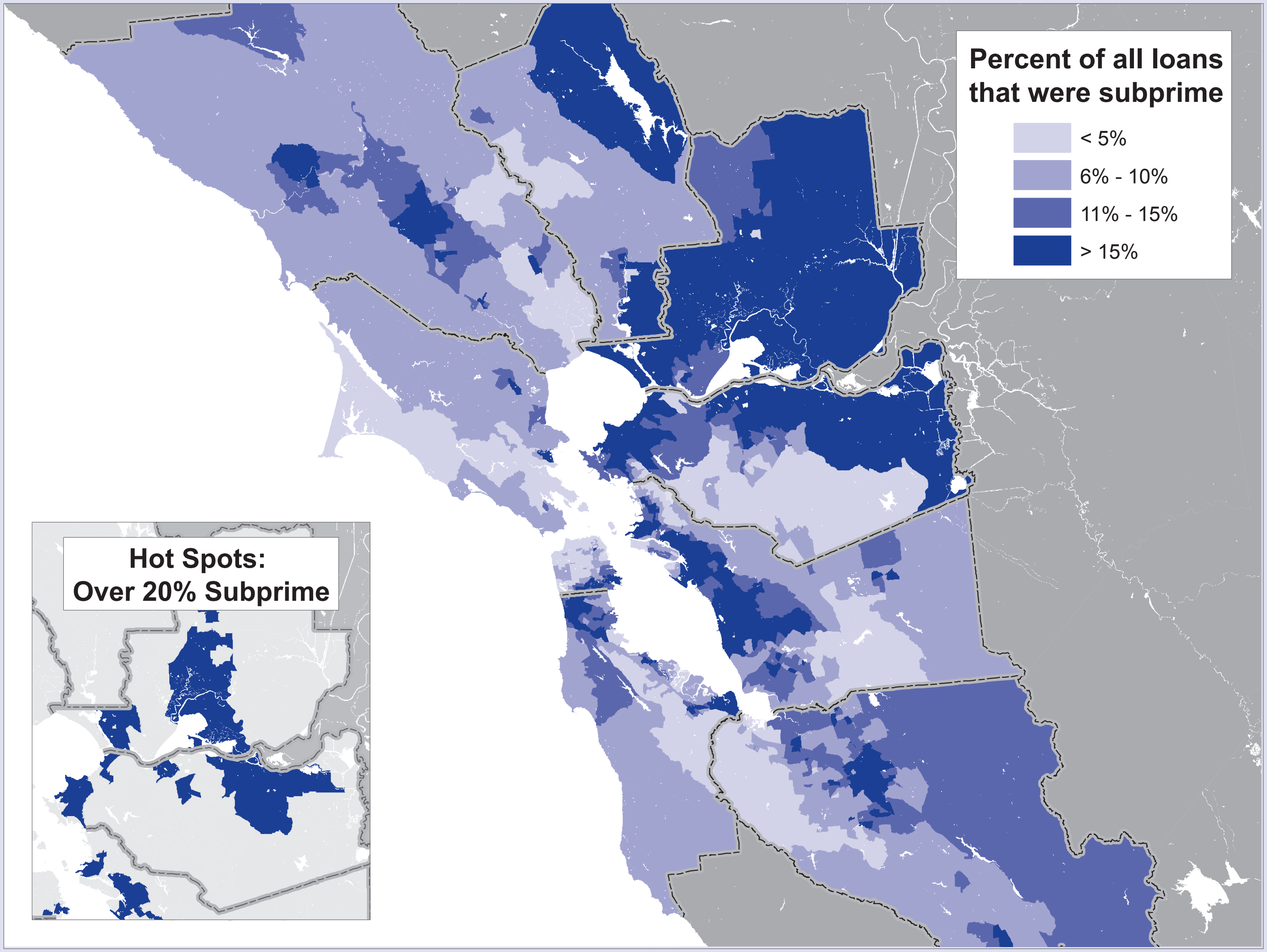
Foreclosure Rates by Median Income



Source: DataQuick, U.S. Census- First Quarter of 2009 for Bay Area

Low income neighborhoods were also impacted by the foreclosure crisis. In 2005, lower-income census tracts had foreclosure rates four times that of wealthy tracts.[60] By 2008, low-income areas had eight times the foreclosure rate of higer-income areas.

Geography of Subprime Loans

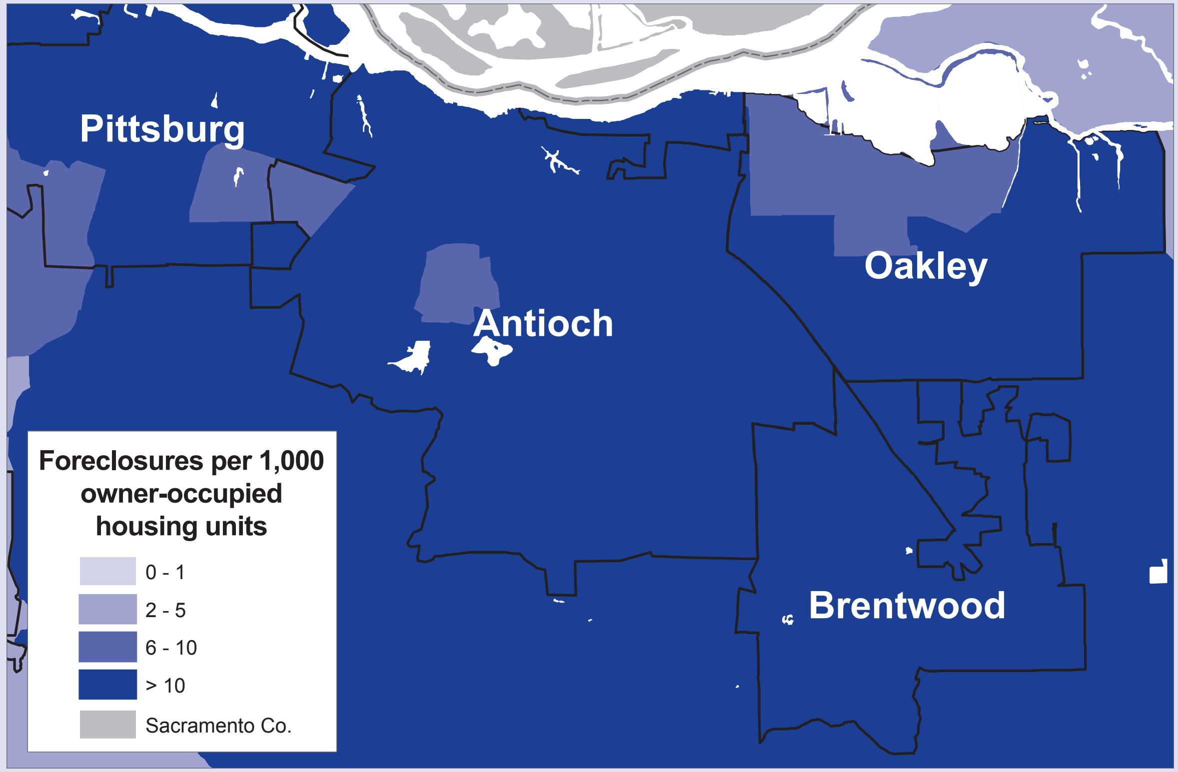


City of Antioch

Creates an Opportunity from Crisis

In the City of Antioch, a surge of new housing construction occurred in the years leading up to the foreclosure crisis. The city added 6,906 single-family units to its housing stock between 1995 and 2006, surpassed only by Brentwood's total number of units constructed within Contra Costa County.[61] Between 2000 and 2006, Antioch increased its housing stock by 14 percent.[62] This considerable growth provided increased opportunities for homeownership, but also made the city particularly vulnerable to foreclosures. Foreclosures were nearly unheard of in Antioch in 2006 according to City Manager Jim Jakel, but over the next two years the city became one of the hardest hit areas in the region and in the state.

By the first quarter of 2008, Antioch saw 25 foreclosures for every 1,000 owner-occupied housing units. Foreclosed units flooded the market, and at one point Antioch had an inventory of 1,500 unsold homes, three times the city's normal inventory. The inflated inventory drove prices down by 50 percent or more, leaving the city with home values equivalent to 1995 levels. Although overall foreclosure rates stabilized by early 2009, the city had an increase in the number of employment-related foreclosures, which may have been exacerbated by a 13 percent unemployment rate.



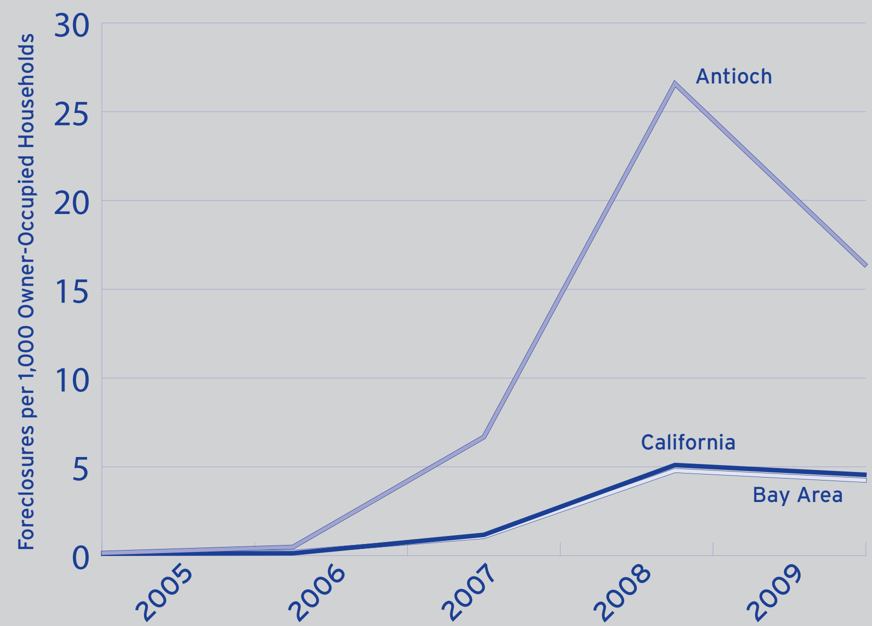
High unemployment and other impacts of the housing and economic crisis were felt throughout the city. Antioch lost 25 percent of its general fund revenues in one year, largely due to declining property tax revenues and a loss of local sales tax. The city's budget shortfall has led to multiple rounds of layoffs and pay cuts of ten percent or greater.

