

Why Affordability Matters

Creating a More Affordable Future

October 13, 2021

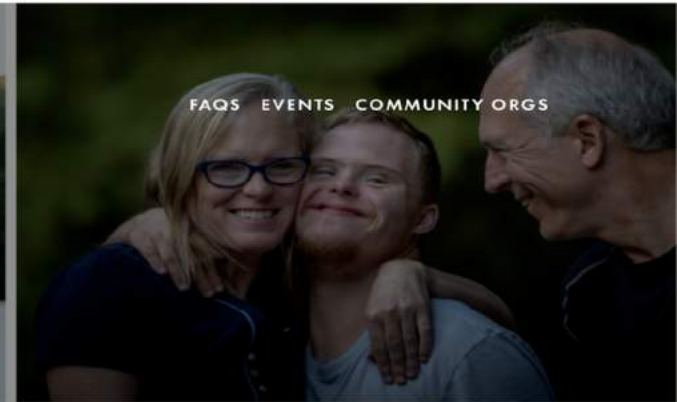
Let's Talk Housing SAN MATEO COUNTY



Let's Talk Housing



[WHY THIS MATTERS](#) / [HOW THIS WORKS](#) / [HOUSING 101](#) / [GET INVOLVED](#) / [CONNECT TO YOUR COMMUNITY](#)



[FAQS](#) [EVENTS](#) [COMMUNITY ORGS](#)

You have a once in a decade opportunity to shape the future of housing in your community

[WHY THIS MATTERS](#) →



This year, all jurisdictions in San Mateo County – cities, towns and the county – are updating their Housing Element, a plan for all the housing needed in every community.

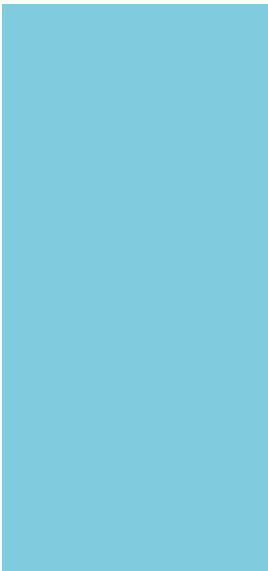
English >

Let's Talk Housing SAN MATEO COUNTY



Agenda

- Why Affordability Matters to San Mateo County
- Icebreaker breakout session
- Demographic poll
- \$1.5 Million Dollars??? The Story of a Single-Family Home
- How We Got Here & What We Can Do
- Audience Q&A
- Debrief breakout session



Why Affordability Matters in San Mateo County

Belén Seara

Management Analyst

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Get Healthy San Mateo County

Nevada Merriman

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MidPen Housing

The Health and Housing Connection

October 13, 2021

Belén Seara, Health Policy and Planning Program

Get
Healthy
SAN MATEO COUNTY
gethealthysmc.org



Affordable Housing Promotes Health

- The places we live in impact our health
- Housing is closely linked to health
- Healthy places are not distributed evenly
- Healthy amenities make places more expensive and can lead to displacement

