

**UC Berkeley**  
**IURD Reprint Series**

**Title**

Ten Steps to Housing Affordability in the East Bay and California

**Permalink**

<https://escholarship.org/uc/item/1n23s3gm>

**Author**

Landis, John D.

**Publication Date**

2004-06-01

**Reprint 2004-02**

# Ten Steps to Housing Affordability in the East Bay and California

John D. Landis and Work Force Housing Committee

*This article reprinted with permission of:*

**East Bay Business Times**  
6160 Stoneridge Mall Road, Suite 300  
Pleasanton, CA 94588  
[eastbay.bizjournals.com](http://eastbay.bizjournals.com)  
[eastbay@bizjournals.com](mailto:eastbay@bizjournals.com)  
(925) 598-1830

Institute of Urban and Regional Development  
University of California at Berkeley



# Ten Steps to Housing Affordability in the East Bay and California



# A 10-step housing agenda for the East Bay and California

Over seven weeks in the East Bay Business Times, the Work Force Housing Committee, sponsored by the Business Times, published its recommendations for alleviating the East Bay's shortage of affordable housing. The committee's members included many of the Bay Area's top experts on housing policy. In the final installment of the series on March 5, 2004, the committee summarized its findings in 10 key recommendations detailed below. The committee determined that these steps would do the most to eliminate obstacles to the construction of affordable housing in the East Bay and throughout the state. Also included in this report are the committee's weekly commentaries exploring the origins and potential solutions to the housing affordability crisis.

## **1. Meet or exceed the consensus housing production targets identified by the Work Force Housing Committee.**

Between 1990 and 2000, home builders and developers in Alameda and Contra Costa counties completed 65,000 new homes and apartments – about half the number needed to keep pace with job and population growth. This shortfall was at the core of the East Bay's skyrocketing housing prices, lengthening commutes, increasing over-crowding and continuing sprawl into the fertile agricultural areas of San Joaquin and Stanislaus counties.

The only way out of the current shortage situation is to produce more housing – more housing for families, more housing for seniors, more affordable housing, more infill housing, more suburban housing and more apartments.

How many more homes are needed? To answer this question, the Work Force Housing Committee started with six sets of construction targets already produced, including three forecasts produced by the Association of Bay Area Governments, one by the Bay Area Council, one by UC-Berkeley researchers, and one for Contra Costa jurisdictions by the Shaping Our Future collaborative planning initiative. Rather than favoring one of the projections, the steering committee averaged the six projections together to develop a single set of consensus targets spanning 2000 to 2020. To keep pace with the growth of its work force, the East Bay will need 233,791 new homes by 2020.

Working collaboratively, East Bay cities can meet these targets without sacrificing their quality of life, overburdening urban services or destroying open space or significant wildlife habitat. Working without targets, without a plan, or without collaboration, the cause is lost.

## **2. Reform the California Environmental Quality Act.**

The California Legislature should broaden and strengthen the existing statutory exemption from CEQA for housing projects that are fully consistent with specific plans or area plans having a valid environmental impact report.

By providing multiple opportunities for groups to oppose housing projects that are consistent with local plans and plan EIRs, CEQA adds to the risks, costs, and development times of needed housing. Making CEQA more housing friendly will make it easier to build more infill and affordable housing, as well as better suburban housing.

If the Legislature does not act, local governments can do so on their own by undertaking specific plans and specific plan EIRs, which facilitate appropriate housing construction.

## **3. Reform state planning laws to require cities and counties to identify and prioritize areas for future residential development, and to encourage the increased use of specific plans.**

A principal function of local plans is to provide certainty and guiding principles regarding appropriate locations for development. Currently, many local plans lack the environmental and land supply information needed to make such determinations.

The California Legislature should amend state planning laws to require that local general plans have a 20-year planning horizon, and that they be required to undertake comprehensive land and environmental inventories to identify infill and greenfield sites appropriate for future development. The Legislature should create a new category of specific plans known as infill specific plans which identify specific sites for

housing development, allow for appropriate up-zoning, and facilitate the creation of infill special assessment districts to fund needed public improvements and services.

## **4. Withhold 25 percent of sales tax revenue returns from cities and counties that do not identify sufficient land for future housing development, do not reform the housing approval process to eliminate redundant regulatory reviews, and do not demonstrate a good faith effort to meet their fair share of regional housing needs.**

Incentives should always be the tool of choice, but sometimes sanctions are necessary as well, and when they are, they should be clear and meaningful. Despite state policy to the contrary, many jurisdictions are far more interested in boosting their sales tax coffers than in providing needed housing. Legislatively tying the return of sales tax revenue to increased housing production would help redress this imbalance.

## **5. Take MTC's housing incentive program statewide.**

To help overcome the difficult economics of infill development the California Department of Housing and Community Development should partner with county congestion management agencies and regional metropolitan planning organizations such as the Bay Area's Metropolitan Transportation Commission to expand MTC's Housing Incentive Program, or HIP. Under HIP, jurisdictions can apply for grant funds in support of infill housing projects near public transit stations and bus lines. As the last and most critical piece of the funding puzzle, HIP successfully leverages private and other public funds in support of infill.

## **6. Increase the housing set-aside required of local redevelopment agencies from 20 percent to**

#### 40 percent, but allow some funds to be used for work force housing production.

With housing now a keystone of business expansion and retention, local redevelopment agencies should assume a larger role in planning, developing, and financing work force and low-income housing. For the next several years California communities will not need much in the way of new office buildings, hotels, or retail centers. What they will need is more housing.

#### 7. Embrace neighborhood planning as a better way to build suburbs.

The current planning process in California is inadequate to the task of comprehensively protecting the natural environment, insuring an adequate supply of infrastructure and open space, or promoting more livable suburban neighborhoods. The only way many suburban communities are going to accept more housing is if it is also better housing.

New suburban housing projects, if they are large, should be planned and built as neighborhoods. If they are small, they should be integrated into existing neighborhoods. How is a neighborhood different from a subdivision? A neighborhood is designed and laid out as a piece, with housing, schools, parks, recreation facilities, pedestrian paths and bike lines and, where appropriate, retail services designed to link easily to each other and the larger community. At the state level, planning guidelines should be amended to encourage neighborhood-based suburban planning. On their own, East Bay cities should reorganize

their advanced planning efforts around neighborhood planning. Specific plans provide a useful framework for this type of planning.

#### 8. Find new ways to finance residential infrastructure.

Details: To help pay for public improvements and infrastructure, California cities and counties should push for the establishment of neighborhood improvement assessment districts. Such districts would work like redevelopment districts, in which a fixed share of property tax revenue is earmarked for open space, public improvements and infrastructure.