New housing construction has slowed significantly within the city. Only 22 permits were issued for above moderate homes in 2008, down from 150 permits in 2007, and an annual average of 400 permits between the years 1999 and 2006. There seems to be little incentive to build in a city where the median home price dropped from $510,000 in 2006 to $177,000 in early 2009.[63]

Despite the difficulties, Antioch is facing its problems head-on. The city was granted $4 million in Neighborhood Stabilization Program funds to purchase and renovate foreclosed properties. The city has also joined a consortium that includes Richmond, Walnut Creek and Contra Costa County, which will enable the sharing of resources and greater efficiencies. The jurisdictions are rehabilitating foreclosed properties and working to prevent future foreclosures through the Contra Costa County Home Equity Preservation Alliance (HEPA). HEPA provides outreach, counseling, and legal services for households dealing with predatory lending and foreclosure.

HEPA is an example of a increasing partnerships between the public sector and non-profit organizations to address foreclosures in the East Bay. In addition to cities, HEPA members include non-profit housing advocates and legal counsel organizations. Another example is the Contra Costa Interfaith Supporting Community Organization, a congregation-based community network that has worked with other non-profits to link struggling homeowners with services, to hold community meetings, and to encourage banks to modify loans. This mix of public and non-profit engagement has helped East Bay cities like Antioch to respond more quickly and actively to the foreclosure crisis than many other areas.[64]

Foreclosure Rates



Source: DataQuick- Bay Area Foreclosures in the First Quarter of Each Year

City staff has a positive perspective on the crisis. With so many low-priced homes entering the market, the financial difference between owning a home and renting have narrowed dramatically. Households, particularly those with moderate incomes, are more inclined to make the jump from renting to owning. The success of Antioch's first-time homebuyer program (funded with HUD Community Development Block Grants and redevelopment funds) speaks to this trend. The city has twice run out of funds for the program, and the City Manager estimates that at least 50 percent of Antioch's foreclosure re-sales go to first-time homebuyers. In first quarter 2009, there were 500 home sales in Antioch, one of the highest home sale rates in the region.[65]

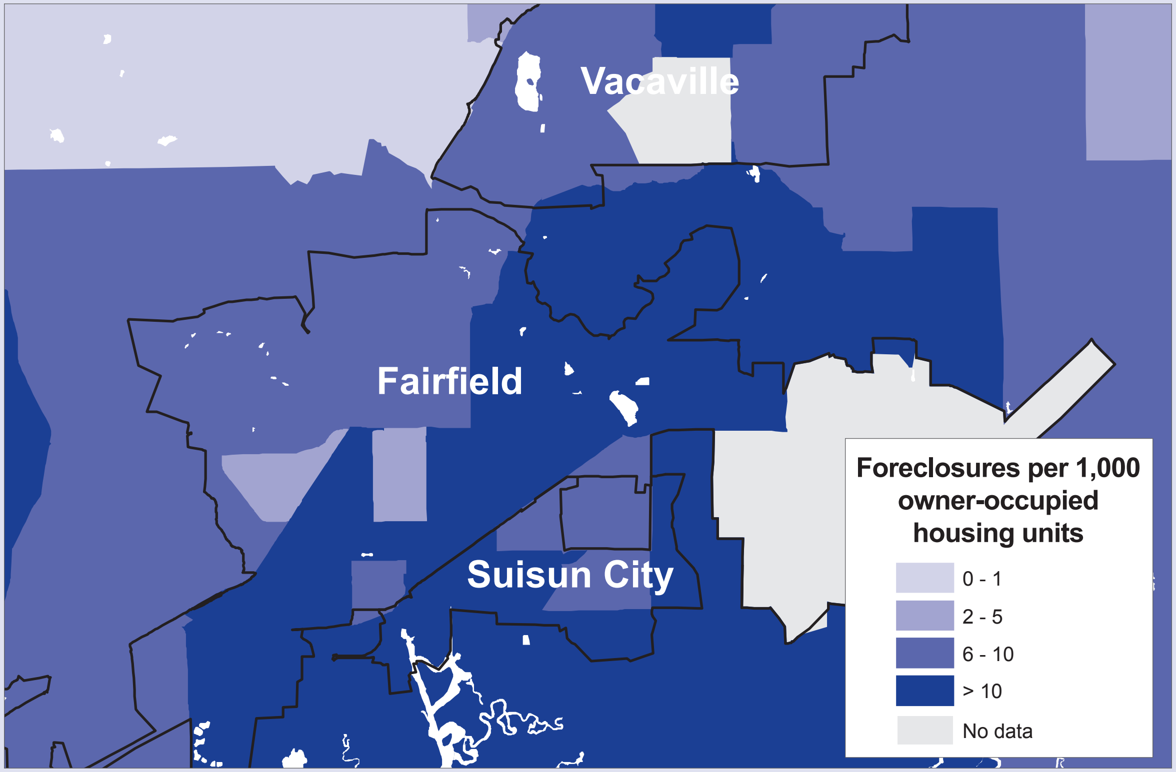
City of Fairfield

Responds to Waves of Problems

Foreclosures and falling home values have become almost a "norm" within the City of Fairfield. Foreclosure rates in Farifield have been higher than the Bay Area average for several years, but the disparity has grown in recent years. Foreclosure rates in Fairfield climbed from twice the Bay Area average in the first quarter 2005 to a rate of three times the regional average in the first quarter 2008.

Even as foreclosure rates began to decline in the Bay Area and around the country in 2009, Fairfield's foreclosure rates have remained steady. By early 2009, foreclosure rates were over 20 times the regional average.

High foreclosure rates in the City of Fairfield have been accompanied by significant drops in home values. Home values in the Vallejo-Fairfield area fell 29 percent from the first quarter of 2008 to the first quarter of 2009 - the fifth greatest drop in the country.[66] Mark Kaiser, the City of Fairfield's Affordable Housing Division Manager, estimates that today's home prices are on par with those from the late 1980s and early 1990s.

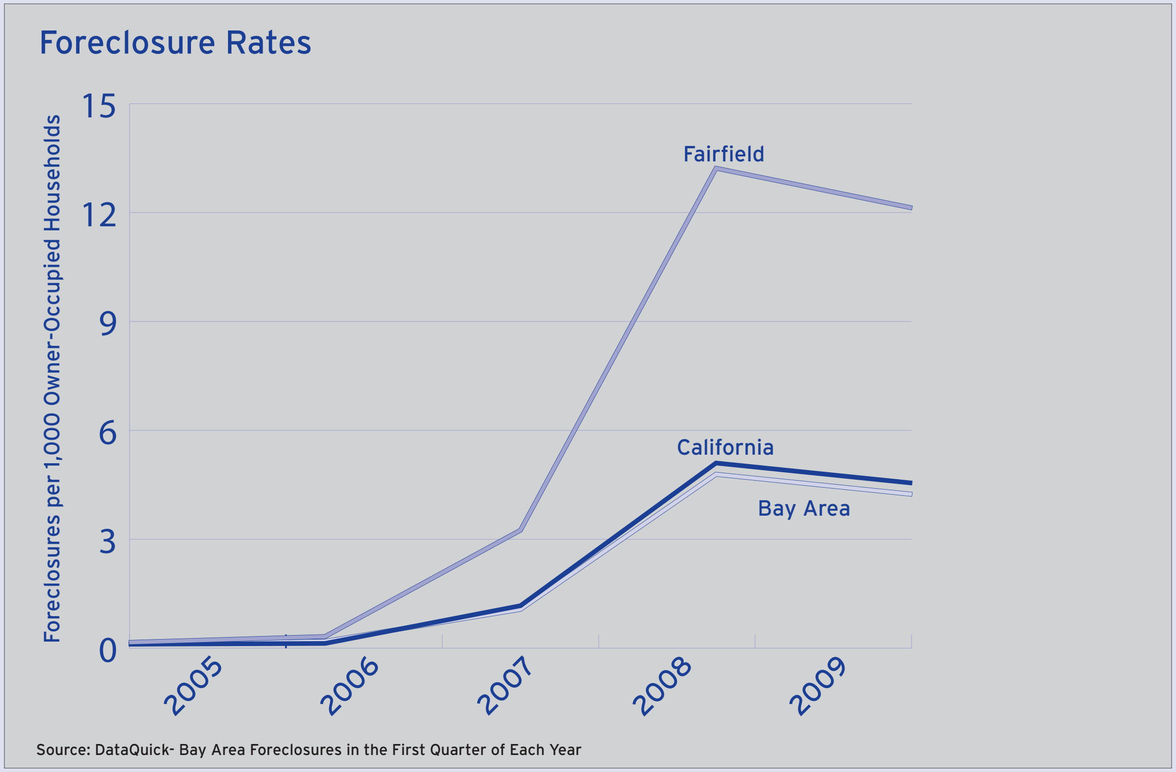


The housing crisis arrived in waves in Fairfield. Each new wave brought a different set of consequences to the city and its residents. Early on in the crisis, vacant foreclosed properties dominated the city's problems, becoming targets for scrap metal scavengers, vandalism, and squatters. Fairfield addressed the worst of these issues by amending their neighborhood preservation ordinance to require owners (in this case, the bank owners of foreclosed properties) to designate a local agent accountable for maintaining and securing the vacant property.

Later waves of foreclosures resulted in fewer vacant properties, as investors quickly purchased homes by taking advantage of low prices. Over

500 homes were sold in Fairfield in the first quarter of 2009, a 118 percent increase from the previous year.[67] The increase in purchases eased some of the pressure on the city to oversee abandoned properties, but they also decreased the city's share of owner-occupied properties, since investors rented them to tenants.

In response, the city applied for and was awarded $2.3 million through the Neighborhood Stabilization Program. Funds will be distributed as loans for the purchase and/or rehabilitation of foreclosed homes in four targeted census tracts, selected to ensure concentrated results in some of the worst impacted areas of the city. Homes bought with these loans must be occupied by low- and moderate-income homebuyers.