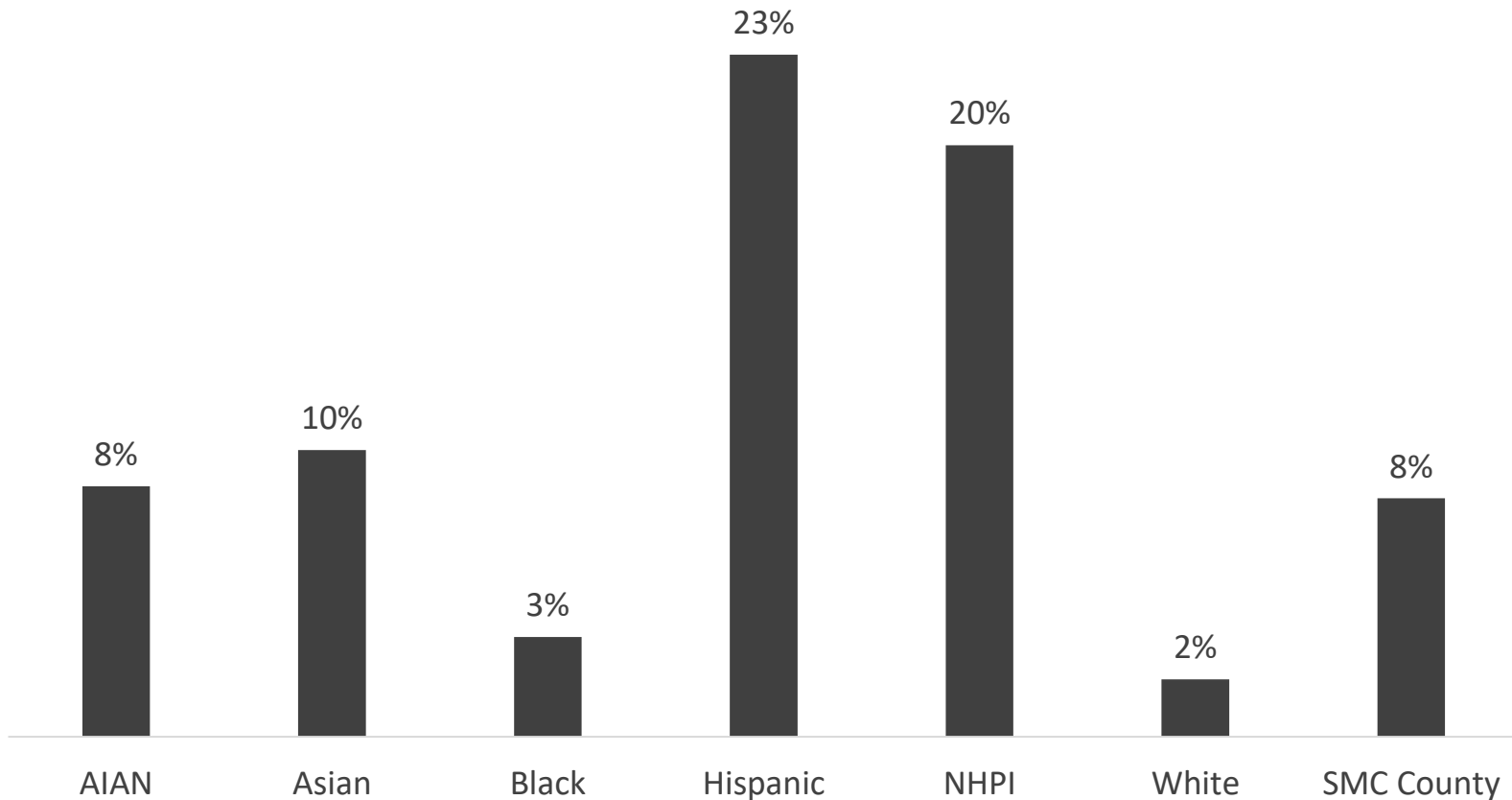


Lack of Affordability, Displacement, and Health

- No housing options = substandard housing, overcrowding, displacement, homelessness
- Displacement leads to longer commutes, school disruptions, and less access to opportunities for healthy choices and environments
- Displacement results in increased trauma

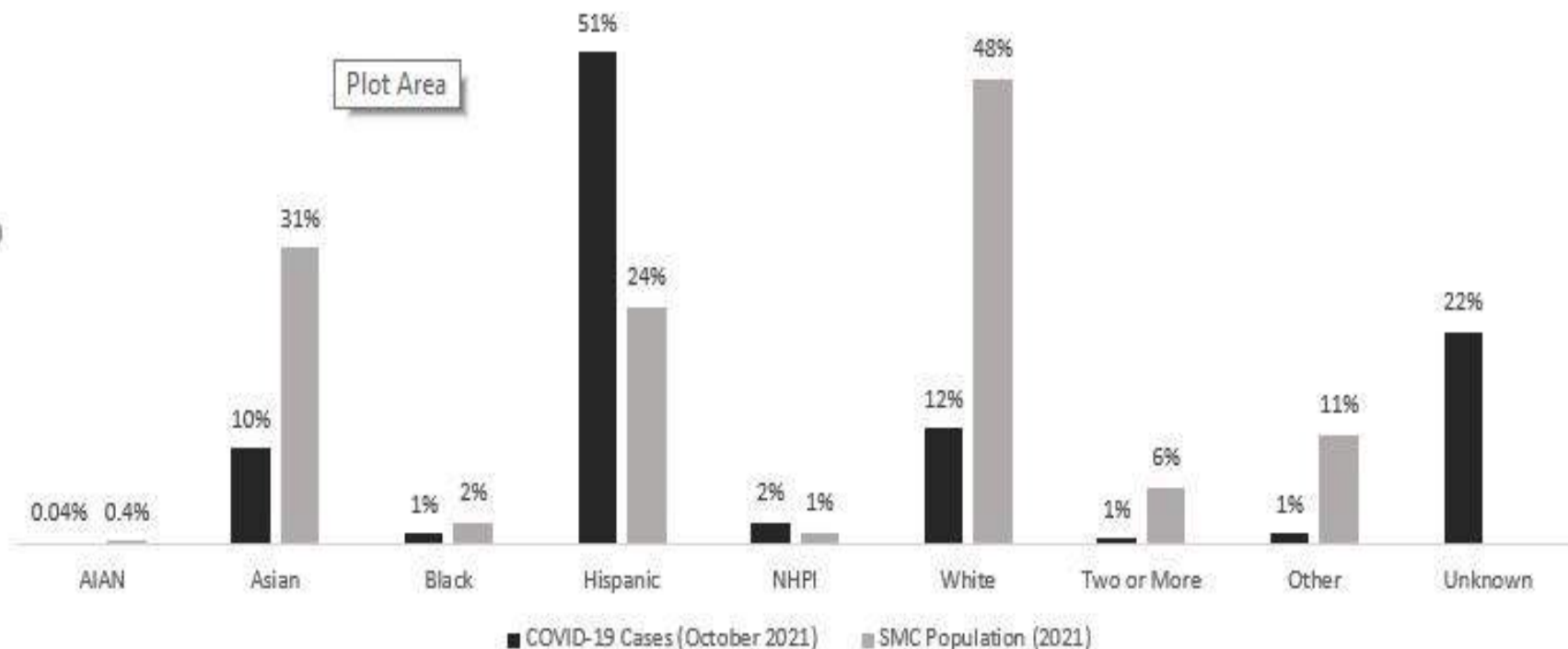
Overcrowding as a driver of COVID-19 infections