#### 9. Develop more effective approaches to urban growth boundaries.

Following the pioneering approach of Portland, Ore., several East Bay jurisdictions – including Contra Costa County – are experimenting with urban growth boundaries, or UGBs as they are known. UGBs work by limiting outward suburban expansion and redirecting growth inward. Their purpose is two fold: to save farmlands and open space at the urban fringe and to encourage higher-density infill development. Portland's UGB is regionally designated and encompasses all of the urban jurisdictions in the Portland metropolitan area. It must, by law, include sufficient land to accommodate projected future development; when available land supplies are used up, the boundary is extended. Although it has its naysayers, the Portland model has worked surprisingly well: stopping sprawl, protecting farmlands

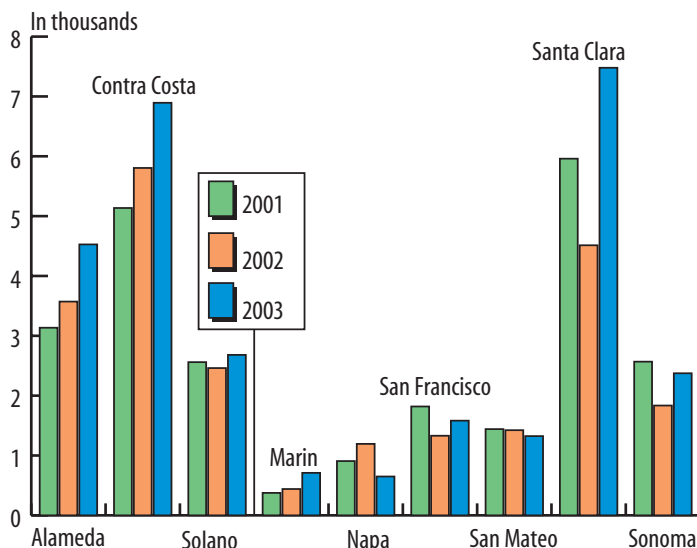
and encouraging infill development. Here in the East Bay, our approach to UGBs has been more ad hoc, less consistent and less performance-oriented. As a result, we have less to show for our efforts than Portland. If the UGB experiment is to be continued in the East Bay – and there is every reason to believe it will be – then we should take great care to study, appreciate and, where feasible, emulate the Portland model.

#### 10. Overhaul financing for low-income housing projects.

The state should charter a housing trust fund combining contributions from multiple sources to be used for the construction of new affordable housing. State funding could then be augmented with matching monies from county or local trust funds.

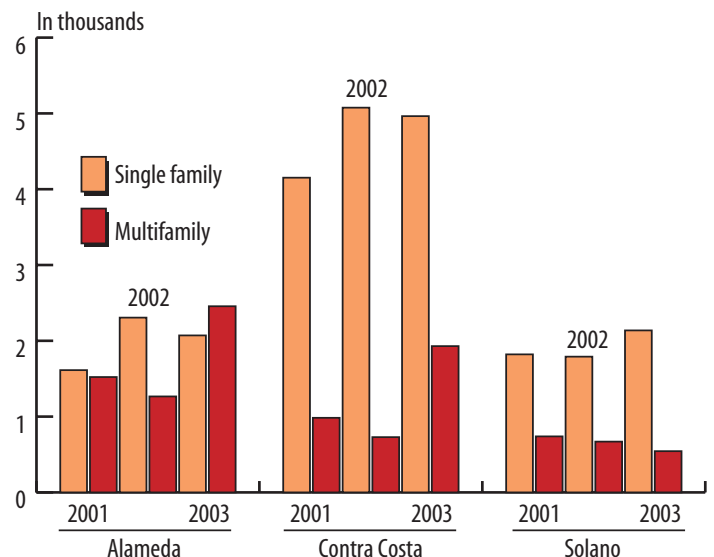
Progress will also require reorganizing the current housing assistance system to make it more efficient. Currently, affordable housing developers must typically string together between five and eight different sources of subsidies before they can proceed. This “trial-by-subsidy” insures that good projects go forth, but it also absorbs tremendous time and energy that detracts from overall production. The U.S. Department of Housing and Urban Development, the California Housing Finance Agency, the California Department of Housing and Community Development and a consortium of local housing agencies and developers should collaborate to simplify and streamline the system of subsidizing affordable housing development.

### East Bay builds most homes



Source: Construction Industry Research Board, Home Builders Association of Northern California

### Multifamily units increase



# Behind the agenda

Beginning in August 2003, some of the region's top public policy experts launched a new effort to fix the East Bay's housing shortage, a shortage that hamstrings our economy and cheats our residents – current and future. The Work Force Housing Committee, organized by the Business Times, met with an array of builders, environmentalists and transportation experts, among others. The committee's findings were published in the Business Times during

a seven-week period. The work of the committee and the Business Times will not end with publication of the committee's report, though. In the months ahead, the Business Times, with the committee's help, will continue to focus on the region's lack of housing and what must be done to improve the business climate and the lives of Bay Area residents. This will include tracking housing construction and policy issues related to housing.

## The Work Force Housing Committee



**Linda Best**  
executive director,  
Contra Costa  
Council



**David Gold**  
attorney,  
Morrison &  
Foerster LLP



**Mary King**  
former Alameda  
County  
supervisor



**John Landis**  
chairman,  
Department of  
City and Regional  
Planning,  
UC-Berkeley

**Sandy Skaggs**  
former board  
member, East Bay  
Municipal Utility  
District, and attorney,  
Bingham  
McCutchen LLP



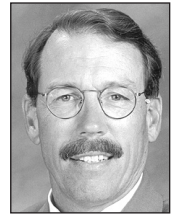
**Peter Snyder**  
former Dublin  
mayor and  
director, Bay Area  
Rapid Transit  
District



**Mary Lee  
Widener**  
president and  
CEO,  
Neighborhood  
Housing Services  
of America



**Bruce Kern**  
executive director,  
Economic  
Development  
Alliance for  
Business



### Former committee members

**Sunne McPeak**  
left the committee because of her appointment as state  
secretary of business, transportation and housing.



**Jim Jakes**  
was replaced by Linda Best as the Contra Costa Council's  
representative after he was appointed Antioch city manager.



## Housing crisis: what must be done

Newspapers feel most comfortable on the sidelines, neutrally chronicling events or, on the editorial pages, voicing detached opinions on the rights and wrongs of the world. At the Business Times, we decided that the East Bay's housing shortage demanded more direct participation.

As some of you will recall, at our June face-off breakfast forum on the affordable housing crisis, we announced that we would take an active role in easing the East Bay's deepening shortage of affordable housing.

We brought together some of the region's top experts as the Work Force Housing Committee to develop workable solutions. The committee members have labored long and hard to set a housing

agenda for the East Bay.

For the next six weeks, we will dedicate our comment page to the committee's analysis and recommendations. We will publish the complete agenda as part of a special section on March 5. Finally, our March 12 breakfast forum will be dedicated to the committee's recommendations and the economic and social consequences of the housing crisis.

The Association of Bay Area Governments forecasts that during the next 20 years the East Bay – Alameda and Contra Costa counties – will add more than 120,000 new jobs, more than 500,000 new residents and nearly 200,000 new households.