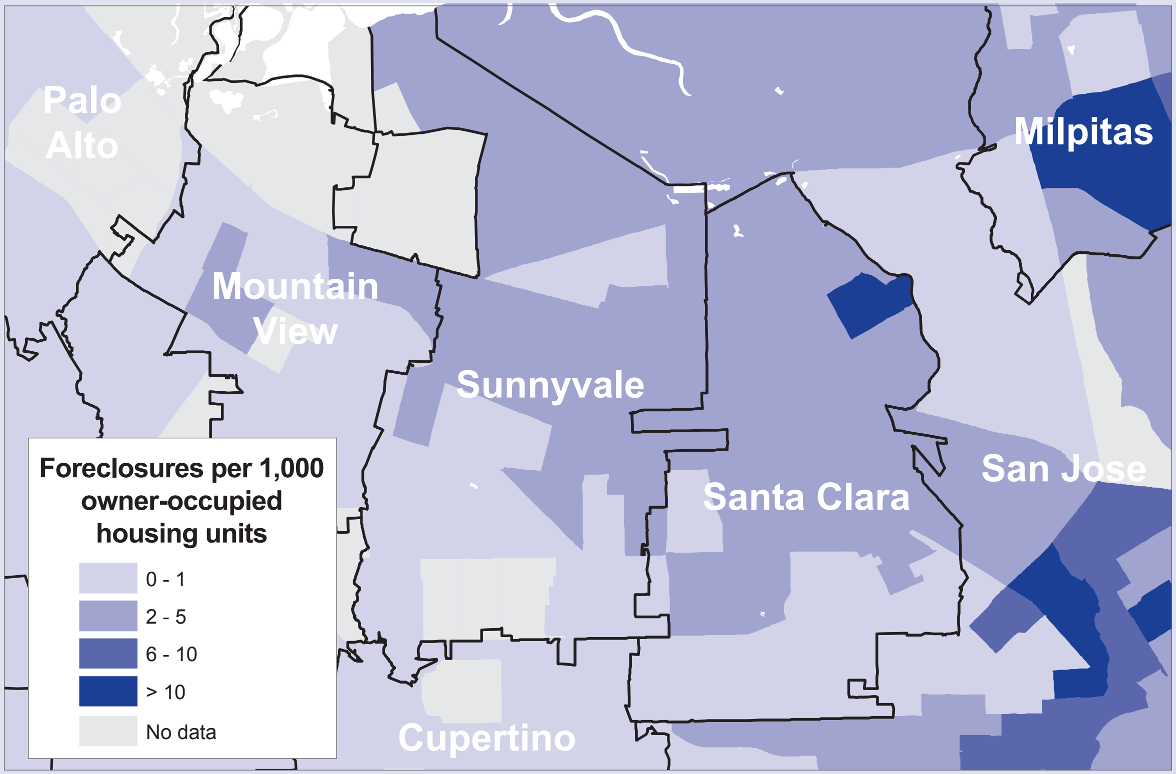


Fairfield has also responded to the housing crisis by using existing HOME funds, which are typically used to assist first time low-income homebuyers. HOME funds are now going primarily to homebuyers interested in buying and moving into foreclosed or short sale properties. HOME funds are also being used to help renters who are tenants of a foreclosed property. Tenants who were evicted due to a landlord's foreclosure and deprived of their security deposit may be eligible for a one-time grant that covers rent and security deposit at a new Fairfield rental. In continued efforts to help residents, the city has also sponsored several public workshops to help attendees understand how to prevent foreclosure and, if that is not possible, how to manage the consequences. The worst may have passed for Fairfield. The glut of unsold inventory is slowly dwindling and the city has strategies in place to respond to foreclosed properties. Though many developers have halted building, those moving forward have modified their plans toward building smaller homes.

City of Sunnyvale

Makes a Soft Landing

The Sunnyvale story is unemployment. Sunnyvale companies like Yahoo and Advanced Micro Devices have slashed their workforces, each cutting ten percent of jobs in 2008. Another 5 to 10 percent of jobs were lost in the first half of 2009.[68] Unemployment in the San Jose-Sunnyvale-Santa Clara region was 11.9 percent in June 2009, 2 percent higher than the national average.[69]



Sunnyvale's housing market, however, has remained stable. Although the city experienced foreclosure increases and home price declines like the rest of the country, they occurred in a much less extreme fashion.

Suzanne Isé, Housing Officer with the city, says the biggest impact of the crisis has been on home values. In less than a year, the median price for a single-family home dropped from $1.2 million to just over $700,000. "It hasn't wiped out our housing market at all. It's definitely softened prices, but I think in a way it's healthy for us, because they were so far out of reach for most people who didn't already own a home."

A variety of factors contributed to Sunnyvale's relative resilience. Though Sunnyvale-based companies let scores of employees go, Silicon Valley employers attract workers from around the county and beyond, so that the impact was not concentrated solely within the city itself.

On the housing front, Sunnyvale's high home prices attract primarily "move-up" homebuyers, who can use the profit from previous home sales for larger downpayments. This gives homebuyers greater initial equity in their homes, reducing the likelihood that they would end up "underwater" on their mortgages in the event housing values decline. Finally, since the housing market is still relatively strong in Sunnyvale, distressed homeowners have been able to sell their homes rather than foreclose.

Another sign of the city's strength is continued new construction. In the peak years of 2005 to 2008, the city's building permit division saw record numbers of applications, so much so that the city had to hire temporary staff to respond to the skyrocketing interest in construction and remodeling. Although activity has since slowed, the permit department still continues to operate at levels above their ten-year average.

Among the most significant projects underway are three mixed-use developments that will bring office, retail, and over 700 residential units to the downtown area. These projects continue to move forward, though not without incident.

One development project has stalled construction while developers attempt to work out loan questions. Developers of another downtown residential projects have temporarily scrapped plans to sell units as condominiums in favor of renting the units for the first few years, because sales of ownership units have declined sharply. Developers are also delaying plans for build out, with hope that prices will soon rebound.

Some concerns remain about the city's future. Though the city's foreclosure rates remain well below the Bay Area average, Suzanne Isé worries that rates may increase as the ripple effects of job losses begin to hit the housing market. Isé's concern was echoed in a 2009 *San Jose Mercury News* article, which noted that default notices increased in areas with previously low rates, like Sunnyvale, and it predicted that foreclosures will continue as "layoffs mount, home values drop, and adjustable-rate [prime] loans reset."[70]

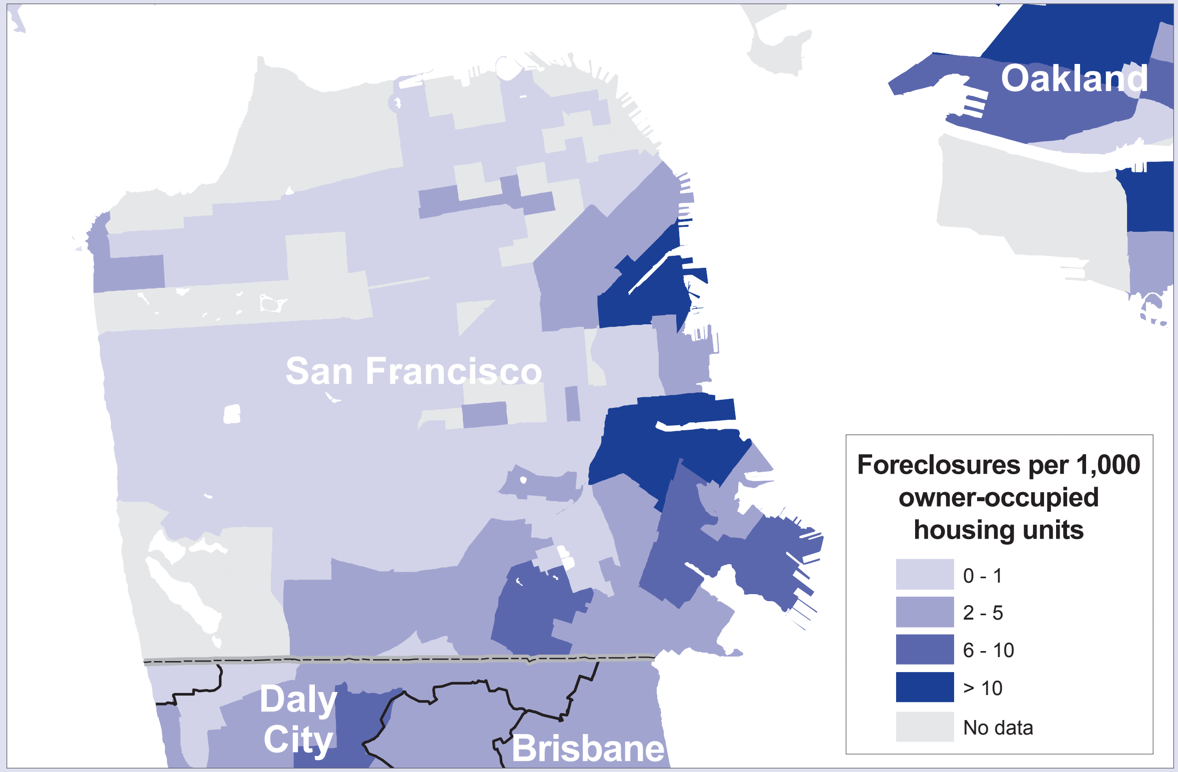
City/County of San Francisco

Makes A Deliberative Response

The worst of the housing crisis bypassed San Francisco. The city's foreclosure rates are among the lowest in the region and, despite slight declines, home values remain significantly above regional averages. The city's Controller's Office anticipates an increase in property tax revenue in the coming year as the lower values of some current home sales will be offset by the addition of new homes to the market.

The apparent strength of San Francisco's housing market does mask some areas of concern. Like much of the region, San Francisco witnessed a significant drop in residential construction in 2008. Local lenders and builders predict that it could be several years before the pace of construction picks up in the city. Though home prices remained relatively stable in San Francisco, compared to other parts of the Bay Area, they fell enough to deeply cut into the potential profit of any new development.[71]

Hesitancy on the part of developers, combined with tighter lending standards, has stalled dozens of project that have been in planning stages for years. Many of the projects that did move forward in 2009 were able to do so soley due to financial support from the public sector, i.e. local or federal government.