Overcrowding in San Mateo County, 2015-2019



Health Disparities in COVID-19 Infections

Percent of COVID-19 Cases by Race Compared to Percent of San Mateo County Population by Race



Healthy Housing

- 5 P's solutions framework
- Habitability without displacement
- Home for All Initiative
- Let's Talk Housing SMC
- Healthy and resilient homes
- **Research**: expanding eviction and health literature



Thank you!



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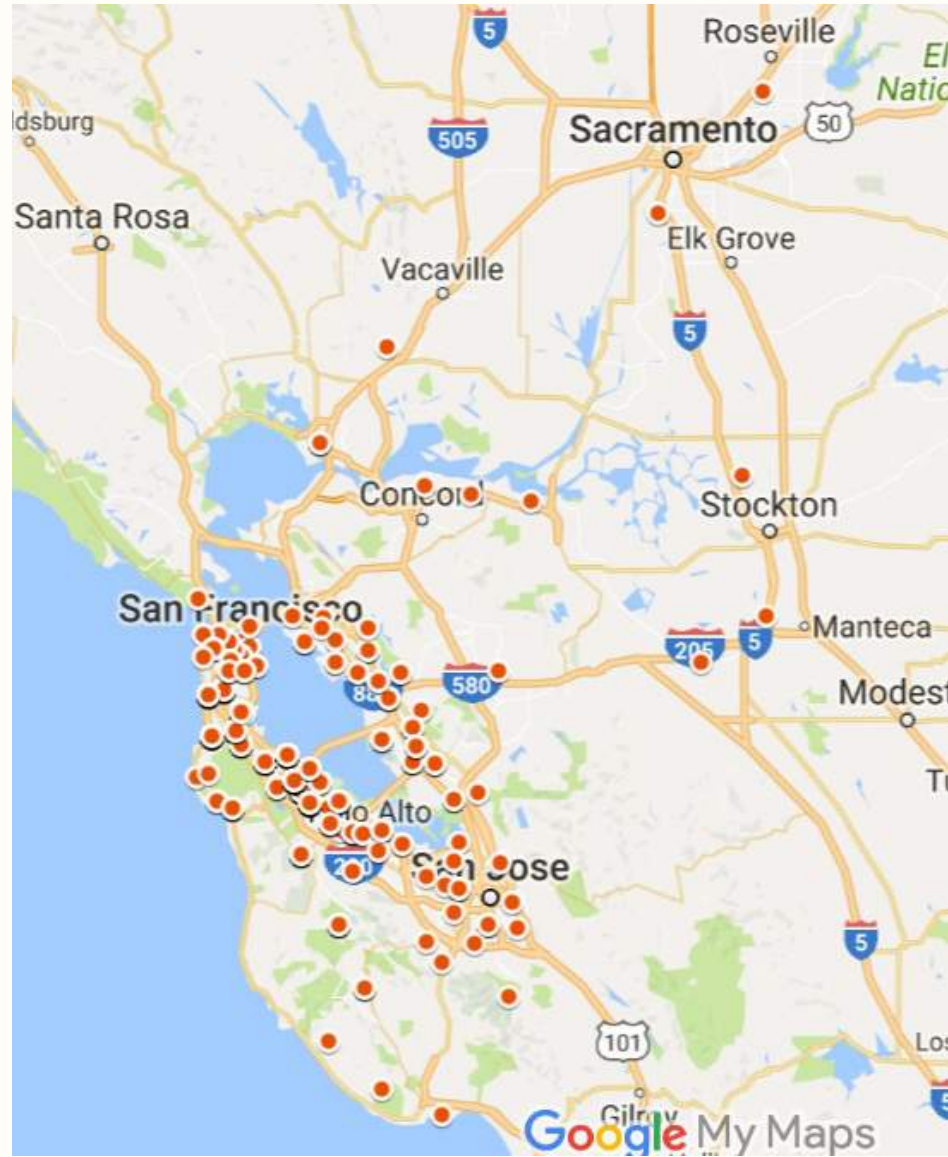
Icebreaker prompt