While much of this growth will come from new residents and new workers, a significant

**Jan. 23:** The East Bay's housing crisis

**Jan. 30:** How many homes must be built

**Feb. 6:** Fixing the entitlement bureaucracy

**Feb. 13:** Making infill work

**Feb. 20:** Building better suburbs

**Feb. 27:** Creating affordability

**March: 5:** A housing agenda



share will be generated internally: by existing residents forming new households, by existing families having children and through the expansion of existing businesses. Try as some might to tame the forces of growth, as long as California remains the Golden State, it will continue to be a worldwide beacon of economic opportunity and improved quality of life. The East Bay will remain particularly attractive.

The challenge facing the East Bay is the same one facing California: how to plan for growth and development in ways that cre-

ate new economic and social opportunities, honor our history and traditions, and preserve our unique natural environment and quality of life. This is a tall order.

Housing is at the center of this challenge. In order to keep pace with likely East Bay population growth, housing developers, homebuilders, nonprofits, contractors and community-based organizations will have to build nearly 12,000 new housing units every year for the next 20 years. Two-thirds of this need will be for market-rate housing; the other third will be for affordable housing – that is, housing affordable to households making less than 80 percent of annual median household income. Many of the households needing affordable housing are hardly poor. In Alameda and Contra Costa counties, a family of four earning 80 percent of annual household median income makes \$64,000 per year.

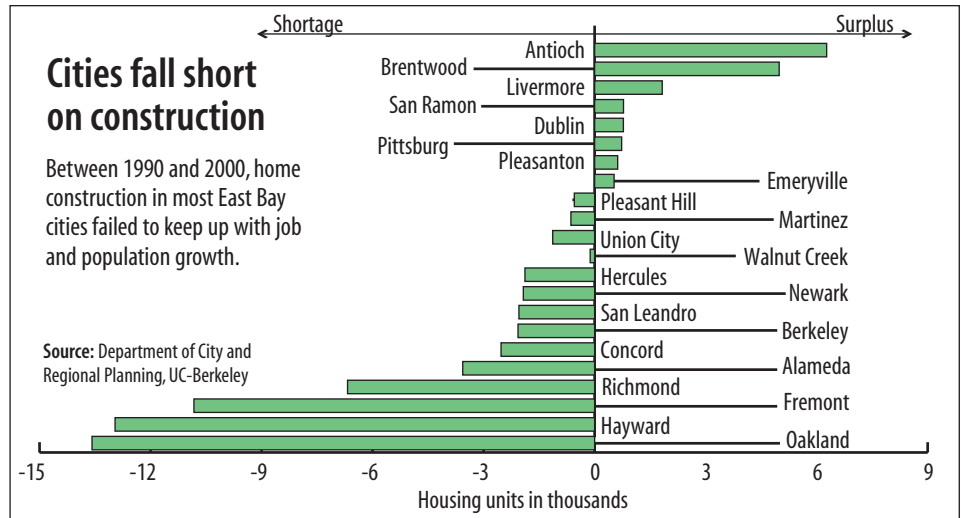
Can this production challenge be met? Not unless we overcome the obstacles of our past. During the 1990s, for example, East Bay housing producers built less than 52 percent of the new homes and apartments needed to meet demand due to job growth.

The Bay Area increasingly has become a region of housing “haves” – the wealthy and those who already owned their homes – and “have-nots” – the poor, young families, single-income households, immigrants, school teachers, firefighters, nurses, retail workers, and, in Silicon Valley, even engineers.

There are several factors behind these housing shortfalls. Easily developed land is harder to find and there is more competition for what land is available. The 1986 elimination of federal tax subsidies to owners of commercial real estate meant that many proposed apartment projects no longer penciled out. The post-Proposition 13 shift in how local governments raise revenue – away from property taxes and toward sales taxes – has led many city councils and boards of supervisors to favor sales tax-rich land uses such as retail centers and auto malls over needed subdivision homes and apartments.

By far the biggest problem, however, is the local government planning and permitting process. A series of well-meaning land use reforms, first adopted in the 1970s and designed to give citizens a bigger say in land use decisions and local elected officials more discretion in approving projects, has led to significant increases in development costs, significant reductions in housing densities (even in locations where higher densities were appropriate, such as around BART stations), and the virtual elimination of any certainty that any project will ever be approved.

In the space of three decades, the pendulum has swung from one wrong extreme, in



which local developers and homebuilders could guarantee that their projects would be approved with no questions asked, to the opposite wrong extreme, in which homebuilding is an ever changing maze with no exit.

The entitlement problem is somewhat less severe in Southern California, somewhat more severe in San Diego, and by far the most severe in the San Francisco Bay Area. Indeed, the degree of dysfunction in the entitlement process is a perfect predictor of the severity of the housing crunch.

Because of the amazing strength and wealth-generating power of the Bay Area economy during the 1990s, the entitlement problem, as bad as it was, was at least tolerable. But this is a new decade. As we are learning again and again, the public policy problems that were tolerable as band-aids during the boom years have now become intolerable. Worries that the Bay Area's extraordinarily high cost of living – primarily because of its stratospheric home prices – would come back to haunt us are now being realized.

Not only was the recession of 2001 deeper in the Bay Area than in Southern California and the rest of the country, but our recovery has been slower and weaker. Given our high land costs, high utility costs, high wages and high housing costs, it's far more difficult for a company to justify expanding in the Bay Area than elsewhere, or for an entrepreneur to start a new business. Indeed, rather than looking to invest in the Bay Area, many companies continue to move operations elsewhere. This dynamic already has led to a “hollowing-out” of the San Francisco economy, and there are legitimate fears that the East Bay, lacking the entrepreneurial networks of Silicon Valley, will be next.

A new study for the Bay Area Council pointed out that the productivity of Bay Area workers, adjusted for living costs, now

lags several competing regions.

With California's government broke, the only way out of our self-created housing dilemma is to produce more housing: more housing for families, more housing for seniors, more affordable housing, more infill housing, more suburban housing and more apartments.

The 200,000 new homes built in the East Bay during the next 20 years must also be better than those being built today. They must be better designed to fit into their neighborhoods and meet the needs of their residents. They must be better located to take advantage of infill opportunities and tread lightly on the natural environment in new growth areas. They must be denser and more walkable. And they must be more broadly affordable to the full range of the Bay Area's diverse households.

This is problem that can be solved, but it can't be solved overnight. It will require the cooperation of developers, homebuilders, politicians, city planners, environmentalists, nonprofit builders, community-based organizations, and even neighborhood interests who worry that policies that benefit the region will come at their expense. Over a period of years, a sustained increase in East Bay housing production will make homes more affordable for everyone and our collective quality of life will be the better for it.

It has taken the Bay Area 30 years to dig itself into its housing shortage hole, and it will take many years to dig itself out. If we do nothing, our economic recovery, when it comes, will be diminished. We will face even longer commutes and more overcrowded housing. Our poorest residents, most of whom currently pay more than half of their limited incomes for shelter, will have to pay even more. Finally, home ownership – and the American dream itself – will be denied to new generations of East Bay residents.

# Housing crisis: building on target

This is the second in a series written by the Work Force Housing Committee, which was initiated by the Business Times to devise an agenda for improving the East Bay's supply of affordable housing.

