REGIONS BUILD TOGETHER

A HOUSING AGENDA FOR ALL OF CALIFORNIA

CAFWD.ORG

FEBRUARY 2021

ACKNOWLEDGMENTS

This analysis was prepared by CA FWD, the Bay Area Council Economic Institute, the Inland Empire Economic Partnership, and the Los Angeles County Economic Development Corporation with support from Wells Fargo.

Thank you to the following contributors:

CA FWD
Jennifer Lovett, Associate Director of Public Policy

Bay Area Council Economic Institute
Isabel Monteleone, Research Analyst

Inland Empire Economic Partnership
Jason Cordova, Vice President
Annalisa Siregar-Wurm, Director, Education & Workforce Development
Manfred Keil, Ph.D. , Chief Economist, IEEP and Associate Director, Lowe Institue of Policital Economy, Claremont McKenna College
Robert A. Kleinhenz, Ph.D., Senior Fellow, IEEP and Principal Economist, Kleinhenz Economics

LA County Economic Development Corp.
Eric Hayes, Associate Economist
Tyler Laferriere, Associate Economist
John Ramsey, Research Associate

Also, special thanks to Marek Okon, Mike Fox, Marcus Lenk, and Philippe Gauthier, for use of their photos on Unsplash.com

For more information, please contact info@cafwd.org

REGIONS BUILD TOGETHER

A Housing Agenda for All of California

California has one of the most expensive housing markets in the country, outstripping not only the national average monthly rent and home price figures but also the rate at which housing costs have increased over the last few decades.[1] For years, the state has chronically failed to produce enough housing to keep up with demand, resulting in an estimated deficit of up to 3.5 million[2] units the state would need to build to backfill the current shortage in addition to the 180,000 new units annually state officials say are needed to match estimated population growth through 2025.[3]

The reasons for this failure to build are many and complex. High employment growth rates in urban job centers like the Bay Area and Los Angeles have increased demand, but a preponderance of single-family zoning and local resistance to increased density have made increasing supply challenging. When housing can be built in the state, the economics of building push developers towards market-rate units made even more expensive by building code requirements and local development fees[4] that have driven up overall costs, far outpacing household incomes and putting housing out of reach for lower-income and even moderate-income Californians.

Despite years of underproduction leading to a surge in the homeless population, strained transportation systems buckling under the weight of more and more commuters, and an affordability crisis that has seen teachers, healthcare workers, and others who form the backbone of the world's fifth largest economy driven out of their communities, we have failed to move the needle.

Although cities throughout California have been tasked with meeting state mandated housing production goals through the Regional Housing Needs Allocation (RHNA) process that are significantly larger than in recent years, the conclusion of the 2019–2020 legislative session came to pass without significant action that would make that housing easier to build. Although legislation continues to be introduced, and there are dedicated leaders at the state and local levels who understand both the urgency and the need, there has not been action to date commensurate with the immense scale of the challenge California is facing. The state has been left to chip away at the margins of the housing crisis, while failing to address and in some cases exacerbating the underlying factors that have led us to where we are today.

---

1 Mac Taylor, "California's High Housing Costs: Causes and Consequences," Legislative Analyst's Office, March 17, 2015, https://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf.

2 Jonathan Woetzel, Jan Mischke, Shannon Peloquin, and Dainel Weisfield, "Closing California's housing gap," October 24, 2016, https://www.mckinsey.com/featured-insights/urbanization/closing-californias-housing-gap.

3 "California's Housing Future: Challenges and Opportunities: Final Statewide Housing Assessment 2025," California Department of Housing and Community Development, February 2018, https://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf.

4 Sarah Mawhorter, David Garcia, Hayley Raetz, "It All Adds Up: The Cost of Housing Development Fees in Seven California Cities," Terner Center for Housing Innovation, UC Berkeley, March 2018, https://ternercenter.berkeley.edu/wp-content/uploads/pdfs/Development_Fees_Report_Final_2.pdf

Layered on top of existing housing challenges has been the onset of the global COVID-19 pandemic, which has required widespread shuttering of the economy and has led to unprecedented unemployment claims, with the full impact of the crisis still unknown. Lower-income workers and communities of color, already disproportionately impacted by high housing costs, have also borne the brunt of economic uncertainty arising from the pandemic, amplifying the need for immediate action to protect these residents from displacement and for longer-term solutions that increase affordability and direct investment towards vulnerable communities.