How has the high cost of housing impacted you or someone you care about?

\$1.5 Million Dollars??? The **Story of a Single-Family Home**

Josh Abrams

Baird + Driskell





"Best for Families
with Children . . ."

PARENTS' MAGAZINE
February, 1955



THE EXPERTS ACCLAIM MACKAY HOMES!

Architects and family home experts alike have been unanimous in their praise of Mackay Homes. Top awards from the American Institute of Architects as well as Parents' magazine were recently received by Mackay Homes. Such magazines as "Family Circle" and "House & Home" have selected the homes for feature articles in color. The good design and practical planning of Mackay Homes have been acclaimed the nation over!

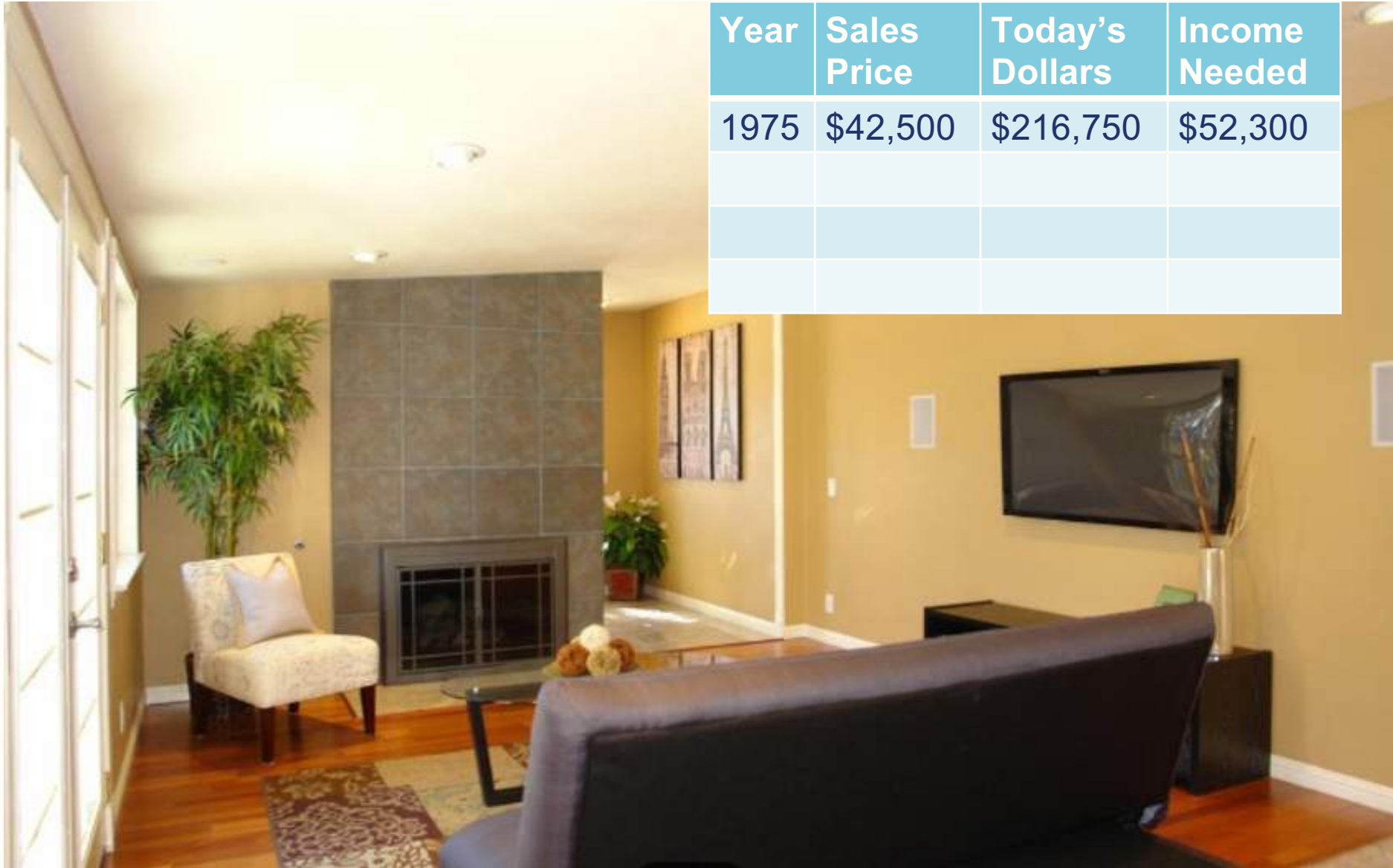
better because . . .