We brought together some of the region's top experts as the Work Force Housing Committee to develop workable solutions. The committee members have labored long and hard to set a housing agenda for the East Bay.

For six weeks, we are dedicating our comment page to the committee's analysis and recommendations. We will publish the complete agenda as part of a special section on March 5. Finally, our March 12 breakfast forum will be dedicated to the committee's recommendations and the economic and social consequences of the housing crisis.

Between 1990 and 2000, home builders and developers in Alameda and Contra Costa counties produced 65,000 new houses and apartment units. This was more new homes than were produced in 12 states during the decade. Even so, it was only half the number of homes needed to keep pace with the East Bay's job and population growth. For the Bay Area as a region, home builders were able to meet only two-thirds of total housing demand.

These massive shortfalls in housing production – particularly in the central Bay Area counties of Alameda, Contra Costa, San Francisco and San Mateo – are the core cause of the region's skyrocketing housing prices, lengthening commutes, overcrowding, and

sprawl into the fertile agricultural areas of the Central Valley to the east, and San Benito and Monterey counties to the south.

These shortfalls fly in the face of California housing element law, which is intended to ensure that there is a sufficient supply of new housing to keep pace with population and job growth. By law, every city and county in California is supposed to have an approved general plan housing element, which includes among other things, an acknowledgment of their regional fair share of new housing production – as identified by the regional council of governments, which, in the Bay Area is the Association of Bay Area Governments – and an identification of sufficient zoned land to meet demand. The current set of production targets, known as the Regional Housing Needs Determination, or RHND, were identified by ABAG in 2000, and cover the period between 1999 and 2006.

## State housing law is toothless

Housing element law remains very contentious. Disagreements remain over how targets are calculated, as well as the criteria used by the California Department of Housing and Community Development to certify local housing elements. Local elected officials dislike externally imposed requirements, even when they see they need for them.

But by far the biggest problem with the state housing element law is that it is essentially toothless: "There are no incentives for municipalities to live up to their production obligations, nor has the state been willing to apply sanctions if they do not. The source of this

Jan. 23: The East Bay's housing crisis

Jan. 30: How many homes must be built

Feb. 6: Fixing the entitlement bureaucracy

Feb. 13: Making infill work

Feb. 20: Building better suburbs

Feb. 27: Creating affordability

March: 5: A housing agenda



problem is not the California Department of Housing and Community Development; it is the Legislature. With most legislators having served as local elected officials, they are understandably reluctant to penalize their former colleagues. The few legislative bills that have proposed housing production incentives or compliance sanctions have never made it to the governor's desk for signature.

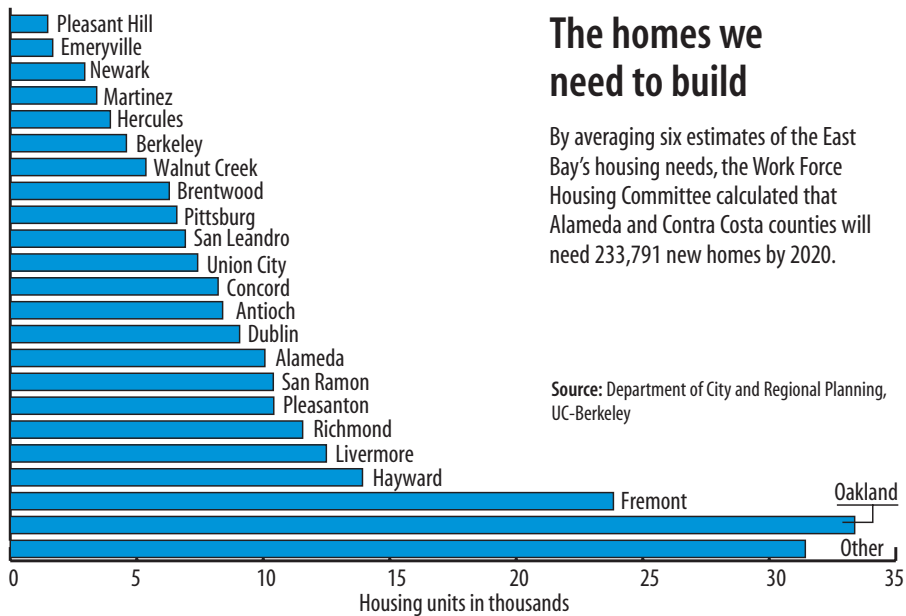
With so little accountability on the government side, the business community has periodically tried to pick up the slack. The Bay Area Council, in its 2003 report, Bay Area Housing Profile, noted that between 1999 and 2002, production lagged the RHND targets by 20,866 housing units.

Based on their progress in meeting RHND targets, Alameda municipalities were awarded a grade of D- (indicating that production would meet less than 63 percent of need) while Contra Costa municipalities collectively earned an A+ for exceeding their RHND targets. The region, as a whole, earned a grade of B. Projecting forward to 2020, the Bay Area Council warns that if current general plans were implemented as they exist today, Alameda and Contra Costa counties would suffer a "planned" housing deficit of 58,000 housing units.

Certification and monitoring problems aside, the core idea of state housing element law – that of setting local housing production targets within a regional fair-share framework – remains fundamentally sound. The only way that policies can be judged effective, or changed if they are ineffective, is if they are evaluated against objectives, benchmarks, or targets. Likewise, state laws requiring cities to develop more than they would choose to otherwise can only work if they are based on principles of fairness.

## A consensus for construction targets

Rather than develop new targets, the Work Force Housing Committee started with the six sets of targets already produced – including three by the Association of Bay Area Governments (the aforementioned Regional Housing Needs Determination, Projections 2002, and Projections 2003, a "smart growth alternative"); one by the Bay Area Council based on the principle of numerically balancing job growth and housing production; one by UC-Berkeley researchers based on





spatially balancing job growth and housing production, and one for Contra Costa jurisdictions by the Shaping Our Future collaborative planning initiative.

Although based on different assumptions and developed for different time periods, all six are credible. More importantly, while they differ for particular jurisdictions, for the East Bay as a whole, they are in broad agreement as to total housing need. Rather than favoring one of the projections, the Work Force Housing Committee averaged the six projections to develop a single set of consensus targets spanning the 2000–2020 period.

### Room for 100,000 infill units

Unlike ABAG's Regional Housing Needs Determination numbers, these targets are not

further divided into market-rate and affordable housing categories. Identifying affordable housing needs is fine, but treating them as targets only makes sense if resources are available to insure their development. Because local government must depend on insufficient federal and state subsidies to get the job done, mandating that local government do the job alone seems inherently unfair.

How realistic are these targets? A recent UC-Berkeley analysis of infill development opportunities concluded that East Bay cities and unincorporated areas could easily accommodate more than 100,000 additional infill units without compromising neighborhood quality or pre-empting land for economic development. Four-fifths of this total is in Alameda County, and the other fifth is in

Contra Costa. Infill development alone could meet nearly one-half of Alameda County's housing production targets, and one-third of Contra Costa's.