Another area of concern in San Francisco is the city's high rate of renters, a category of residents who have been impacted by the crisis in ways that are not yet fully accounted for or well documented. San Francisco has a much higher rate of renters living in multi-family buildings than most Bay Area cities. When a multi-family building is foreclosed, it is counted in most records as one foreclosure; yet if multiple households are living in the building, the impacts spread well beyond one individual family.

Some neighborhoods in San Francisco have also been more affected than citywide averages would suggest. Supervisor Sophie Maxwell observed that parts of her district, including Bayview-Hunters Point and Visitacion Valley, were suffering severely from foreclosures and related consequences.

Maps of San Francisco foreclosure rates confirm neighborhood variations. Foreclosures in the southeastern parts of the city peaked at rates of 10 foreclosures per 1,000 owner-occupied units, while this figure remained below 2 for the city as a whole.

In response to Supervisor Maxwell's concern, the Board of Supervisors established a Fair Lending Working Group in 2008. The group's 15 members, representing banks, the realty industry, non-profit advocates and counselors, and city staff, were tasked with examining the extent of the housing crisis in San Francisco and initiating a dialogue about remedies. The group convened multiple times over the course of six months to hear from experts, examine research, and review best practices from other cities.

The working group concluded that the city's low- and moderate-income families, communities of color, and seniors were disproportionately affected by foreclosures. One of the working group's primary recommendations, therefore, was that San Francisco use existing strategies to the full extent possible to combat foreclosures and mitigate their impacts.

The city's strengths were identified by the group, including: multiple non-profit organizations that counsel struggling homeowners and tenants facing evictions; strong tenant protections that do not include foreclosure as a "just cause" for eviction; and loan funds for first-time homebuyers. The group concluded that full enforcement of existing regulations, additional support for local non-profit groups, and lobbying at the state level would be important and reasonable steps to address the city's problems.

As one of the strongest markets in the region, San Francisco has been able to be deliberative in its responses to the current crisis. In general, the city has not experienced the degree of foreclosures, vandalism, and devastated neighborhoods that has plagued other Bay Area cities.

A Rental Market in Crisis

Foreclosures of Renter-Occupied Units

Homeowners of single-family homes have been the most visible casualties of the housing crisis, but multi-family and renter-occupied buildings comprise a significant portion of foreclosures. Landlords and property owners took advantage of the same loose lending standards and low interest rates offered to single-family owners. Among non-resident owners of small (one- to four-unit) properties, 30 percent of mortgages originated in 2006 were subprime loans. As many as 50 percent of loans for properties located in lower-income, minority areas were subprime.[72]

Over the course of the housing crisis, renters became increasingly affected by foreclosures. However, estimating the number of renters displaced by foreclosure is difficult, but examining foreclosure rates of multi-family and non-owner occupied units can approximate the extent of the problem. In the Bay Area, nearly ten percent of all first quarter foreclosures from 2005 to 2009 affected units in multi-family buildings. The number of multi-family units in foreclosure increased from 22 in early 2005 to 500 in 2009. In spite of the dramatic increase in quantity, the share of multi-family units to all foreclosed units was at its lowest in 2009 at nine percent.[73]

Non-owner occupied housing units comprised a somewhat smaller share of foreclosures - eight percent of all first quarter foreclosures from 2005 to 2009.[74] This is likely a gross underestimation of the actual impact, since many foreclosed units are mislabeled as 'owner-occupied.' Tenants Together, a California-based non-profit organization, estimates that 50 to 75 percent of rental properties are mislabeled as owner occupied.[75]

NLIHC agrees that the share of renter-affected properties is understated, and conservatively estimates that 20 percent of all foreclosed properties are renter-occupied. In addition, NLIHC predicts that as many as 40 percent of all households faced with foreclosure during this crisis will be renting households.[76] This number is high in part because most renter-occupied buildings are multi-unit where one foreclosure can affect many households simultaneously.

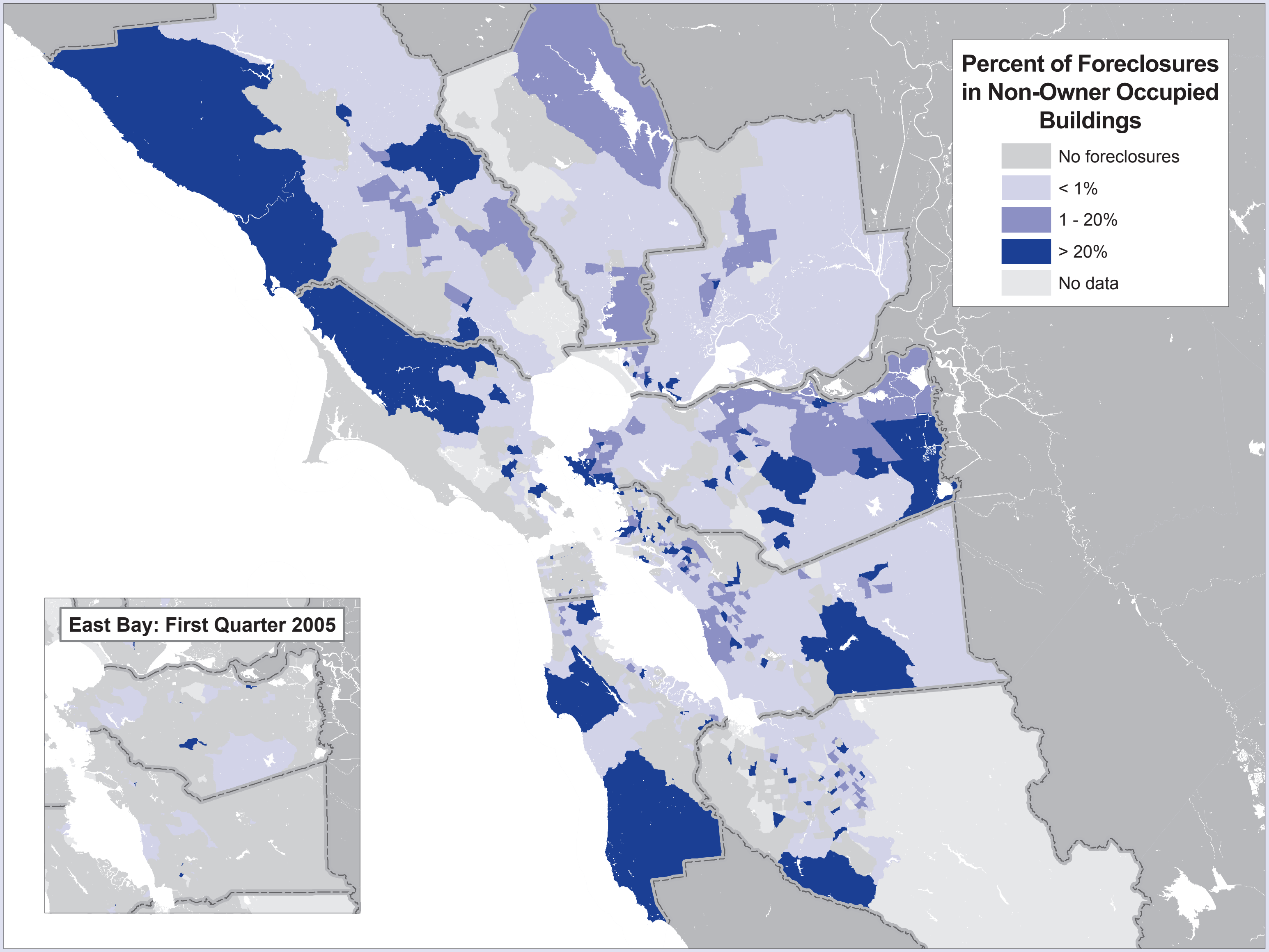
Foreclosures of non-owner-occupied homes likely have a particular impact on large families, who are more likely than smaller households to rent a home than an apartment. In the Bay Area, nearly half of all large households (with four or more people) who rent live in single-family homes, whereas only 20 percent of one- and two-person renting households do so.

Renters, who are often low-income, did not contribute to the foreclosure crisis, but have certainly been shouldered with the consequences. Renters may pay rent faithfully, only to discover that their landlord is months behind in mortgage payments. Banks typically nullify leases upon foreclosure, and tenants may get little or no forewarning. Renters are often subjected to utility shut-offs, loss of security deposits, and eviction. Displaced renters are more likely to experience homelessness than displaced homeowners. Renters are more likely to have lower incomes, less savings, and less time to prepare than homeowners.

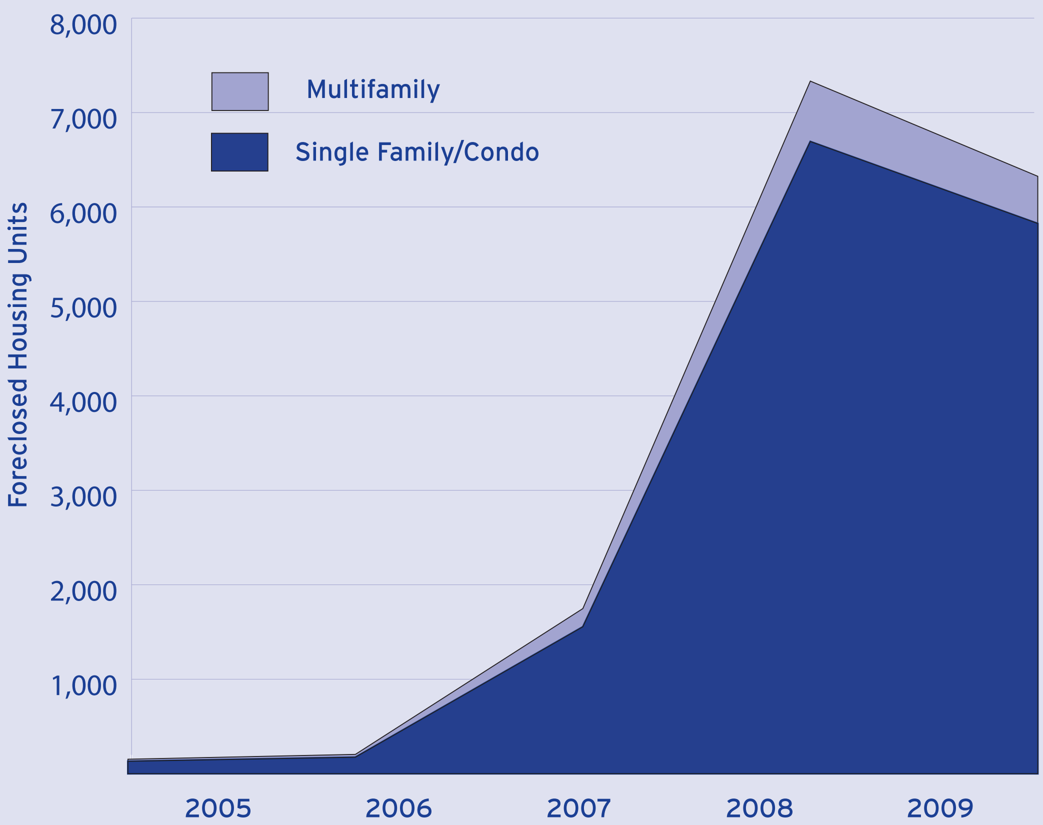
Prior to the crisis, there were few protections in place for renters. Banks were required to give 30 days notice to vacate, but were not required to ensure that this notice was conveyed to renters. Tenants often found out about the foreclosure process only upon forcible eviction.