*58
Bel Air Kitchen (m-3) (12700*

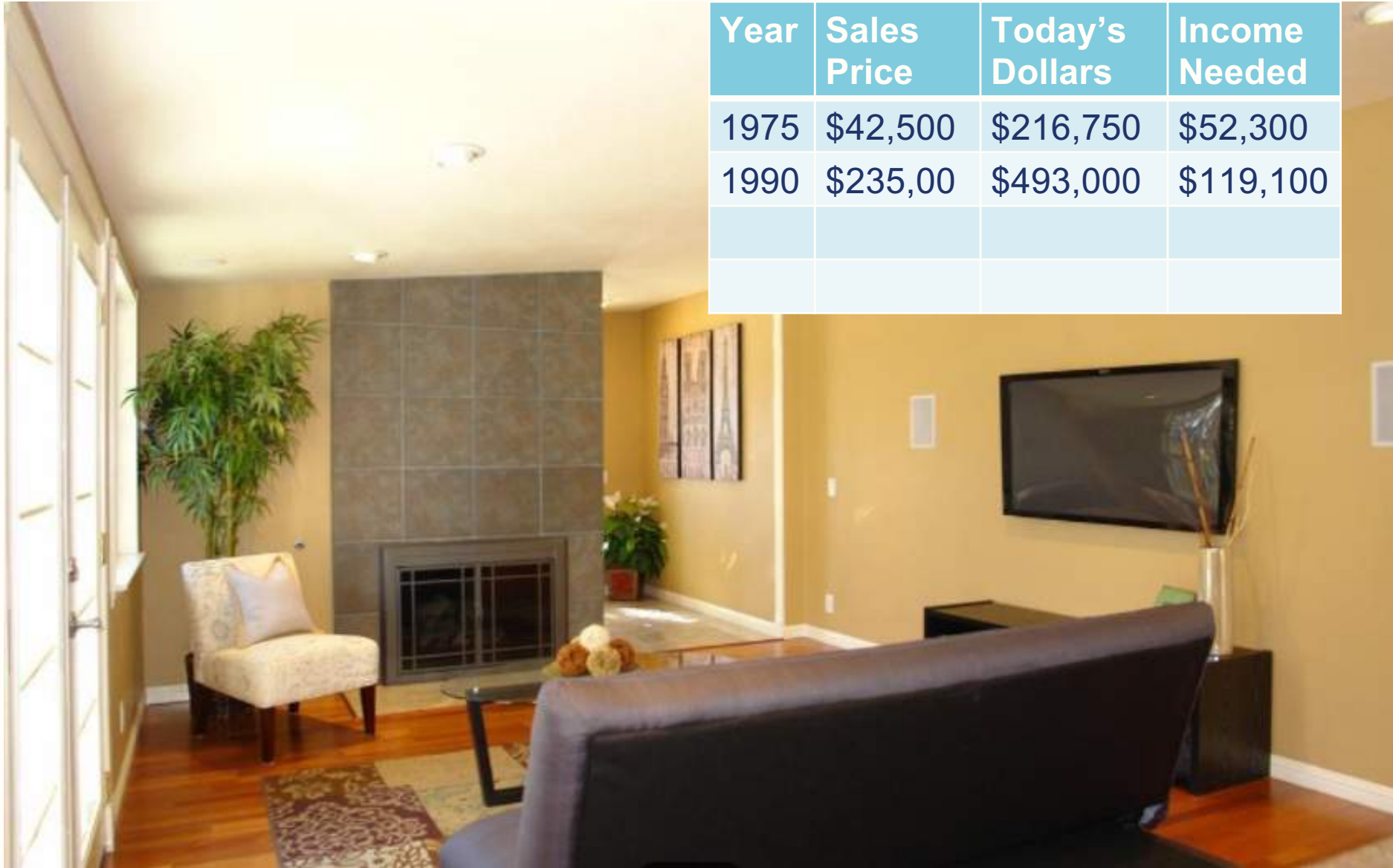
First in the nation to present the all-new
completely built-in  Kitchen in