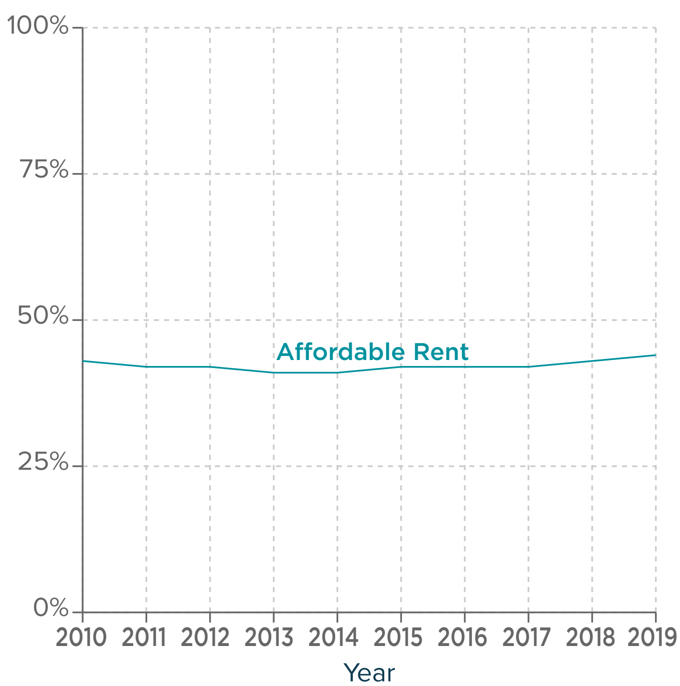
If California is to achieve its full economic potential and fulfill its promise as a place of opportunity for all, the state and a broad coalition of regional stakeholders must work together to increase housing supply across income levels and support conditions that allow all residents to live affordably in communities near their jobs.

CALIFORNIA DREAM INDEX

10 TRACKABLE INDICATORS FOR ECONOMIC MOBILITY, SECURITY, AND INCLUSION

Affordable Rent in California State

The percent of households paying less than 30% of their income on rent



In order to change our outcomes and create a more equitable state where all Californians can prosper, we must track our progress. The California Dream Index, a tool from CA FWD, measures 10 trackable indicators for economic mobility, security and inclusion through one powerful platform. Including indicators on home ownership and affordable rent, data can be analyzed by race and ethnicity, region, and county over time.

The index indicates that after a decade of economic growth, the number of Californians paying less than 30% of their income on rent—the standard threshold for affordability—has stagnated. Home ownership rates have also declined 4.5% during that same time period.

A REGIONS UP HOUSING ANALYSIS

The barriers to solving California's housing affordability crisis are primarily political rather than technical or market driven. Organizing communities around building homes for people at all income levels is extraordinarily difficult work, and this effort meets different forms of resistance in different communities. Therefore, this report provides a plan for a "regions up" housing agenda for the state that is built from existing initiatives that have political traction and stakeholder support. It differs, therefore, from an academic analysis that advances a comprehensive set of solutions developed in the abstract that, although potentially impactful, are divorced from action on the ground.

Looking at the housing emergency from the state level gives us one perspective on understanding the depth of the crisis we're in; however, in the most populous and one of the largest states in the country, with diverse regions and communities facing their own specific housing challenges, the state perspective doesn't tell the full story, and neither does it provide the solution.

In California's coastal regions, where a limited amount of land near job centers and years of slow-growth measures have dampened new construction, housing costs have been high for a long time. However, in recent years costs have also begun to rise in inland California, as priced out residents drive increasingly long distances to be able to live affordably. The state is grappling with more numerous and intense wildfires which are destroying homes and endangering vulnerable populations. Each region of the state is confronting its own unique housing crisis with obstacles that must be addressed at the local level. Furthermore, as evidenced above, Sacramento has been unable or unwilling to implement real solutions that could address the state's pressing need for more housing.

DEFINING AFFORDABILITY

The phrase "affordable housing" can refer to two distinct concepts. The first is the plain language version of the term: whether people have the wherewithal to afford their rent or mortgage, given their financial resources and other household expenses. The second is the term that has become synonymous with housing that is made available at below market rates to residents who fall under certain income thresholds. To avoid this confusion, we use the phrases "housing that is affordable" or "housing affordability" for the former and "below market rate housing" for the latter.

To gauge if housing is affordable or not, we generally use the standard metric of housing cost burden. The federal government considers a household cost-burdened if it spends more than 30 percent of its monthly income on housing and associated costs like utilities. Low-income residents, renters and communities of color are more likely to be cost-burdened in California, and moderate-income households are also increasingly susceptible as housing costs continue to rise.*

* "California's Housing Future: Challenges and Opportunities: Final Statewide Housing Assessment 20205," California Department of Housing and Community Development, February 2018, https://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf.

For each of California's regional housing markets (see the Regional Map on page 5), our analysis has focused on four key components:

- **Affordability Overview**—what is unique about the region and a baseline of metrics that point to its housing affordability;
- **Barriers to Affordability**—specific housing challenges that each region faces;
- **Major Ongoing Initiatives**—a non-exhaustive overview of organizations and work that is already being done to address the housing crisis in each region;
- **Proposed Actions & Recommendations**—steps that should be taken to move the needle on housing affordability.

For the recommendations to be successful and scalable, however, continued and expanded support is required from stakeholders not only within specific localities but within and across regional jurisdictions. Through the identification of existing efforts and capacity and the alignment of key stakeholders in and across regions, new strategies can evolve to connect institutional efforts to expand housing affordability.

REGIONAL MAP

While there are many ways to define the different regions of California, for the purposes of this report we have divided the state as shown in this map. Examples of innovative regional solutions to increasing housing affordability are highlighted in the pages that follow, and each region has its own separate chapter (see links below) detailing the current state of affordability, unique challenges, and potential solutions as we seek to develop a true regions up housing agenda for California.