Greater protection for renters was put into place with the July 2008 passage of Senate Bill 1137, which requires lenders to notify residents of an impending foreclosure and for property owners to give tenants 60 days notice prior to eviction. In May 2009, President Obama signed the *Protecting Tenants at Foreclosure Act of 2009*, which requires the purchaser of a foreclosed property at auction

Non-Owner Occupied Foreclosures



Bay Area Foreclosures



Source: MDA DataQuick Information Systems

to give 90-days notice to any existing tenant. Richmond, where half of all residents are renters, recently became the second city in the state to adopt a city ordinance which specifically protects renters from foreclosure-related evictions. Other local jurisdictions have 'just cause' stipulations that offer general protection to renters.

Rental Market Mismatch

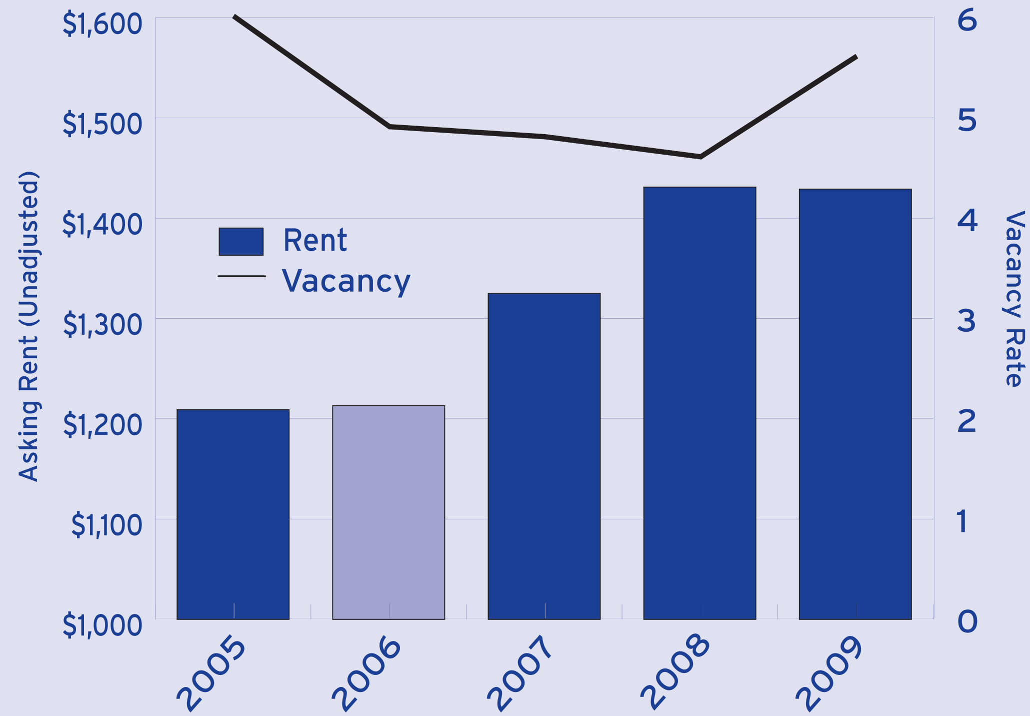
Households moving into the Bay Area's rental market face one of the most expensive markets in the nation. Regionally, the average rent peaked at $1,400 in 2008, when rental vacancies were low, at five percent.[77]

Among rental units in large (50+ unit) multi-family buildings, vacancy rates have been inversely related to rent levels. As vacancies decreased, rents increased. Early 2009 marked a departure from this trend; rents showed little change, but vacancies increased a full percent. These high rent levels may be an obstacle to foreclosed-upon homeowners and displaced renters in search of affordable housing.

Widespread foreclosures and the overall downturn in the economy have generated an increase in the demand for subsidized rental housing. When Eden Housing was looking to fill their new affordable apartment complex in the City of Hayward, they received 1,500 applications for 78 available rental units, a clear indication of the mismatch between the available residential units and the current income levels of renters seeking housing.[78] Even before the crisis, there was a shortage of units affordable to households in the lowest income ranges. In 2007, there were nine million extremely low-income renters nationwide, but only six million units they could afford.[79]

Recent activity in the rental market has only widened this gap. Diminished demand for condominiums often drives developers to convert existing ownership units into high-priced rentals. Single-family property owners unable to sell their homes are likewise prompted to become landlords until the ownership market recovers. These additional rental units rarely benefit low- or moderate-income renters. The mismatch between need and supply will only continue to grow as unemployment rates increase and incomes fall.

Bay Area Rent Trends



Source: NAIBT

Housing Production

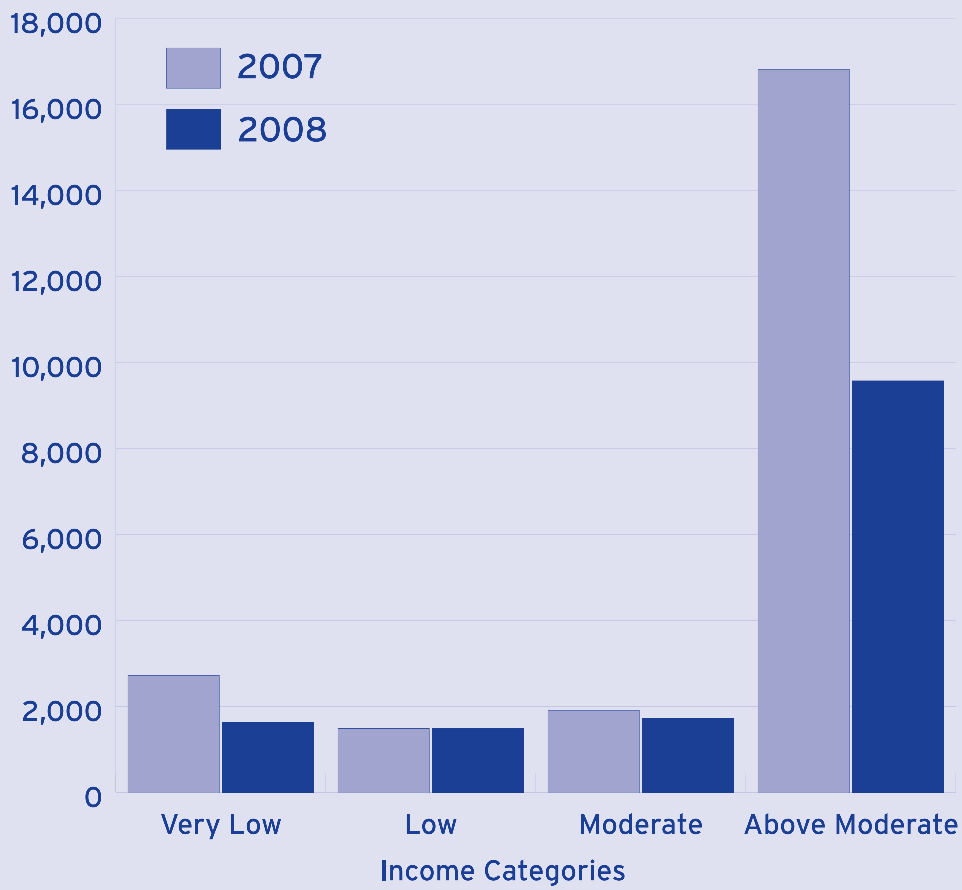
Bay Area Housing Production

When the bubble burst, Bay Area housing production slowed dramatically. This drop is revealed in ABAG's most recent annual survey of building permits. The survey results indicate that between 2007 and 2008, the region saw a 37 percent decline in the overall number of residential permits issued. Alameda, Solano, and Sonoma counties experienced the biggest drops in total permits issued from 2007 to 2008, with respective declines of 70, 47 and 80 percent.

Despite these trends, some parts of the region experienced an up-tick in permits between 2007 and 2008. Cities in Marin County experienced the greatest increase in permits, with Larkspur, Novato, and Ross more than doubling the number of permits issued. Even within counties that experienced an overall decline in permits, such as Santa Clara and San Mateo, a few jurisdictions saw big increases. The City of Santa Clara issued five times more permits in 2008 than in 2007, and six cities in San Mateo County more than doubled their permits issued.