1975



Year	Sales Price	Today's Dollars	Income Needed
1975	\$42,500	\$216,750	\$52,300

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1975



Year	Sales Price	Today's Dollars	Income Needed
1975	\$42,500	\$216,750	\$52,300
1990	\$235,000	\$493,000	\$119,100
2013	\$675,000	\$796,500	\$191,700
2021	\$1,467,000	\$1,467,000	\$369,600

How We Got Here & What We Can Do

Shane Phillips

UCLA Lewis Center Housing Initiative

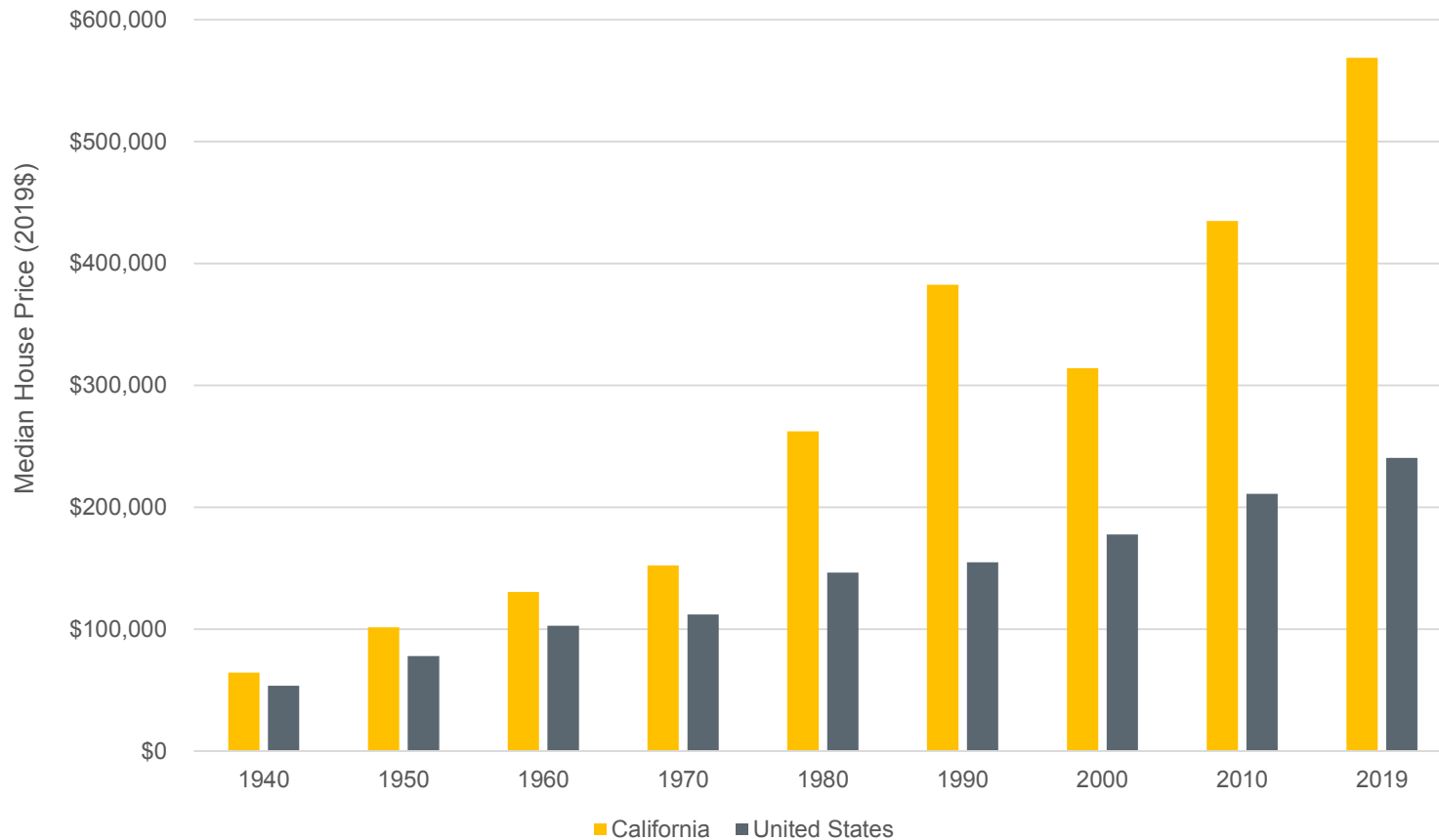
Author of *The Affordable City*

An architectural rendering of a residential development. The scene shows a central courtyard with green lawns and trees, surrounded by modern, multi-story buildings with white facades and grey accents. A prominent feature is a long, covered walkway or ramp structure that runs through the courtyard, connecting different levels of the development. In the background, there are more buildings and a grid-like pattern of streets or paths. The overall style is clean and modern, with a focus on community spaces and greenery.