LINKS TO REGIONAL CHAPTERS

Use the hyperlinked buttons below to access individual regional chapter documents or visit http://cafwd.org/regionsuphousing.

Bay Area	Greater Los Angeles	Northern California
Central Coast	Imperial and San Diego	Orange
Central Valley	Inland Empire	Sacramento

COMPARISON OF REGIONAL HOUSING MARKETS

Housing is foundational to the California Dream, yet it has become one of the primary obstacles to livability in nearly every region of the state. From rising costs that push millions into poverty and result in longer commute times to production challenges, the inability of California to solve its housing crisis is negatively impacting our communities' opportunities to prosper, especially during a pandemic fueled recession that has crippled the financial security of thousands of Californians.

To better understand the needs of the state, we looked at housing impacts through a regional perspective to identify similarities and differences and compared them to national averages.

Generally, California dramatically lags the nation in housing affordability. Thus this matrix utilizes fair, poor, and very poor to reflect the need for improvement. The regions are assigned to each of those three categories by the top, middle and bottom three thirds, with minor adjustments for consistent round and order of magnitude coherence.

	HOME PRICE GROWTH (2012–18)	RATIO OF MEDIAN PRICE TO MEDIAN INCOME (median home price divided by median income in 2018)	HOUSING PRODUCTION (new units built between 2004–18 per thousand jobs)	COMMUTE TIMES (mean time in minutes from home to work in 2018)	RENT BURDEN (pop. spending more than 30% of income on rent in 2017)	MORTGAGE BURDEN (pop. spending more than 30% of income on their mortgage in 2017)
Bay Area	106.06%	9.96	84	32.12	38%	28%
Central Coast	64.58%	8.95	87	23.93	43%	30%
Central Valley	93.43%	5.09	169	27.89	42%	26%
Greater Los Angeles	66.57%	9.40	63	29.6	43%	33%
Imperial and San Diego	67.20%	7.26	309	26.5	45%	31%
Inland Empire	83.06%	5.74	208	32.65	46%	30%
Northern California	Unavailable*	Unavailable*	143	23.47	48%	28%
Orange	50.64%	9.26	73	28.3	42%	30%
Sacramento	106.58%	6.13	137	28.05	44%	27%
National Average	48.66%	4.62	131	26.4	50.60%	29.50%

Low | Medium | High

Fair | Poor | Very Poor

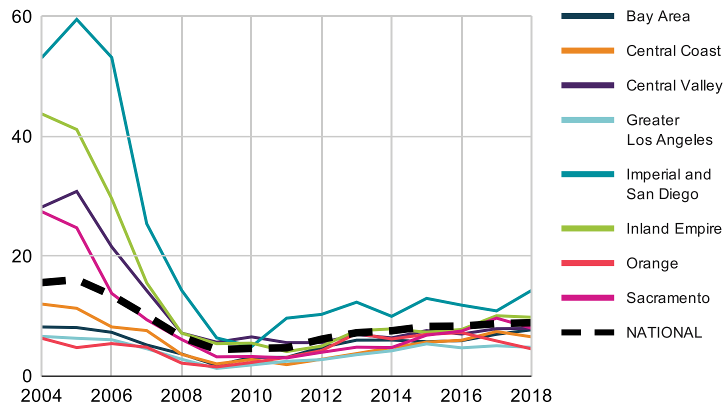
*Data unavailable from Redfin and Zillow

Sources: Redfin, US Census Bureau American Community Survey, Department of Housing and Urban Development, St. Louis FRED

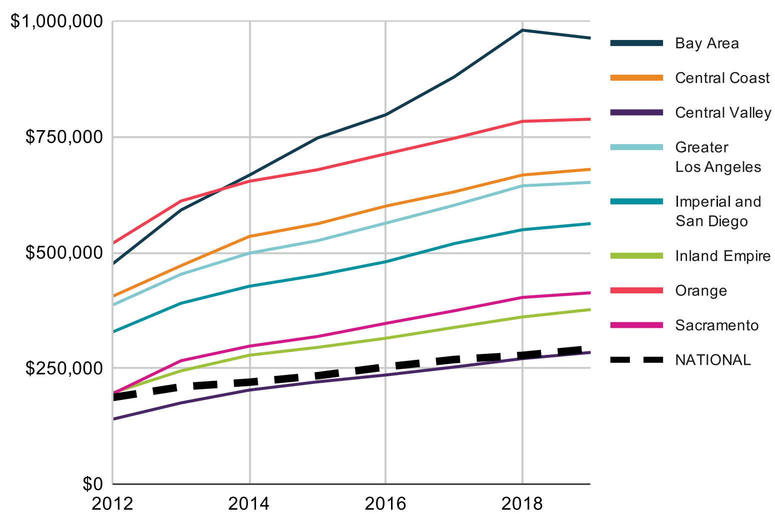
STALLED HOUSING PRODUCTION'S IMPACT ON HOME PRICES

Without an adequate supply of new housing, the crisis will not only persist, but it will also continue to make the dream of home ownership increasingly inaccessible to Californians with pricing that is out of reach. The number of housing permits approved per thousand jobs in each region is exacerbating an already stretched market that is not meeting the needs of a growing population. Housing production has fallen drastically in all parts of the state and has not recovered from the pre-great-recession peak, which in part is leading to increased home prices across the state.