Permits for affordable housing developments remained slightly more stable than market-rate housing, with permits for affordable housing dropping off by 21 percent compared to 43

Bay Area Permits Issued by Income Category



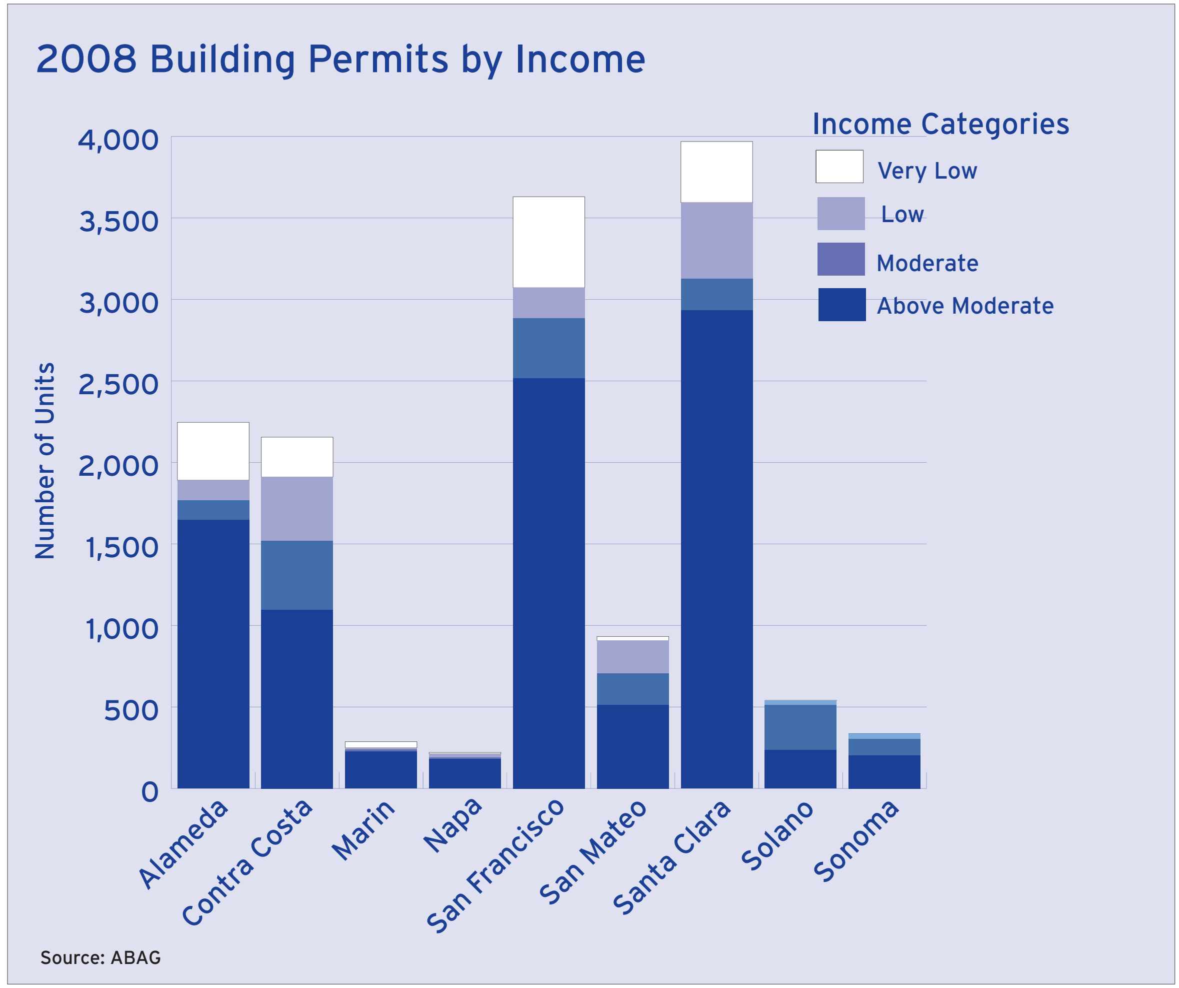
Source: ABAG

percent for market-rate units. Permits for restricted affordable units comprised 25 percent of all permits issued in 2008, and nearly half of all restricted affordable units were dedicated to households earning less than 50 percent of the area median income. Counties with major urban areas reported higher shares of affordable housing permits. The complete results of ABAG's 2008 survey are in the appendix.

Affordable Housing Funds

Housing supply has long been an issue in the Bay Area -both in terms of quantity and diversity. During the housing bubble, the market was inundated with newly-constructed single-family homes while the production of multi-family units lagged demand. Many of these single-family homes are now re-entering the market through foreclosure sales, fostering the perception that the supply of homes relative to demand has improved substantially.

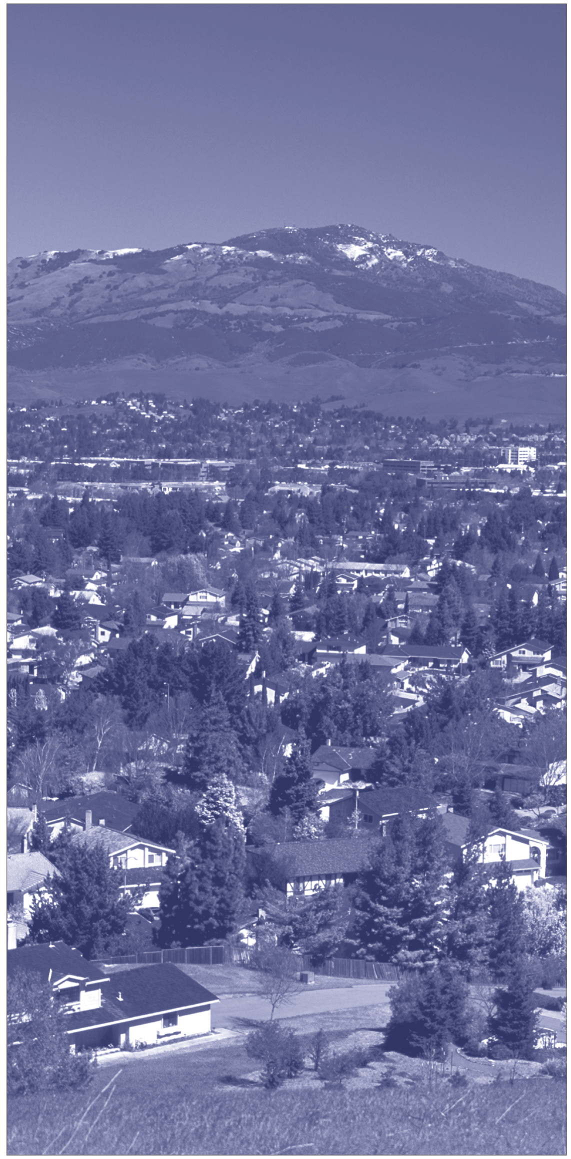
However, between the worldwide financial crisis and California's budget dilemma, previously reliable funding sources for housing development have become scarce or unavailable. Insufficient funds, as well as limited access to credit, have stalled both affordable and market-rate housing development.



The Low Income Housing Tax Credit (LIHTC) program was created in an attempt to make affordable housing production less dependent upon federal money, and has been a stalwart in affordable housing finance. Affordable housing developers are awarded tax credits, which are then sold to investors who can use them to offset profits. The financial crisis has left few organizations or companies with any profits to offset, and thus decreased interest in purchasing credits. Fannie Mae and Freddie Mac were big investors, buying approximately 40 percent of the available tax credits, but they dropped out of the tax credit market in late 2007.

The value of the tax credits themselves have plummeted. At the height of the housing boom, affordable housing developers received more than one dollar in return for every tax credit sold to investors, but by mid-2009, the amount paid by investors dropped to approximately 70-75 cents per tax credit.[80]

As part of the 2009 American Recovery and Reinvestment Act, the federal government unveiled two programs to compensate for the devalued tax credits and to reinvigorate the production of new affordable housing units. Federal stimulus money is providing $310 million for California's 'shovel-ready' affordable housing projects.

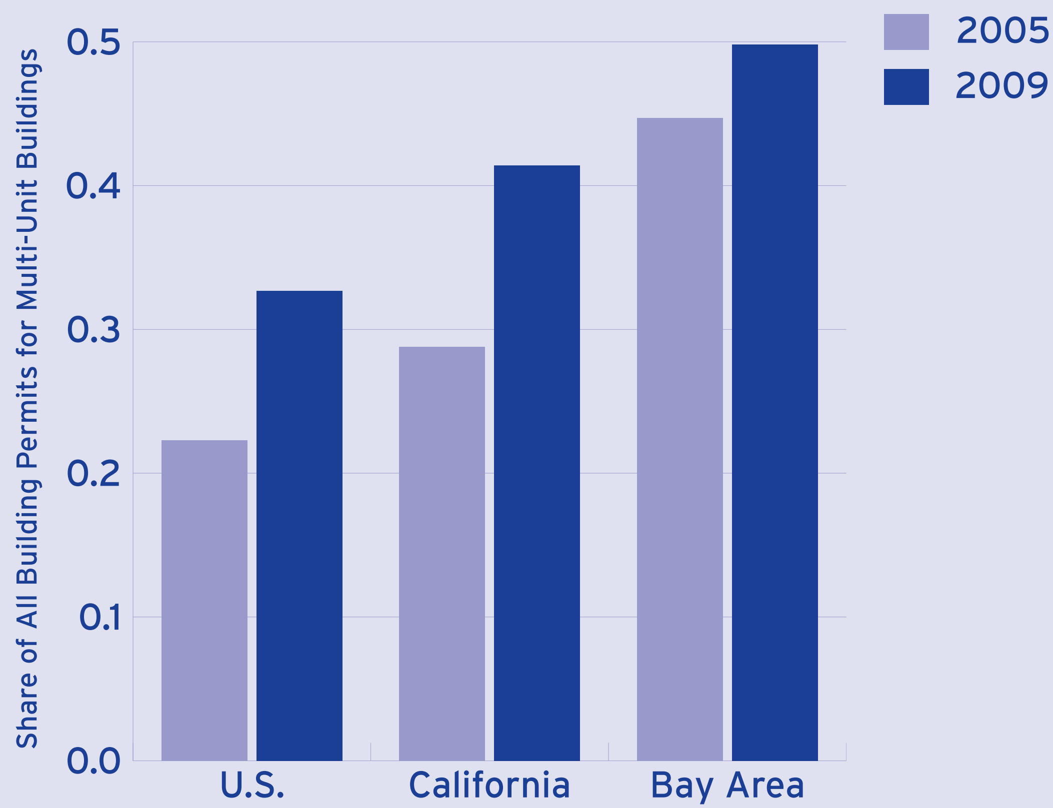


HUD's Tax Credit Assistance Program (TCAP) will offer formula-based grants to supplement the amount per dollar paid by investors. The LIHTC Exchange Program, administered by the Treasury Department, will provide states with an opportunity to exchange unused tax credits for a lump sum of cash to be allocated to LIHTC projects.

California's headline-making budget dilemma has also curtailed the availability of affordable housing funds. Significant budget shortfalls prompted the state to freeze bond money in December 2008, including money used under Propositions 46 and 1C to fund affordable housing construction. This affected $1.8 billion in bond funds committed to 800 affordable housing projects statewide, 100 of which were located in the Bay Area.[81] Financing was temporarily unfrozen in April 2009, but the released funds are insufficient to meet long-term demand, and will only sustain projects through November 2009.