On the greenfield side of the ledger, even after farm and grazing lands and sensitive environmental areas are protected, Alameda and Contra Costa counties include enough developable land adjacent to existing cities and highways to accommodate 460,000 new housing units if constructed at or slightly above current community densities.

The principle constraint to meeting the East Bay housing challenge is not a lack of developable land, it is the planning and entitlement process that dictates how land may be developed. Next week, we focus on how to reform the broken entitlements system.

## Housing crisis: fixing the process

This is the third in a series written by the Work Force Housing Committee, which was initiated by the Business Times to devise an agenda for improving the East Bay's supply of affordable housing.

For six weeks, we are dedicating our comment page to the committee's analysis and recommendations. We will publish the complete agenda as part of a special section on March 5. Our March 12 Face-Off breakfast forum will be dedicated to the committee's recommendations and the economic and social consequences of the housing crisis.

Dennis O'Brien is one of the East Bay's most experienced and respected home builders. Even people who don't care much for home builders listen when O'Brien talks. That is why, at a Senate Housing Subcommittee hearing in Sacramento three weeks ago, when the Concord builder, in his own quiet way, started to speak, the room immediately settled down, and even legislators who thought they had heard it all before paid rapt attention.

O'Brien gave four examples of housing development projects that should have been slam-dunks; the zoning was in place, the general plan was supportive, the developer would have provided all the needed infrastructure and paid the required fees, and the neighbors understood that the sites had long been designated for housing. But each project turned into a permitting nightmare. In each case, many fewer homes were built than had been planned and the sales prices were far higher than the median-income home-buyer could afford.

### What went wrong

It wasn't supposed to be like that.

California is supposed to do better, and once upon a time, it did. As recently as 1970, California's planning and permitting process was the envy of the nation. General plans, zoning ordinances, and local capital improvements plans worked together to smoothly bring affordable subdivisions into place. Countywide "sphere-of-influence" boundaries worked to check leapfrog development. With houses a bit smaller and lot sizes a bit bigger, new homes didn't overwhelm their lots. Neighborhood groups and homeowners associations didn't organize to oppose apartment construction – after all, just about everyone had lived in an apartment at some time in their life.

This is not say that things were perfect: developers dominated local politics in many communities. Few people thought about the environment, and sprawl was not limited to Los Angeles. Part of the reason that new homes were so affordable was that so many of the costs of growth were paid for by federal highway subsidies, and inexpensive general obligation bond financing.

Starting in 1970, this picture turned on its head. In 1970, the Legislature passed – and Gov. Ronald Reagan signed – the California Environmental Quality Act, better known as CEQA. CEQA requires permitting agencies to fully examine the environmental impacts of public and private projects that require discretionary governmental approval and to mitigate those impacts.

In 1973, Congress passed the Endangered Species Act, which required developers to acquire permits to develop lands that might be habitat for threatened species.

In 1974 and 1975, state and federal courts weighed in to affirm two of the nation's first

Jan. 23: The East Bay's housing crisis

Jan. 30: How many homes must be built

Feb. 6: Fixing the entitlement bureaucracy

Feb. 13: Making infill work

Feb. 20: Building better suburbs

Feb. 27: Creating affordability

March: 5: A housing agenda



“slow-growth” ordinances, one in Livermore, which limited population growth, the other in Petaluma, which capped annual residential building permits.

Finally, in 1978, California voters passed Proposition 13, which not only limited property tax payments to 1 percent of assessed value, but also made it much more difficult for jurisdictions to issue general obligation bonds – the type of bond used to finance community infrastructure. As a result, communities throughout California began to impose and/or raise development impact fees. Today, depending on the community, residential development impact fees in California average \$20,000 to \$40,000 per unit; counting all fees and exactions, some cities charge in excess of \$60,000 per unit.

Of equal importance, Proposition 13 demonstrated the usefulness of the initiative process for overriding local elected officials. Within a decade, hundreds of slow-growth – and in some cases no-growth – proposals appeared on local ballots.

### The uncertainty problem

Taken individually, these changes were the will of the people – as was Proposition 13 – or, as in the case of CEQA and the Endangered Species Act, were necessary to help safeguard the environment. Cumulatively, and as applied by hundreds of individual state and local agencies, the effect of these changes was to turn what had been a

straightforward local permitting process into a state and local entitlement maze with no sure timetable or exit.

Approval times have skyrocketed, as have development costs, reflecting the increased risk associated with development. Moreover, by allowing so much discretion in the permitting end of the process, local general plans, whether good or bad, have been rendered increasingly irrelevant. The planning process no longer provides any certainty that a project consistent with the general plan will be approved, much less approved in a timely, cost-efficient manner.

Despite the difficulties they posed for the development community, all of these changes might have been worthwhile if they had led to significant improvements in development quality, the natural environment or the quality of life in local communities. There is no evidence that this is the case. Instead, taken in combination, the principal effect of these laws has been to reduce the supply of new homes, lower apartment densities, sharply increase housing costs, and, in effect, give veto power over development to any opposition group. Community goals and wants as articulated in the local general plan no longer matter. What matters is whether a housing project can survive a prospective “death from a thousand cuts.” With California’s population growing at the rate of 400,000 to 500,000 new residents each year, the dysfunctionality of the entitlement process has become critical.

The Work Force Housing Committee interviewed developers, home builders, non-profit affordable housing providers, environmental advocates and local officials. They disagreed on many issues, but they all agreed on the need to restore some measure of consistency and certainty to the entitlement process. They also agreed that leadership on this issue must come from

Sacramento.

Any entitlement reforms designed to restore certainty to the residential permitting process must start with CEQA. After two decades of minor and ineffective tweaking, it is time for the Legislature to strengthen and broaden the existing statutory exemption from CEQA for housing projects that are fully consistent with specific or area plans with a valid environmental impact report, or EIR.

In theory, a specific plan EIR is supposed to anticipate the adverse impacts associated with proposed development and plan for their mitigation. Thus, if the EIR has been done properly, and unless new information is uncovered, there should be no need for project-specific reviews.

Embedding project-level reviews within area plans is known as “tiering.” State law allows some measure of voluntary tiering, but it provides few incentives for its use.

Short-term political reasons often keep cities and land owners from using specific plans, despite their advantages. We ask the governor and the Legislature to name a joint blue-ribbon commission to identify and recommend changes to CEQA which will make specific plan tiering more attractive and effective; and the Legislature should enact those changes.

Strengthening the CEQA exemption for residential projects consistent with specific plans would not only add certainty to the residential review process – and it is important not to confuse increased certainty with automatic approval – it would encourage better plans. This change would be particularly beneficial to infill development, which is typically more costly as well as more risky than suburban development. This reform almost certainly will be opposed by special interest groups that currently make use of CEQA to oppose or gain leverage over projects they dis-

like, but it is time to balance the housing needs of all Californians against the narrow agendas of a few.

If the residential permitting process is to be tiered under local plans, the quality of local plans must be improved. This means revitalizing the “sphere-of-influence” idea as designated planning areas. It means setting a mandatory 20-year planning horizon for local general plans. It means requiring local governments to realistically identify and set aside infill and greenfield sites for future development. It means bringing the environmental assessment process – including the identification of endangered species habitat – into local general plans. It means developing realistic capital improvement plans, and then adhering to them, to ensure that future growth does not adversely impact current public service levels.