NEW HOUSING PERMITS PER THOUSAND JOBS BY REGION



CA HOME PRICES 2012–2019



IN CALIFORNIA

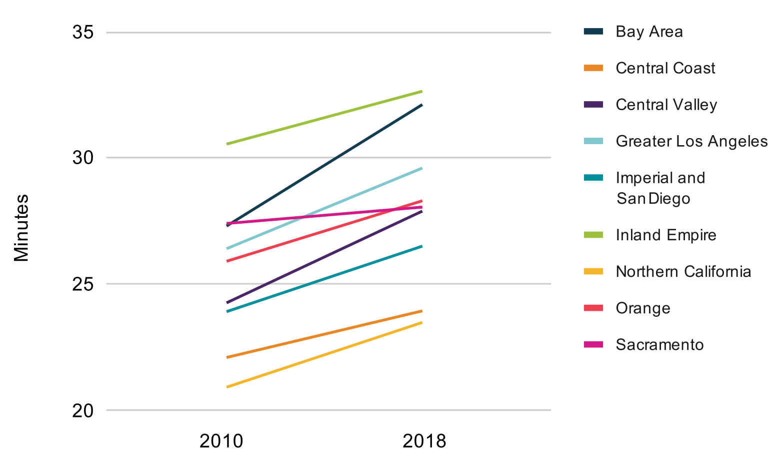
35.4% pay more than **30%** of their income on rent or mortgage

17.1% pay more than **50%** of their income on rent or mortgage

HOUSING AND LONGER COMMUTES

With a lack of housing that is affordable and available, Californians are more likely to move further from their place of employment to find a place of residence they can afford, leading to longer commute times and stronger interdependence between regions. Longer commute times increase the carbon footprint and therefore meeting housing goals is not only an economic, equity, and social issue but also a climate imperative.

CHANGE IN COMMUTE TIMES (2010–2018)



TRENDS, BARRIERS AND RECOMMENDATIONS

While housing needs manifest in varying ways across California, our analysis of the housing affordability crisis in each of the state's nine regions also reveals a number of shared trends. The following summaries highlight some of the commonalities in both the barriers to affordability and the recommendations being put forth to meet the challenges.

Financing and Funding

Evident across the state are the needs for more and better financing options for housing development at all income levels and for dedicated funding sources that can provide support for low-income households.

Innovative Funding Solutions

Better financing options are needed to help both market rate and below market rate housing developers in getting project economics to pencil out. New and expanded financing mechanisms could include developing funds with more lines of credit choices, and working with pension funds and private lenders which are less risk-sensitive and are better able to provide loans with more attractive interest rates or higher loan to value or debt service coverage ratios. The private sector and philanthropy can and do make an impact by providing gap funding for below market rate housing projects. However, when developers are asked

to repay these dollars at high interest rates and with short turnover times, many are left unable to accept these loans in the first place. Overcoming these barriers requires greater transparency around the goals of below market rate housing and the financing behind it.

Key Action

Strategically re-envision financing solutions and the network of community investment actors.

Timescale to Make a Difference: Short

Regional Example—Inland Empire

Lift to Rise, a nonprofit collective impact organization that includes a focus on housing stability in the Coachella Valley portion of Riverside County, is pursing this key action under the guidance of the Center for Community Investment's Connect Capital initiative. Using a Capital Absorption Framework model, Lift to Rise coordinates with government partners, private and nonprofit developers, banks, and other key stakeholders in systems-level work that makes the community investment network visible to all participants and advances three key functions: clear articulation of the community's shared and strategic priorities, development and execution of a pipeline of investable deals that together will help to achieve those priorities, and creation of an enabling environment of policies, processes, practices, and platforms that support the development of useful investments.

Regional Example—Bay Area

Enabled by state legislation in 2019 and jointly run by the Association of Bay Area Governments and the Metropolitan Transportation Commission, the new Bay Area Housing Finance Authority (BAHFA) is a first-of-its-kind effort in financing housing at the regional level that includes a key mission to raise, administer, and allocate funds for below market rate housing development in the nine-county Bay Area. A $10 billion bond measure to appear on the November 2020 ballot had been planned as BAHFA's primary funding source but was postponed in light of the economic impacts caused by the onset of the COVID-19 pandemic.

Land Trust Models

Land trust models have successful track records and offer another type of collaborative tool that can be used, especially at the regional level, to provide financial structures that support housing affordability. Land trusts create community assets by retaining ownership of land, selling the structures on it, and offering long-term ground leases to those structures' owners. Community land trusts can develop below market rate housing and can support long-term affordable homeownership by selling houses with a resale price restriction.