Lower construction costs are beginning to offset the difficulties in obtaining financing, and have likely contributed to a recent increase in housing activity. In May 2009, the construction of new homes was on the rise nationwide. The increase in activity from April to May translated to an 8 percent increase in the construction of single-family homes, and a 62 percent increase in the construction of multi-family units.[82] As of first quarter 2009, multi-family permits comprised 50 percent of all building permits issued in the Bay Area. The upturn in the building sector may be a positive sign of economic recovery, but a sustained rebound may be a few years away.

Multi-Family Construction



Source: U.S. Census Bureau (Data is for the 1st Quarter of year and excludes Napa, Solano and Sonoma Counties)

Housing Market Future

The Bay Area's housing boom at the beginning of this decade was fueled both by financial factors (including low interest rates and new mortgage products) and the region's desirability as a place to live. The Bay Area offers a variety of employment opportunities, is recognized as a creative center, and is home to some of the world's top research and educational institutions. These factors have long contributed to homebuyers' willingness to bid up prices, often to levels beyond their own incomes. The excessive rise in prices contributed to the eventual sting of the crash, but the underlying conditions persist.

The Bay Area still remains a desirable place to live. Therefore, overall, the region will likely recover more quickly than other real estate trouble spots in the country. However, our recovery is likely to be accompanied by changing patterns in the region's housing market, moslty driven by foreclosures and recent home value trends.

When housing construction picks up, it will probably focus on areas where prices have remained relatively stable and foreclosures are minimal, such as parts of San Francisco, Santa Clara, and San Mateo counties. Areas of eastern Contra Costa and Solano counties that experienced the region's highest foreclosure rates will have a longer wait for construction to rebound.

However, construction is unlikely to return to the peaks of earlier building, as homebuyers and developers choose to concentrate in other parts of the region.

In the short term, the decline in construction may give Bay Area cities and counties an opportunity to think through their plans and goals for the future. Most jurisdictions have been forced to spend recent months responding to immediate crises: applying for and managing federal aid; addressing blight and abandoned properties; negotiating with developers who halted in the midst of construction; and responding to increased demands for government aid. As these immediate needs subside, and before construction again picks up, the region has the opportunity to rethink future development.

During the height of the construction and housing frenzy, there was little room for government intervention, as the market responded all too readily to perceived demand. Now is a chance for local governments to determine the terms of future development, perhaps to shape the outlines of the cities they hope to see in the future and to help avoid the errors of the past.

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Appendix: San Francisco Bay Area Housing Data

The results of ABAG's 2009 housing survey are included in the following pages. As in previous years, local planning staff were asked to submit data on the number of residential building permits issued in 2008. This year the survey also requested information on the total number of housing units in each city, town, or unincorporated area. This data will also be included in the ABAG housing report to be released in November 2009.

Existing Housing Units

All but three local jurisdictions responded to the request for existing housing data. In the following tables, each jurisdiction's existing housing numbers are divided into market rate units and restricted affordable units. The restricted affordable units are further categorized by the eligible income categories for the area median income (AMI): Very Low (0-50% AMI); Low (50-80% AMI); and Moderate (80-120% AMI). For governments unable to provide complete data, ABAG staff estimated the number of affordable units based on available data for public housing, redevelopment, LIHTC, HUD, and inclusionary projects. Restricted units are those that, because they receive financial assistance (such as HUD or redevelopment agency funds) or are otherwise subject to deed restrictions, have protections that require the units to remain affordable to households at lower income levels. All non-restricted units are included in the market rate category. Many market rate units - especially second units, mobile homes, and apartments - are undoubtedly affordable to lower income households, but do not have the same protections as restricted units.

2008 Housing Permits Issued

All 109 local jurisdictions submitted data on 2008 permits. This year, jurisdictions were asked to distinguish between restricted (R) and non-restricted (NR) units for each of the affordable income categories when that information was available. Many local governments do not track non-restricted units. In those cases, all non-restricted units are counted in the above moderate category. Where the restricted and non-restricted data is tracked, it provides an opportunity to present a more comprehensive picture of the Bay Area's affordable housing production.

San Francisco Bay Area

	Existing Housing Units						2008 Housing Permits Issued							
	Restricted Affordable						Very Low		Low		Moderate			
	Very Low	Low	Moderate	Restricted Total	Market Rate	TOTAL	R	NR	R	NR	R	NR	Above Moderate	TOTAL
SF Bay Area Total	61,861	43,399	20,736	128,150	2,650,477	**2,778,627**	1,572	39	1,020	443	739	962	9,548	**14,323**

Alameda County

	Existing Housing Units						2008 Housing Permits Issued							
	Restricted Affordable						Very Low		Low		Moderate			
	Very Low	Low	Moderate	Restricted Total	Market Rate	TOTAL	R	NR	R	NR	R	NR	Above Moderate	TOTAL
Alameda	721	82	238	1,041	31,194	**32,235**	39	0	0	0	0	0	20	**59**
Albany	5	13	2	20	7,355	**7,375**	0	0	0	0	0	0	3	**3**
Berkeley	244	1,601	120	1,965	46,530	**48,495**	27	0	37	0	0	0	350	**414**
Dublin	315	239	383	937	15,092	**16,029**	0	0	0	0	0	0	143	**143**
Emeryville	344	155	230	729	4,497	**5,226**	0	0	0	0	0	0	31	**31**
Fremont	762	503	379	1,644	70,746	**72,390**	0	0	0	0	44	0	223	**267**
Hayward	880	782	853	2,515	46,046	**48,561**	0	0	0	0	0	0	292	**292**
Livermore	445	697	50	1,192	28,725	**29,917**	0	0	10	2	0	24	39	**75**
Newark	200	0	0	200	13,224	**13,424**	0	0	0	0	0	0	1	**1**
Oakland	9,975	2,110	261	12,346	152,756	**165,102**	222	0	73	0	48	0	259	**602**
Piedmont	0	0	0	0	3,866	**3,866**	0	0	0	0	2	0	0	**2**
Pleasanton	487	614	47	1,148	24,335	**25,483**	0	0	0	0	0	0	23	**23**
San Leandro	409	237	49	695	31,280	**31,975**	67	0	3	0	2	0	39	**111**
Union City	422	277	251	950	19,533	**20,483**	0	0	0	0	0	0	170	**170**
Uninc.	707	405	0	1,112	49,793	**50,905**	0	0	0	0	0	0	53	**53**
County Total	**15,916**	**7,715**	**2,863**	**26,494**	**544,972**	**571,466**	**355**	**0**	**123**	**2**	**96**	**24**	**1,646**	**2,246**

Contra Costa County

	Existing Housing Units						2008 Housing Permits Issued							
	Restricted Affordable						Very Low		Low		Moderate			
	Very Low	Low	Moderate	Restricted Total[b]	Market Rate	TOTAL	R	NR	R	NR	R	NR	Above Moderate	TOTAL
Antioch	537	860	23	1,420	32,516	**33,936**	23	0	21	50	0	84	22	**200**
Brentwood	523	171	74	768	14,325	**15,093**	0	0	0	0	0	0	38	**38**
Clayton	86	10	28	124	3,882	**4,006**	0	0	0	0	0	0	11	**11**
Concord	522	1,037	71	1,630	44,698	**46,328**	0	0	0	0	6	0	48	**54**
Danville	85	57	197	339	15,458	**15,797**	0	0	1	3	0	55	27	**86**
El Cerrito	146	5	494	645	10,060	**10,705**	0	0	0	0	0	0	6	**6**
Hercules	208	42	2	252	8,067	**8,319**	0	0	0	0	0	0	0	**0**
Lafayette	81	2	0	83	9,401	**9,484**	0	0	0	0	0	6	0	**6**
Martinez	353	0	0	353	14,619	**14,972**	0	0	0	0	0	0	19	**19**
Moraga	-	-	-	5	5,786	**5,791**	0	0	0	0	0	0	3	**3**
Oakley	248	341	49	638	13,447	**14,085**	14	0	41	0	0	23	145	**223**
Orinda	0	0	0	0	6,967	**6,967**	0	0	0	3	0	1	9	**13**
Pinole	184	88	133	405	6,627	**7,032**	0	0	0	0	0	0	0	**0**
Pittsburg	223	751	498	1,472	62,297	**63,769**	64	0	0	0	67	21	8	**160**
Pleasant Hill	208	303	29	540	13,965	**14,505**	0	0	0	0	0	1	8	**9**
Richmond	1,203	1,344	492	3,039	35,394	**38,433**	2	0	13	0	2	0	10	**27**
San Pablo	218	481	0	699	9,518	**10,217**	0	0	125	0	0	4	22	**151**
San Ramon	274	492	1,154	1,920	23,193	**25,113**	54	0	111	1	0	0	293	**459**
Walnut Creek	260	155	38	453	32,020	**32,473**	0	0	5	0	0	0	90	**95**
Uninc.	1,016	457	88	1,617	63,987	**65,604**	87	0	19	0	69	83	337	**595**
County Total	**6,375**	**6,596**	**3,370**	**16,402**	**426,227**	**442,629**	**244**	**0**	**336**	**57**	**144**	**278**	**1,096**	**2,155**

Marin County

	Existing Housing Units					
	Restricted Affordable			Restricted	Market	
	Very Low	Low	Moderate	Total[e]	Rate	TOTAL
Belvedere	0	11	0	11	1,056	**1,067**
Corte Madera	62	33	23	118	3,950	**4,068**
Fairfax	97	3	0	101	3,322	**3,423**
Larkspur	20	81	28	129	6,321	**6,450**
Mill Valley	228	22	29	283	6,100	**6,383**
Novato	615	584	245	1,444	19,221	**20,665**
Ross	0	0	0	0	819	**819**
San Anselmo	11	23	3	42	5,401	**5,443**
San Rafael	422	611	267	1,300	22,361	**23,661**
Sausalito	6	33	0	39	4,531	**4,570**
Tiburon	84	39	29	152	3,815	**3,967**
Uninc.	619	82	69	770	27,210	**27,980**
County Total	**2,164**	**1,522**	**693**	**4,389**	**104,107**	**108,496**