Cities that fail to meet their fair-share housing requirements should not be rewarded with state infrastructure funds, especially transportation subsidies. Sacramento should not only enforce the modest sanctions that exist for those jurisdictions that fail to live up to their housing responsibilities, it should more strongly link state investments to compliance with housing laws.

Finally, the current bias in favor of commercial development and against housing must be erased. The Legislature is considering several bills that would level the fiscal playing field, and we call upon the governor and the League of California Cities to unite behind workable fiscal reforms that, if not pro-housing, are at least not anti-housing.

Other entitlement reforms should be considered; these are merely the ones that enjoy the greatest consensus support and are also the most likely to increase the supply and quality of housing in the East Bay and throughout California.

## Housing crisis: make infill happen

This is the fourth in a series written by the Work Force Housing Committee, which was initiated by the Business Times to devise an agenda for improving the East Bay’s supply of affordable housing.

For six weeks, we are dedicating our comment page to the committee’s analysis and recommendations. We will publish the complete agenda as part of a special section on March 5. Our March 12 Face-Off breakfast forum will be dedicated to the committee’s recommendations and the economic and social consequences of the housing crisis.

Retired Bay Area Council CEO Angelo Siracusa used to introduce discussions on

housing in the Bay Area by noting that, “the only thing people dislike more than sprawl is density.” In principle, most Bay Area residents, support the idea of smart growth with its emphasis on infill development – that is development within existing cities and neighborhoods – as a way of conserving farmlands, open space and irreplaceable natural areas.

But that’s in principle. On a day-to-day basis, many East Bay residents have significant reservations about infill development, especially in their neighborhoods. These concerns – some of them legitimate – include increased traffic congestion, reduced parking, overburdened public services and the loss of remaining urban open space. These are many of the same concerns that

Jan. 23: The East Bay’s housing crisis

Jan. 30: How many homes must be built

Feb. 6: Fixing the entitlement bureaucracy

Feb. 13: Making infill work

Feb. 20: Building better suburbs

Feb. 27: Creating affordability

March: 5: A housing agenda



led residents to oppose increased suburban development. The difference is that in infill areas, the opposition has been successful. A comparison of 1990 and 2000 census data reveals that less than 17 percent of new homes built in Contra Costa County during the 1990s qualified as infill. At 15 percent, this percentage was even lower in Alameda County. In Santa Clara County, by contrast, roughly 25 percent of new homes were infill.

Why is it so hard to build infill housing in the East Bay? It's not because of a lack of land. One UC-Berkeley study identified 23,000 acres of East Bay land where infill could be built.

Only a third of this land is vacant. The rest is occupied by worn-out shopping centers, old factories, warehouses or dilapidated apartment buildings. Such lots are ripe for refill.

Despite their relative abundance, usable infill properties often are hard to find, and they can be even harder to assemble. Infill properties are typically small – usually less than a half-acre – or oddly shaped, or impacted by a previous use, or worst of all, contaminated by toxic chemicals.

Even when appropriate parcels are located, the owner may not wish to sell or may want an above-market price. As a result, high-quality infill parcels are extremely rare and expensive, restricting their use for affordable housing.

The economics of infill development are difficult, too. Because of high land and site improvement costs, infrastructure upgrades and the high costs of responding to neighborhood concerns means it is much, much more expensive to deliver a unit of infill housing than suburban housing. Only one in four infill projects breaks even economically, a UC-Berkeley study found four years ago.

In many parts of the East Bay, allowable development densities and building heights are too low – often by one or two stories – to justify infill costs. Excessive parking requirements, particularly in locations near public transit, add to development costs.

The entitlements process makes infill even more difficult. Although many proposed infill projects are consistent with local zoning codes, the open-ended nature of the entitlement process means that project opponents can hold hostage projects they dislike, or kill them altogether.

Regrettably, there is a tendency to label all those concerned about the effects of infill development as NIMBYs, or “Not-in-my-backyarders.” This is not quite fair. Depending on the particular project and neighborhood, some of the concerns about infill raised by neighborhood residents are real and legitimate. Failing to address such concerns in a forthright manner only hardens neighborhood concern and opposition.

Other arguments – especially those about infill projects reducing neighborhood property values, increasing crime, and attracting outsiders – are less justified. Quite the opposite: because of rising construction and design standards, many infill projects are better designed than neighboring properties, and thus increase property values.

The high levels of financial risk keep out all but the hardest of developers and builders. It especially keeps out the small-scale builders. Thus the infill landscape is characterized by a mismatch between small parcels that are difficult to develop and the modern development industry, which is populated by large, suburban developers who are generally uninterested in small, risky infill projects.

If the East Bay is to build enough new homes, perhaps as much as 30 percent or 40 percent must be infill.

First and foremost, East Bay cities must make a commitment to promoting infill housing. We urge the Legislature to amend state general plan law to require that general plan housing elements contain an infill section that pre-identifies all potential infill sites, up-zones them as appropriate and reduces unnecessary parking requirements.

The status of infill specific plans as an exemption to the California Environmental Quality Act should be strengthened. To overcome the economic barriers to infill, the California Department of Housing and Community Development should partner

with county congestion management agencies and regional metropolitan planning organizations such as the Bay Area's Metropolitan Transportation Commission to expand programs such as MTC's Housing Incentive Program. Under the current HIP program, jurisdictions can apply for grant funds from MTC in support of infill housing projects within walking distance of public transit stations and bus lines. As the last piece of the funding puzzle, HIP successfully leverages private and other public funds in support of infill.

We urge that state redevelopment law be amended to require local redevelopment agencies to set aside 20 percent of their revenue to support affordable and moderate-income infill housing construction.

Builders, city governments, planners and architects must collaborate on the development of a model process for siting and designing infill housing projects in ways that incorporate neighborhood concerns. As successful developers and designers have long known, taking a proactive approach to neighborhood issues works much better than waiting until criticism reaches the boiling point.

We call upon the East Bay business, non-profit, and environmental communities to follow the lead of the Silicon Valley Manufacturing Group to lobby planning commissions, city councils and county boards of supervisors to support appropriate, well-designed infill housing projects.

East Bay communities should think of infill as a “plus-one” strategy. Where current zoning allows two-story buildings – and where public services are adequate – densities should be increased to three stories. Where plans call for three-stories, densities might be increased to four stories. Going the “plus-one” route will not only contribute to more walkable and more affordable urban neighborhoods, it will reduce sprawl – a “minus one” strategy – at the urban fringe.

## Housing crisis: anti-sprawl suburbs

This is the fifth in a series written by the Work Force Housing Committee, which was initiated by the Business Times to devise an agenda for improving the East Bay's supply of affordable housing.

For six weeks, we are dedicating our comment page to the committee's analysis and recommendations. We will publish the complete agenda as part of a special section on March 5. Our March 12 Face-Off breakfast forum will be dedicated to the committee's recommendations and the economic and social consequences of the housing crisis.