Key Action

Scale and provide funding support for regional land trusts.

Timescale To Make a Difference: Medium

Regional Example—Orange County

The Irvine Community Land Trust (ICLT) purchases and owns the underlying property while partnering with private and public developers to produce housing. Each developer or homeowner then enters into a 99-year renewable lease. Homeowners especially benefit from below-market-rate purchase prices, while also agreeing to a different rate of appreciation vis-à-vis housing on the open market.

Regional Example—Central Coast

The Monterey Bay Housing Trust (MBHT) is a revolving loan fund that uses money raised from public and private partners for land acquisition and predevelopment loans which are made to below market rate housing developers and repaid through construction financing.

Low-Income Households

There is also a need for more sources of funding that can subsidize and support low-income households in meeting their home rental or purchase expenses through the use of vouchers and other tools designed to keep low-to-moderate-income families in their homes. This is especially crucial as the COVID-19 pandemic continues and residents' incomes are impacted by economic and workforce ramifications still to be seen.

Federal funds will be crucial in expanding this support. The incoming administration has pledged to increase funding for the housing choice voucher program so that every qualified household can receive a voucher, although this would require congressional support and a budget increase of almost $72 billion. For low-income households that make too much money to qualify for the housing voucher program, the administration is advocating for a renter tax credit that would allow renters to deduct from their taxes housing costs in excess of 30% of their incomes, the standard threshold for what is considered affordable. There have also been efforts in California in recent years to increase the size of the state renter's tax credit from the current level of $60 for individuals and $120 for joint filers.

At the local level, there is also a need for equitable code enforcement reporting standards to ensure that renters can report code issues and violations in a safe way that keeps them protected from retaliatory evictions, taxes, fines, or fees. Local bonds to fund below market rate housing in regions throughout the state have also been prevalent in recent years. And for all Californians, but especially for low-income residents and communities of color, investments need to be made to encourage, subsidize, and protect pathways to homeownership, a key source of generational wealth.

Key Action

Channel support that can subsidize housing expenses for low-income households and also provide paths to homeownership.

Timescale to Make a Difference: Short

Regional Example—Orange County

In addition to managing federally funded housing vouchers, the Orange County Housing Authority also has a homeownership program that allows recipients of housing choice vouchers to apply these benefits towards a mortgage rather than only to rental opportunities, thus allowing them to build home equity and make homeownership viable.

Coordination, Collaboration and Regional Alignment

Emerging from our analysis of affordability challenges in the state's nine housing market regions are a significant number of recommendations highlighting the needs for coordination within regions, collaboration between organizations and city and county authorities, and cooperation in aligning various policy interests.

Various types of collaboration between developers, investors, organizations, and housing authorities can help to ensure that available resources are fully and appropriately utilized. Land banks represent a strategy in which governmental or quasi-governmental organizations are able to acquire vacant and underutilized land from local municipalities and residents and prime those parcels for development. When created at the regional level and properly funded, housing land banks can alleviate burdens on local entities and coordinate cross-organizational cooperation. Other forms of resource pooling across counties include the establishment of databases to provide better clarity on region-wide housing issues, needs, and policies and to match resources, developers, and funding sources.

Key Action

Create mechanisms for inter-organizational collaboration.

Timescale to Make a Difference: Short

Regional Example—Sacramento

In the Northern California Region's Tahoe/Truckee area, efforts to sustain and increase the forward momentum of housing development projects have been assisted by an online site-development matching system that tracks properties, projects, and interested developers in the area along with available public/private funding sources that could be used for housing projects. Organizations then help to streamline the process by matching developers with projects and projects with funding sources.

Locality-Specific Needs

The need for alignment has also been noted in regions where efforts towards greater housing affordability may be confronted with competing state policy interests. For instance, where housing development and environmental protection can be at odds with one another, particularly in places like the Sacramento area that have large open space and conservation areas, both sides can benefit from increased communication between the agencies involved. Other areas of mismatch include San Diego County, where it has been difficult to reconcile state metrics that are tied to greenhouse gas reductions and transit-oriented housing with the reality of local infrastructure and capacity, and the Inland Empire, where state and federal housing program grant metrics that tend to favor transit-oriented development and high-density areas don't match the realities of the housing conditions and needs of rural and agricultural communities.

Key Action

Align local, regional, and state housing and sustainability goals and metrics to make space for accommodation of locality-specific needs.

Timescale To Make a Difference: Medium

Example Recommendation

Currently in Coastal California, the state through the Regional Housing Needs Assessment process is demanding that the region produce more homes, while Groundwater Sustainability Agencies (GSAs) attempt to mitigate aquifer depletion by limiting the amount of development that can occur. To align these goals, incentives could be adjusted so that development of water intensive use cases such as golf courses or large single-family homes incurs water sustainability fees, while developers are exempted from such fees if their projects constitute more sustainable use cases such as smaller apartments and townhomes which can provide workforce housing that is affordable and that utilizes much less water per capita.

Land and Labor Dynamics

Challenges in building affordable housing are greatly intertwined with issues relating to mobility and how land is used or unused in various locations, as well as the availability of a sufficient construction industry workforce.