	2008 Housing Permits Issued							
	Very Low		Low		Moderate		Above	
	R	NR	R	NR	R	NR	Moderate	TOTAL
Belvedere	0	0	0	0	0	3	1	**4**
Corte Madera	0	0	0	0	0	0	0	**0**
Fairfax	0	0	0	0	0	0	0	**0**
Larkspur	24	0	0	0	0	0	6	**30**
Mill Valley	0	4	2	2	3	3	9	**23**
Novato	7	0	0	0	0	0	121	**128**
Ross	0	2	0	1	0	1	0	**4**
San Anselmo	0	0	1	0	2	0	16	**19**
San Rafael	0	1	0	1	0	3	2	**7**
Sausalito	0	0	1	0	0	0	7	**8**
Tiburon	0	0	0	1	0	0	7	**8**
Uninc.	0	0	0	0	0	0	56	**56**
County Total	**31**	**7**	**4**	**5**	**5**	**10**	**225**	**287**

Napa County

	Existing Housing Units						2008 Housing Permits Issued							
	Restricted Affordable			Restricted Total[f]	Market Rate	TOTAL	Very Low		Low		Moderate		Above Moderate	TOTAL
	Very Low	Low	Moderate				R	NR	R	NR	R	NR		
American Canyon	114	57	51	222	5,413	**5,635**	0	0	0	0	0	0	44	**44**
Calistoga	8	94	24	126	2,173	**2,299**	8	0	16	0	0	0	3	**27**
Napa	-	-	20	1,465	28,741	**30,206**	0	0	0	2	2	0	74	**78**
St. Helena	119	69	31	219	2,567	**2,786**	1	0	1	0	0	5	8	**15**
Yountville	2	2	47	51	1,143	**1,194**	0	0	0	0	0	0	5	**5**
Unincorporated	50	39	4	93	12,135	**12,228**	0	0	2	0	0	4	46	**52**
County Total	**293**	**261**	**177**	**2,176**	**52,172**	**54,348**	**9**	**0**	**19**	**2**	**2**	**9**	**180**	**221**

San Francisco County

	Existing Housing Units						2008 Housing Permits Issued							
	Restricted Affordable			Restricted	Market		Very Low		Low		Moderate		Above	
	Very Low	Low	Moderate	Total	Rate	TOTAL	R	NR	R	NR	R	NR	Moderate	TOTAL
San Francisco	12,049	7,973	2,350	22,372	342,678	**365,050**	558	0	189	0	366	0	2,517	**3,630**
County Total	**12,049**	**7,973**	**2,350**	**22,372**	**342,678**	**365,050**	**558**	**0**	**189**	**0**	**366**	**0**	**2,517**	**3,630**

San Mateo County

	Existing Housing Units						2008 Housing Permits Issued							
	Restricted Affordable			Restricted Total[h]	Market Rate	TOTAL	Very Low		Low		Moderate		Above Moderate	TOTAL
	Very Low	Low	Moderate				R	NR	R	NR	R	NR		
Atherton	0	0	0	0	2,516	**2,516**	0	1	0	0	0	0	22	**23**
Belmont	157	105	11	273	10,555	**10,828**	0	0	0	0	0	1	5	**6**
Brisbane	11	3	9	23	1,936	**1,959**	0	0	0	0	0	0	2	**2**
Burlingame	0	0	1	1	12,974	**12,975**	0	0	0	0	1	0	3	**4**
Colma	0	1	0	1	426	**427**	0	0	0	0	0	0	0	**0**
Daly City	257	239	42	538	31,258	**31,796**	0	0	0	0	0	0	11	**11**
East Palo Alto	184	86	10	461	7,329	**7,790**	0	0	0	0	1	0	2	**3**
Foster City	241	71	911	1,223	11,254	**12,477**	0	0	0	0	0	0	0	**0**
Half Moon Bay	141	106	4	251	4,207	**4,458**	0	0	0	0	0	0	18	**18**
Hillsborough	0	0	0	0	3,871	**3,871**	0	8	0	2	0	2	11	**23**
Menlo Park	123	0	53	176	12,684	**12,860**	0	0	0	0	5	0	73	**78**
Millbrae	0	0	10	10	7,689	**7,699**	0	0	0	0	13	0	133	**146**
Pacifica	48	310	10	368	14,112	**14,480**	0	0	1	0	4	0	13	**18**
Portola Valley	0	2	3	5	1,806	**1,811**	0	2	0	0	0	0	8	**10**
Redwood City	673	49	91	813	28,484	**29,297**	0	2	8	2	0	0	9	**21**
San Bruno	138	187	0	325	15,650	**15,975**	0	3	0	173	0	157	28	**361**
San Carlos	-	-	-	161	11,353	**11,514**	0	5	0	12	0	0	29	**46**
San Mateo	581	266	268	1,115	38,123	**39,238**	0	0	1	0	5	0	77	**83**
So. San Francisco	386	360	80	826	20,422	**21,248**	0	0	0	0	0	0	5	**5**
Woodside	0	0	0	0	5,633	**5,633**	0	1	0	1	0	1	5	**8**
Unincorporated	160	390	3,385	3,935	18,789	**22,724**	4	0	0	0	0	3	59	**66**
County Total	3,100	2,175	4,888	10,505	261,071	271,576	4	22	10	190	29	164	513	932

Santa Clara County

	Existing Housing Units						2008 Housing Permits Issued							
	Restricted Affordable			Restricted	Market		Very Low		Low		Moderate		Above	
	Very Low	Low	Moderate	Total	Rate	TOTAL	R	NR	R	NR	R	NR	Moderate	TOTAL
Campbell	881	280	17	1,178	15,754	**16,932**	2	0	0	0	0	0	64	**66**
Cupertino	191	68	99	358	19,911	**20,269**	1	0	1	0	0	0	27	**29**
Gilroy	178	113	182	473	2,599	**3,072**	0	0	0	12	0	0	9	**21**
Los Altos	32	28	18	78	10,742	**10,820**	12	0	1	0	1	0	149	**163**
Los Altos Hills	0	0	0	0	2,930	**2,930**	0	4	0	2	0	1	16	**23**
Los Gatos	13	189	136	338	12,614	**12,952**	0	0	0	0	0	0	16	**16**
Milpitas	731	207	215	1,153	18,223	**19,376**	0	0	0	0	0	0	16	**16**
Monte Sereno	0	0	0	0	1,300	**1,300**	0	1	0	1	0	2	3	**7**
Morgan Hill	557	459	160	1,176	11,776	**12,952**	0	0	0	0	37	0	21	**58**
Mountain View	787	297	8	1,092	32,299	**33,391**	0	0	0	0	0	0	99	**99**
Palo Alto	775	648	282	1,705	26,586	**28,291**	0	0	0	0	7	0	58	**65**
San Jose	10,767	7,202	1,704	19,673	291,779	**311,452**	315	0	193	0	37	0	1,771	**2,316**
Santa Clara	554	635	693	1,882	42,393	**44,275**	40	0	51	0	12	0	459	**562**
Saratoga	0	21	0	21	11,072	**11,093**	0	0	1	0	0	0	23	**24**
Sunnyvale	1,212	473	0	1,685	53,709	**55,394**	0	0	78	0	0	94	179	**351**
Unincorporated	100	0	0	100	29,068	**29,168**	0	0	0	126	0	4	23	**153**
County Total	**16,778**	**10,620**	**3,514**	**30,912**	**582,755**	**613,667**	**370**	**5**	**325**	**141**	**94**	**101**	**2,933**	**3,969**

Solano County

	Existing Housing Units						2008 Housing Permits Issued							
	Restricted Affordable			Restricted Total[1]	Market Rate	TOTAL	Very Low		Low		Moderate		Above Moderate	TOTAL
	Very Low	Low	Moderate				R	NR	R	NR	R	NR		
Benicia	54	225	165	444	10,513	**10,957**	0	0	0	0	0	0	16	**16**
Dixon	2	276	0	278	5,540	**5,818**	0	0	0	0	0	0	0	**0**
Fairfield	480	1,271	506	2,257	36,133	**38,390**	0	0	0	0	0	0	35	**35**
Rio Vista	12	27	0	39	3,692	**3,731**	0	0	0	0	0	0	75	**75**
Suisun City	-	-	-	296	8,982	**9,278**	0	0	0	0	0	0	0	**0**
Vacaville	172	758	90	1,020	31,783	**32,803**	0	2	0	17	0	269	85	**373**
Vallejo	296	533	186	1,015	42,858	**43,873**	0	0	0	0	0	0	9	**9**
Unincorporated	0	0	0	0	7,530	**7,530**	0	0	0	8	0	9	15	**32**
County Total	**1,016**	**3,090**	**947**	**5,349**	**147,031**	**152,380**	**0**	**2**	**0**	**25**	**0**	**278**	**235**	**540**

Sonoma County

	Existing Housing Units						2008 Housing Permits Issued							
	Restricted Affordable			Restricted	Market		Very Low		Low		Moderate		Above	
	Very Low	Low	Moderate	Total	Rate	TOTAL	R	NR	R	NR	R	NR	Moderate	TOTAL
Cloverdale	119	125	19	263	3,129	**3,392**	0	0	0	0	0	0	1	**1**
Cotati	73	17	8	98	2,942	**3,040**	0	0	0	0	0	1	2	**3**
Healdsburg	173	181	44	398	4,217	**4,615**	0	0	1	1	0	3	16	**21**
Petaluma	686	427	169	1,282	21,334	**22,616**	0	0	0	0	0	0	15	**15**
Rohnert Park	336	471	14	821	15,597	**16,418**	0	0	0	0	0	0	0	**0**
Santa Rosa	1,816	1,608	1,510	4,934	59,984	**64,918**	0	0	11	16	0	78	71	**176**
Sebastopol	295	89	18	402	2,948	**3,350**	1	0	2	0	0	0	0	**3**
Sonoma	64	119	148	331	4,906	**5,237**	0	0	0	4	3	0	6	**13**
Windsor	244	154	4	402	8,586	**8,988**	0	0	0	0	0	0	4	**4**
Unincorporated	364	256	-	620	65,821	**66,441**	0	3	0	0	0	16	88	**107**
County Total	**4,170**	**3,447**	**1,934**	**9,551**	**189,464**	**199,015**	**1**	**3**	**14**	**21**	**3**	**98**	**203**	**343**

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