Even if East Bay communities succeed in

upping their share of infill housing construction – which they should – so great are the growth pressures facing our region that most of the new housing built in Alameda and Contra Costa counties during the next 20 years will be in suburban locations.

Polls reveal Americans to be of two minds about suburbs and sprawl. On one hand, they favor public policies that contain sprawl and promote compact development. On the other hand, they prefer suburban living to city living, and larger homes to smaller homes. My suburban home, it seems, is just fine ... yours is sprawl.

The problem begins with the term sprawl

Jan. 23: The East Bay's housing crisis

Jan. 30: How many homes must be built

Feb. 6: Fixing the entitlement bureaucracy

Feb. 13: Making infill work

Feb. 20: Building better suburbs

Feb. 27: Creating affordability

March: 5: A housing agenda



itself. As recently as 20 years ago, sprawl meant development that had leapfrogged over existing cities and towns to free itself from local land use regulations and consume vast amounts of inexpensive farmland. This definition of sprawl doesn't work very well in today's East Bay: most suburban development is occurring next to existing subdivisions in locations long designated for devel-

opment by city and county general plans.

Nor is suburban development in Alameda and Contra Costa counties consuming vast amounts of precious farmland. According to the California Department of Conservation, the footprint of urban development in the East Bay expanded by nearly 22,000 acres between 1990 and 2000, an increase of 8 percent. Most of this new growth, about 50 percent occurred not on prime or unique farmland, but on grazing lands. Moreover, at the same time that the East Bay's urban footprint was growing by 8 percent, its population grew by 15 percent, suggesting that growth was encouraging a more efficient use of available land.

But that is the west-of-the-Altamont Pass side of the story. To find old-fashioned leapfrog development, one need only head to San Joaquin and Stanislaus counties, where the overflow from Alameda and Contra Costa counties has consumed nearly 10,000 acres of prime farmland since 1990.

Another way to look at sprawl is as unplanned, undifferentiated, auto-dependent subdivisions that connect neither to the natural landscape nor to the community's history, traditions, and neighborhoods. By this more qualitative definition of sprawl, the East Bay doesn't fare quite so well. Many of our newest suburbs are simply amalgamations of large homes on small lots with little in the way of identity, amenities, or community linkages.

The responsibility for the less-than-sterling quality of suburban development is widely shared. Home builders and developers can be criticized for repetitive housing styles, too little useable open space, and too few neighborhood amenities. Local elected officials and planners can be criticized for not demanding those things from developers, and for spending more time considering the fiscal benefits of new subdivisions than their overall impact. Environmental and neighborhood preservation groups can be criticized for being more interested in stopping development than encouraging appropriate development; and in making the entitlements process so difficult and uncertain that better design and product can't be tried.

Even consumers deserve some blame for buying whatever is built, regardless of quality. In the immortal words of Pogo, "We have met the enemy and they are us."

Ironically, the biggest problem associated with suburban development in the East Bay may well be that there hasn't been enough of it. With housing supplies constrained to a level below demand, prices have gone up and up and up; and they show no sign of coming down. The object of the development game in the East Bay is to entitle land: not compete on product quality or price.

Many of the arguments over sprawl come down to the belief that the East Bay is running out of developable land and, thus, can-

not continue to grow. But that is not the case.

A UC-Berkeley analysis found that after protecting wetlands, hillsides, riparian zones, prime and unique farmlands, and known habitat for threatened and endangered species, Alameda and Contra Costa counties together include nearly 117,000 acres of undeveloped land appropriate for housing. At current suburban densities, this amount of land could accommodate nearly 600,000 homes.

Adding the additional criteria that future suburban development occur within 3 miles of existing highways and subdivisions – to prevent leapfrog development – reduces this amount to 450,000 additional homes. Under this "most restrictive" scenario, Alameda and Contra could each accommodate another 225,000 suburban homes.

Good planning is the key. The current suburban planning process in California, which is organized around local general plans and CEQA, the California Environmental Quality Act, is not capable of comprehensively protecting the natural environment, insuring an adequate supply of infrastructure and open space, promoting more livable suburban neighborhoods, or insuring that enough housing can be built to meet future demand.

First and foremost, new suburban housing projects, if they are large, should be planned and built as neighborhoods. If they are small, they should be integrated into existing neighborhoods. How is a neighborhood different from a subdivision? A neighborhood is designed and laid out as a piece, with housing, schools, parks, recreation facilities, pedestrian paths and bike lines and, where appropriate, retail services designed to link easily to each other, and to the larger community.

Design controls are used not to regulate aesthetics, but to insure a harmonious blend of building scales and appearances. State planning guidelines should be amended to encourage neighborhood-based suburban planning. On their own, East Bay cities should reorganize their advanced planning efforts, relying more heavily on specific plans to provide a useful framework.

Second, environmental assessment needs to be brought into the general planning process, where it may be considered comprehensively. Currently, environmental impacts and mitigations are considered on a project-by-project basis, with little consideration of the big picture. This unfairly puts the burden of saving the environment on every project, but ironically, results in little in the way of conservation or improvement. Environmental issues are too large in scope to evaluate on a piecemeal basis. The Legislature should amend state general plan law to require a

comprehensive assessment of critical habitat, hillside, wetland, flood plain, and riparian issues in the land use element of every local general plan.

Comprehensively denoting which lands are off limits to development is the first step toward increasing certainty in the approval process. This recommendation, like the previous one will make the advance planning end of the development approvals process more involved and time-consuming, but it will pay great dividends on the permitting end.

To insure that the housing that is planned for is actually built, cities should incorporate minimum densities as well as maximum densities into their plans and zoning ordinances. Housing mix standards should be added where an assortment of housing types and densities is appropriate.

To help pay for public improvements and infrastructure, cities and counties should push for the establishment of neighborhood improvement assessment districts. Such districts would work like redevelopment districts, in which a fixed share of future property taxes is earmarked for open space acquisition, public improvements and infrastructure.

This brings us back to the question of sprawl and how best to link suburban and infill development. Following the pioneering approach of Portland, Ore., several East Bay jurisdictions – including Contra Costa County – have experimented with urban growth boundaries, or UGBs as they are known. Portland's UGB encompasses all of the urban jurisdictions in the Portland metropolitan area. It must, by law, include sufficient land to accommodate projected future development; when available land supplies are used up, the boundary is extended. Although it has its naysayers, the Portland model has worked surprisingly well: stopping sprawl, protecting farmland and encouraging infill.

Here in the East Bay, our approach to UGBs has been more ad hoc and less performance oriented. As a result, we have less to show for our efforts than Portland. If the UGB experiment is to be continued in the East Bay, it should be focused as much on allowing denser growth within the urban boundary as preventing growth beyond it.

At first blush, these recommendations all sound as if they would increase, not decrease, the regulatory burden on developers and home builders, and thus increase housing costs. This is not the case. East Bay developers are accustomed to regulation. What they cannot countenance is a rule book that is constantly changing, or worse yet, rules that exist only on paper and are never applied. An informed, consistent, and results-oriented planning and development approvals process is the key to building better suburbs. In this respect, East Bay communities do not need – and should not wait for – state leadership.