Transit-Oriented Development

Particularly in high density areas, strategies to increase housing affordability need to be transit-centered, given the already overwhelming burden of traffic congestion on the health and well-being of many of the state's residents. Nonetheless, transit-oriented development (TOD) is not entirely unproblematic, and care needs to be taken to acknowledge and mitigate the risks of displacement and lack of protection for existing tenants in TOD-identified communities. TOD also presents its own set of funding challenges, since despite expansion in transit infrastructure from government investment, the value created isn't easily captured by local governments in order to fund transit operations or housing expansion. Property taxes would seem like an obvious mechanism for local governments to collect returns on these investments, but due to the effects of Proposition 13, property taxes will not rise substantially in spite of dramatic increases in property values. Absent major tax policy changes, one solution to this conundrum is to allow developers to build even denser construction on or adjacent to transit stops, thus better aligning incentives for building both affordable and market rate housing.

Key Action

Connect housing with transportation in ways that maximize affordability and sustainability while minimizing displacement risks.

Timescale To Make a Difference: Medium

State Level Recommendation

Creating and expanding priority development areas (PDAs) in transit-rich corridors can help to lower the pressure to site development in areas marked for conservation, can steer housing and transportation investments to areas with a wider array of mobility options and greater walkability/access to housing and jobs, and can help support climate change goals by focusing high density growth in areas with low vehicle miles traveled (VMT) and high transit connectivity to major employment centers.

Regional Example—Sacramento

Green Means Go, an initiative of the Sacramento Area Council of Governments (SACOG), makes the case that GHG emissions are predicated on infill development. With that in mind, SACOG is working to receive funding from the state for infill development, in what will be known as "Green Zones," as a way to achieve its GHG emissions goals, with the notion that increasing infill development can help to ensure that residents do not need to drive or travel as far for work. Green Zones will not only be targeted as areas for accelerated development, but also will be designated as areas with a wider array of mobility options, such as biking and transit. These areas will also have access to EV charging and shared EV programs and fleets.

Regional Example—Greater Los Angeles

In the Los Angeles region, the Transit Oriented Communities Affordable Housing Incentive Program, building off of the statewide density bonus, provides incentives for below market rate housing construction and deeper development in transit-rich neighborhoods. The program encourages easier access to major employment centers by using a tiered system in which metro rail stops are the highest and multiple simple bus stops the lowest. Various incentives also encourage increases in number of units, higher Floor Area Ratios (FARs), and decreases in parking requirements in exchange for below market rate housing units. In this way, the program aligns the goal of producing more units generally, which allows the costs to pencil out for developers and increases aggregate housing affordability, with the goal of adding more below market rate units to help the lowest income residents. In addition, the basic incentives are structured as by-right approvals and therefore do not require additional review. This means that the projects are significantly less likely to be held up in legal limbo due to environmental or local control issues.

Underutilized Space

Another land dynamic is at play in substantially built out and developed urban areas of the state where a major issue is the relative dearth of available land for housing development combined with a lack of clear and easy ways for investors and potential developers to locate parcels that are vacant or ripe for redevelopment. To address this problem, regions with publicly-owned land that is currently vacant or underutilized need to make it available for by-right development of below market rate housing projects by interested developers. In addition, with the prevailing local and national

demographic trends of an aging population and smaller families that have reduced the demand for K–12 education, cities and school districts might have an incentive to repurpose now unused buildings and parcels into housing for specific populations, such as school district employees, or for more general populations.

Repurposing commercial and retail centers into mixed-use developments is yet another way of making more land available for housing. Proposition 13's reduction of industrial, commercial, and residential property taxes incentivized cities and counties to maximize retail land use to encourage greater sales tax revenues, however current shifts in retail away from physical stores, accelerated by COVID-19, creates an opportunity for alternative land uses. There are efforts underway at the state level to facilitate this kind of development; legislation introduced in both houses of the state legislature is seeking to allow local approval of residential development on existing commercially zoned retail and office space.

Key Action

Make underutilized land available for housing development and repurpose commercial and retail centers into mixed-use developments.

Timescale to Make a Difference: Long Term

Regional Example—Greater Los Angeles

Making publicly owned land available for housing development paves the way for local governments to partner with developers in order to transform these areas into true mixed-use neighborhoods that provide housing and jobs in close proximity. The Vermont Corridor, in the Los Angeles Koreatown neighborhood, is transforming seven County-owned parcels to include a community center and multifamily tower with ground-level retail, 172 new residential apartments, and 72 below market rate apartment housing units for seniors. In addition to utilizing publicly owned land, this project took advantage of the City of Los Angeles' adaptive reuse ordinance, which streamlines the approval process and expedites development.