Why We Have Housing Problems and What We Can Do About them

Shane Phillips
UCLA Lewis Center
October 13, 2021

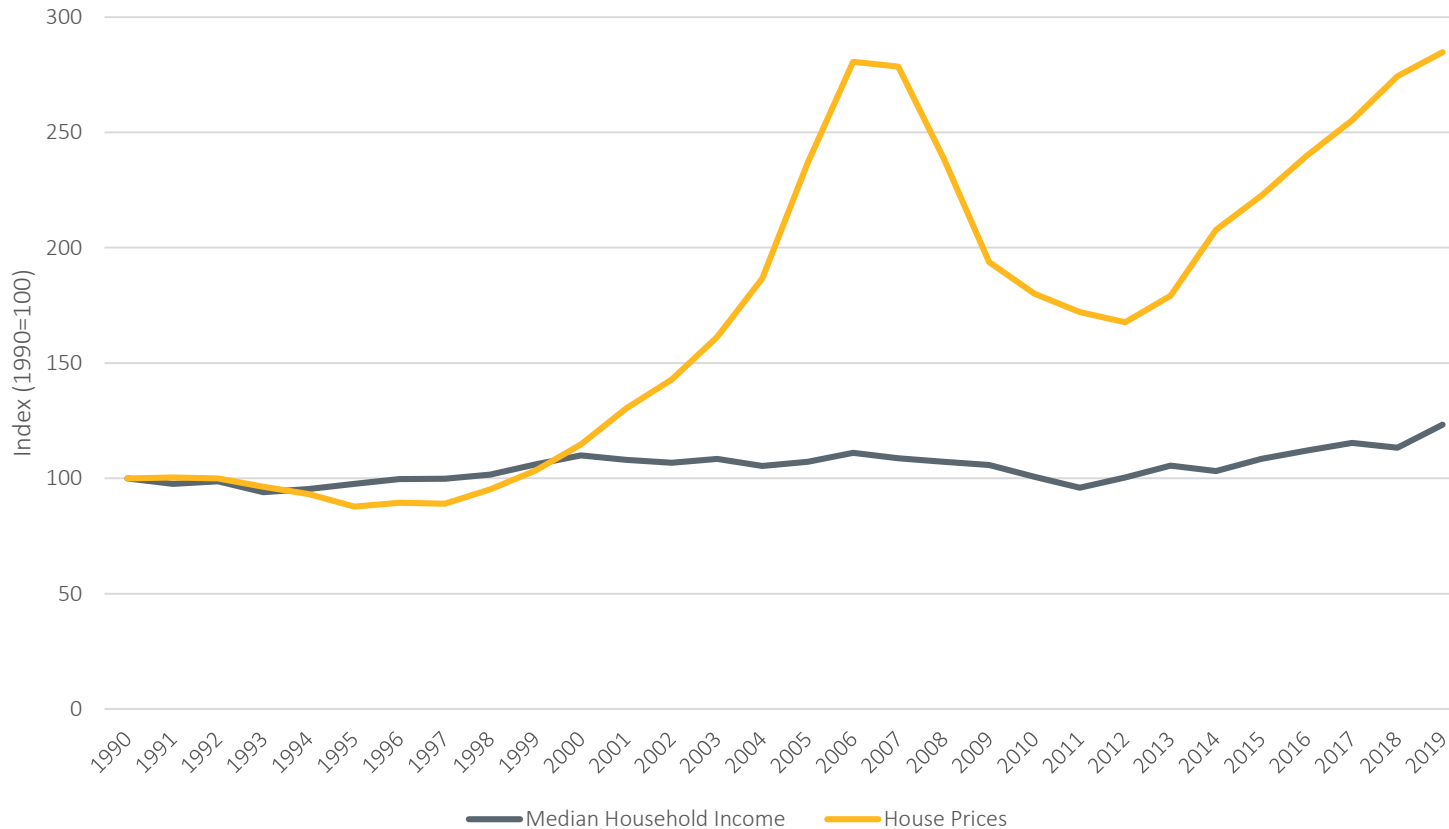
HOUSING PRICES IN CALIFORNIA HAVE INCREASED MUCH FASTER THAN MOST OF THE REST OF THE U.S.