# Housing crisis: the price is not right

This is the sixth in a series written by the Work Force Housing Committee, which was initiated by the Business Times to devise an agenda for improving the East Bay's supply of affordable housing.

For six weeks, we have dedicated our comment page to the committee's analysis and recommendations. We will publish the complete agenda as part of a special section on March 5. Our March 12 Face-Off breakfast forum will be dedicated to the committee's recommendations and the economic and social consequences of the housing crisis.

By far, the most worrisome aspect of the East Bay housing crisis is that so many people cannot afford to buy a home.

Only 20 percent of Alameda County households and 12 percent in Contra Costa can afford the median-priced home in their counties, according to the California Association of Realtors. To put these California numbers into a national perspective, in Austin, Texas, nearly two-thirds of households can afford to purchase the median-priced home.

The East Bay affordability crisis can be divided into two pieces, a work force housing piece, and a low-income affordability piece. For a working family making between 80 percent and 120 percent of the median income – \$66,000 to \$100,000 per year in Alameda County – affordable housing is available, but far from job centers. To find an affordable new home, an East Bay family of four with an annual income of \$80,000 would have to drive 30 miles to Manteca or Lathrop. These days, middle-income families must “drive till they qualify.”

But at least they can find housing. For Alameda County households earning less than \$40,000 per year, most of whom are renters, the pickings are much slimmer. According to the 2000 Census, more than 110,000 East Bay renter households, about a third of all East Bay renters, paid more 35 percent of their income for rent. Sixty-eight percent of low-income renters paid more than a third of their income for shelter.

The work force housing problem stems from a continuing imbalance between job growth and housing construction. Between 1996 and 1999, job growth in Santa Clara County outpaced housing production by a ratio of 4-to-1. In San Francisco, San Mateo and Marin Counties, job growth exceeded housing production by a ratio of 7-to-1. Home builders in Alameda and Contra Costa counties struggled to accommodate the overflow from Silicon Valley and the Peninsula as well as meet demand from their own booming economies.

The low-income affordability problem is

more complicated. As California's population has grown, so too has the gap between the number of low-income households needing federal housing assistance and the number receiving it. Thanks to the Bay Area's ultra-high land and development costs, for-profit builders are unable to construct low-income housing anywhere in the Bay Area without first securing multiple subsidies. Building affordable housing is no longer just about shelter, and for nonprofit builders, the costs of providing supportive services add further to financing burdens. Higher densities, which can help reduce the cost of work force housing, do little for affordable housing other than increase community concerns.

The affordable housing shortage is made worse by the shortage of work force housing. Rising housing prices in the general housing market work themselves backwards into increased land and construction costs, making it harder for builders of affordable housing to compete, and further stretching limited subsidy dollars.

Meeting the challenge of providing affordable work force housing and affordable low-income housing will require consistent action on many fronts. First, every East Bay community should redouble its efforts toward meeting their total production targets. The more market-rate work force housing that is produced, the less the demand for low-income housing. More supply will lead to greater affordability at all levels.

East Bay communities need to revamp their planning and permitting processes to pre-identify infill and refill locations, to encourage higher densities where appropriate, to reduce downstream conflicts over environmental and neighborhood impacts, to improve the design and quality of suburban homes and to create new financing vehicles for infrastructure.

With affordable work force housing now a keystone of business expansion and retention, local redevelopment agencies should assume a larger role in planning, developing, and financing work force housing. For the next several years at least, East Bay communities will not need much in the way of new office buildings, hotels, or retail centers. What they will need is work force housing.

In some communities, new supply alone will not do the trick. Some form of mortgage financing assistance may also be necessary. In such cases, local employers, builders, real estate agents, lenders and cities should get together to work with the Federal National Mortgage Association – better known as Fannie Mae – to buy down mortgage interest rates and reduce down payment burdens for qualified families. Realtors and lenders should help promote and advertise those programs.

Jan. 23: The East Bay's housing crisis

Jan. 30: How many homes must be built

Feb. 6: Fixing the entitlement bureaucracy

Feb. 13: Making infill work

Feb. 20: Building better suburbs

Feb. 27: Creating affordability

March: 5: A housing agenda



For large projects combining a range of housing types, we urge local governments to require that the more affordable units be built first rather than last.

After more than a decade of state inaction, the November 2002 passage of Proposition 46 authorized nearly \$1.8 billion in state funding to subsidize the production of low-income rental and ownership housing. Coupled with other state and local programs and the recent expansion of the federal Low Income Tax Credit Program, the fund should contribute to the construction of more than 100,000 affordable housing units.

As important as Proposition 46 funds are sure to be, they are still far from sufficient. Helping the 100,000 East Bay families that need, but do not receive housing assistance will take additional state, regional and local bond issues on the order of Proposition 46. Alternately, the state should investigate chartering a new state housing trust fund combining contributions from multiple sources to be used for the construction of new affordable housing. State support could then be augmented with matching funds from county or local trust funds.

Progress also will require reorganizing the current housing assistance system to make it more efficient. Currently, affordable housing developers must typically string together between five and eight different sources of subsidy money before they can proceed. This “trial-by-subsidy” insures that good projects go forth, but it also absorbs tremendous time and energy that detracts from overall production. The U.S. Department of Housing and Urban Development, the California Department of Housing and Community Development and a consortium of local housing agencies and developers must collaborate to streamline the current system.

These ideas enjoy broad-based support. Two other ideas, increasing low-income home ownership and inclusionary zoning, are more controversial. The Bush administration has proposed reducing the number of Section 8 rental housing subsidies and instead, ramping up low-income home ownership programs. Promoting home ownership among low-income households is an appealing – if costly – idea, but it needs to be part of a broader strategy of comprehensively addressing affordable housing needs across the income spectrum. Home ownership programs aimed solely at low-income families without also considering

work force housing needs are likely to prove neither popular nor effective.

Local inclusionary zoning laws require developers to set aside a specific percentage of their production, usually between 10 percent and 20 percent, for moderate-income households. Housing advocates support inclusionary zoning as an efficient means of producing needed affordable housing without government subsidies. Builders and developers oppose inclusionary zoning as unfair because it requires upper-income buyers and renters to subsidize lower-income residents. Both positions have merit, and we urge both sides to collaborate on designing inclusionary zoning policies that are both efficient and fair for each community.

**Cities with the most renters and the percentage with incomes less than \$35,000 who pay 35 percent or more of their income for rent**

Alameda County			Contra Costa County		
City	Renters	Percent	City	Renters	Percent
Oakland	88,216	33%	Concord	16,431	30%
Berkeley	25,704	38%	Richmond	16,129	31%
Fremont	24,183	19%	Walnut Creek	9,671	23%
Hayward	20,892	29%	Antioch	8,550	35%
Alameda	15,735	25%	Pittsburg	6,592	34%

Source: UC-Berkeley, Department of City and Regional Planning