Construction Workforce

To enable any region to build more housing, there must be a construction industry with a workforce sufficient to meet the demand. In Northern California in general, there has been a shortage of construction workers for years, and inland places like the Sacramento region have continued to lose workers to nearby regions such as the San Francisco Bay Area where the construction pay scale is higher. Workforce shortages have only been made worse by California's history of wildfires, which have created the need for rebuilding the housing stock impacted by the fires in addition to the general need for more housing. And further complicating matters in recent years is the fact that construction and trades classes have been taken out of the high school system and moved into community colleges. But because many students who might otherwise be interested in and educated about the opportunities in construction do not make the transition from high school to community college, the potential for bringing new workers into the industry has been greatly limited.

Key Action

Support efforts to grow and retain a robust construction workforce in all regions of the state.

Timescale to Make a Difference: Long Term

State Level Recommendation

Reincorporating some form of construction education into high school curriculums can generate new interest in construction careers and ultimately lead to the replenishment of the construction industry with younger workers, which is a development instrumental to increasing housing supply throughout the state. Construction focused career and technical education programs do exist in the state, including California Partnership Academies, Linked Learning, and others at the school district and county levels; however, successful implementation of these programs requires ongoing support and regional cross-sector coordination to address issues including recruitment of qualified instructors and liability insurance for experiential learning opportunities.

Innovative Transformation and Community Change

The housing development approval process in California is largely dictated by localities, which have a powerful say over what, if anything, gets built. Over time, anti-housing sentiments have prevailed, contributing to the inability of the housing stock to keep up with job and population growth. If California is to meaningfully address its housing affordability challenge, it must confront this status quo and take action to ensure that all residents are given the opportunity to live near their jobs and communities.

Public Engagement

Lying at the core of anti-housing "Not In My Backyard" (NIMBY) attitudes are residents' fears that any changes to the character of their communities will be detrimental. High density housing is a particular focus of the resistance, with established residents fearing that it will bring increased traffic, noise, and congestion into their neighborhoods or even fearing the attraction of new residents in itself.

Key Action

Engage the public in the development process in a more transparent, democratic, and effective way.

Timescale to Make a Difference: Long Term

Regional Example—Bay Area

To lessen anti-housing resistance in the San Francisco Bay Area, the Urban Land Institute is working with cities and the private sector to run trainings and modules around healthy public engagement, and the Chan Zuckerberg Initiative has begun convening groups in the suburbs, particularly along the Peninsula, to support grassroots efforts to raise awareness and build the political and public will to address housing issues. These organizing efforts support goals known as the 3Ps: Producing more housing across all income levels; Preserving existing housing, particularly housing that is affordable; and Protecting people and families from being displaced.

Unlocking Density

Increasing the housing stock, and the below market rate housing stock in particular, necessarily involves finding ways to increase the number of units per acre, especially for rental housing. This requires overcoming zoning restrictions in order to make possible affordable multifamily housing, and it may also require changes to current height limits in order to allow for taller, denser housing. Accessory dwelling units (ADUs), which have been legalized across California following state legislative initiatives, offer another transformative option, and adding ADUs in a community is an effective way to increase units in high opportunity neighborhoods with a minimum of planning and development costs. Along the way, cities and counties also need to mitigate growing segregation and separation of residents by ethnicity, race, and socioeconomic status.

To incentivize the building of ADUs, developers could work with local governments to establish a selection of pre-approved ADU building plans that can be built cheaply and quickly, making the addition of an ADU a more appealing prospect to local homeowners. Government can also step in to provide financing to low-income homeowners who wish to add units but can't necessarily afford the upfront costs.

Key Action

Enable localities to better achieve housing goals by incentivizing increases both in the number of homes allowed and by promoting innovative housing options.

Timescale To Make a Difference: Medium

Regional Example—Northern California

Cities like Fort Bragg in Mendocino County are looking to ADUs as one part of the solution to increasing the supply of housing. The Free Second Unit Design program is intended to make it easier for residents to build ADUs on their existing properties by providing free and unique design examples. Alongside the program, the City of Fort

Bragg and the County of Mendocino, in partnership with the volunteer Housing Action Team of Mendocino North Coast (HAT) each organized ADU workshops in which real estate experts, tax specialists, planners, and other specialists provided community members with information on aspects of the ADU process including understanding county regulations and site requirements, the construction process, financing, and the effect of ADUs on property values.

Regulatory Processes and Fees

Slow and complex permitting and building approval processes along with numerous types of development fees can all represent substantial impediments to housing construction, so multiple recommendations emerging from across the state focus on reducing or eliminating these barriers.

Development Processes

In addition to state regulations, building codes, inclusionary zoning laws, residential impact fees, project labor agreements, and long approval processes, all of which are determined at the local level, can increase the cost of building and can be particularly burdensome on developers of both market rate and below market rate housing projects.

Key Action

Systematically streamline development approval processes, standardize and/or reduce fees, and increase transparency of fees to make them more predictable.

Timescale To Make a Difference: Medium

Regional Example—Orange County

Creating a database of approved floor plans that developers can reuse for by-right construction in the same zoning category allows expensive and time-consuming permit approval processes to be skipped for later construction. The Orange County Business Council is developing a database of this kind that is powered by ESRI (the Environmental Systems Research Institute) and its signature ArcGIS (geographic information system) tools, to enable planners and developers to more accurately and readily pinpoint potential development sites, especially in the pursuit of achieving Regional Housing Needs Assessment goals.

Inclusionary Zoning

Inclusionary zoning laws, which require new housing projects to include a percentage of affordable units or pay an affordable housing in lieu fee, have become an increasingly popular means of attempting to provide critical affordable housing dollars. But while overcoming one impediment, inclusionary zoning can easily create another barrier because it raises the

cost of building market rate housing and can therefore disincentivize development and keep some projects from being built altogether.

Key Action

Be judicious about the use of inclusionary zoning ordinances in localities where its effect might be highly disincentivizing to development.

Timescale To Make a Difference: Medium

Regional Example—Orange County

The city of Irvine in Orange County presents at least one case in which inclusionary zoning has been implemented successfully. Irvine has an across-the-board inclusionary zoning policy mandating that 15 percent of all units in a new development be reserved as below market rate units. Many developments are easily able to reserve a number of units for below market rate housing and still pencil out financially in this market. However, localities considering implementing inclusionary zoning requirements should carefully evaluate the tradeoffs to ensure that policies are calibrated for their markets and, when possible, paired with benefits such as fee waivers to offset costs.

Environmental Quality

At the state level, a doubled-edged regulatory issue is presented by the California Environmental Quality Act (CEQA). While the CEQA process is important for the prevention of substantial environmental degradation, it can create a high barrier for the production of housing.

Key Action

Exempt from CEQA reviews supportive and below market rate housing projects near already developed areas.

Timescale To Make a Difference: Medium

State Level Recommendation

Totally exempting from CEQA review all supportive and below market rate housing projects in or near developed areas could help to mitigate developer avoidance of projects that could get held up in environmental review and saddle them with the carrying costs, and it could bend the incentives for developers away from expensive individual homes and towards smaller affordable projects that could skip the review entirely. A broader, more comprehensive, policy would be to exempt all infill development from CEQA review, or reform existing infill CEQA exemptions (e.g., SB 375) so they work as intended.

Accommodating Diversity and Mitigating Disincentives

California's multi-faceted efforts to find solutions for its housing affordability crisis must be informed by recognition of diversity and special needs, particularly in terms of addressing equity issues in providing protections for the state's low-income residents.

Recognition of diversity in housing development also means that in terms of types of housing units constructed, one size does not fit all. The insufficient supply of multifamily housing is one of the largest barriers to housing affordability around the state, so mitigating disincentives for the construction of multifamily units deserves special attention.

"Missing Middle" Housing

While encouraging multifamily housing construction means a shift away from a predominantly single-family residential focus, it doesn't mean that the building of massive 50+ unit complexes is necessarily the best option. A quicker and perhaps more inviting way to close the multifamily housing gap is to incentivize the construction of "missing middle" buildings comprising 2 to 10 units and to focus on rezoning for duplexes, triplexes and fourplexes. That's because the per unit cost for those projects is frequently significantly lower than the per unit cost for either single-family homes or high-rise developments. In fact, spreading fixed costs over multiple units while still being able to construct projects with less expensive and more efficient building materials than those required for high-rise developments means that projects in the "missing middle" size range are some of the least costly per unit to construct.

Given that California state law has already legalized the production of Accessory Dwelling Units in most single-family zoned areas, de facto allowing two homes per lot, it would make sense to legalize the production of duplexes on all lots currently zoned as single-family residential. And in addition to rezoning significant amounts of land to allow for the construction of multifamily units, it is important for municipalities to eliminate the disincentive created by stringent parking minimums.

While state efforts to allow for targeted upzoning to increase density and pave the way for more affordable and entry level homes have stalled, regions throughout the state are taking the lead on implementing their own reforms. Cities including Sacramento and Berkeley have taken the first steps toward building more inclusive and affordable communities by moving to eliminate traditional single-family zoning and parking minimums, respectively.

Key Action

Incentivize "missing middle" housing by zoning broader areas for non-single-family home use and encouraging infill development.

Timescale to Make a Difference: Long Term

Regional Example—Los Angeles

In recent years, the city of Los Angeles has engaged in a comprehensive zoning overhaul. The preliminary draft of its DTLA 2040 plan (Downtown Los Angeles Community Plan) incorporates significantly more mixed-use zoning, with 64 percent of the plan area being zoned for mixed use, up from 20 percent in the current regime. In addition, due to the area's deep transit connections, the downtown plan would potentially eliminate parking minimums for housing, which would enable developers to add significantly more housing units in the same sized buildings, thereby increasing housing affordability.

STEPPING UP TO THE AFFORDABILITY CHALLENGE

The constraints on housing production in California that lead to a lack of affordability are multifaceted and complex, as are the solutions. Closely examining challenges and key opportunities at the regional and local levels, in addition to the statewide perspective, allows for the emergence of understandings and ideas that can lead the way to the development of an "amplification plan" to build on and connect existing regional efforts.

Especially in the wake of the COVID-19 pandemic, this multilevel regions up analysis offers an opportunity to pull together the necessary economic, policy and political components to catalyze urgently needed greater housing affordability for all Californians.