Source: U.S. Census Bureau, American Community Survey (ACS), 2010 and 2019 1-year sample data, Table B25077; Historical Census of Housing Tables: Home Values, 2000.

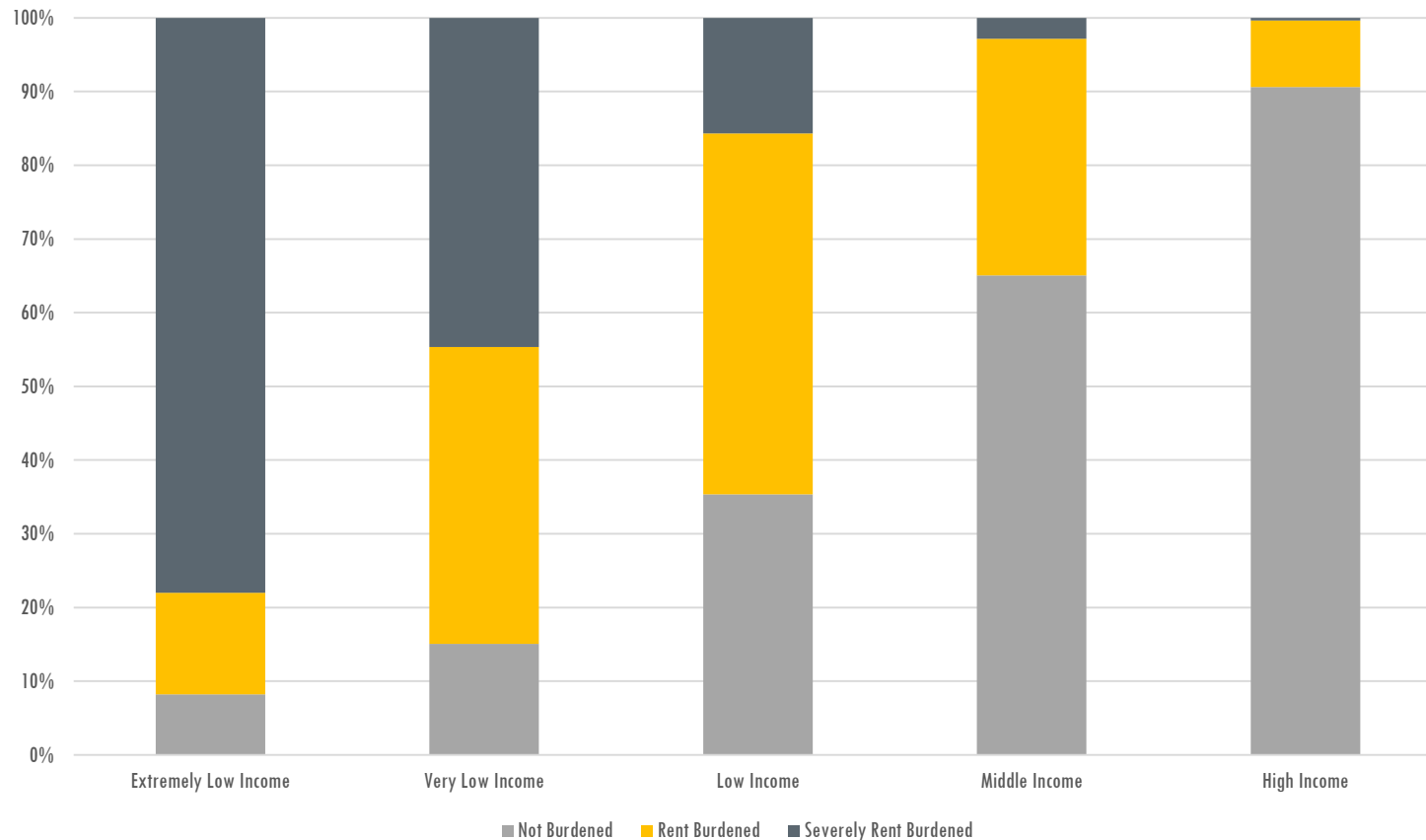
Note: Median home prices are inflation adjusted to 2019 prices using the U.S. Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) for all items in the average U.S. city.

HOUSING PRICES HAVE INCREASED MUCH FASTER THAN MEDIAN HOUSEHOLD WAGES



Source: Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED), Economic Research Division, 1990-2020. Note: All-Transactions House Price Index for California, Index Q1 1990=100, Quarterly, Not Seasonally Adjusted. Median household income inflation adjusted using 2019 CPI-U-RS adjusted dollars.

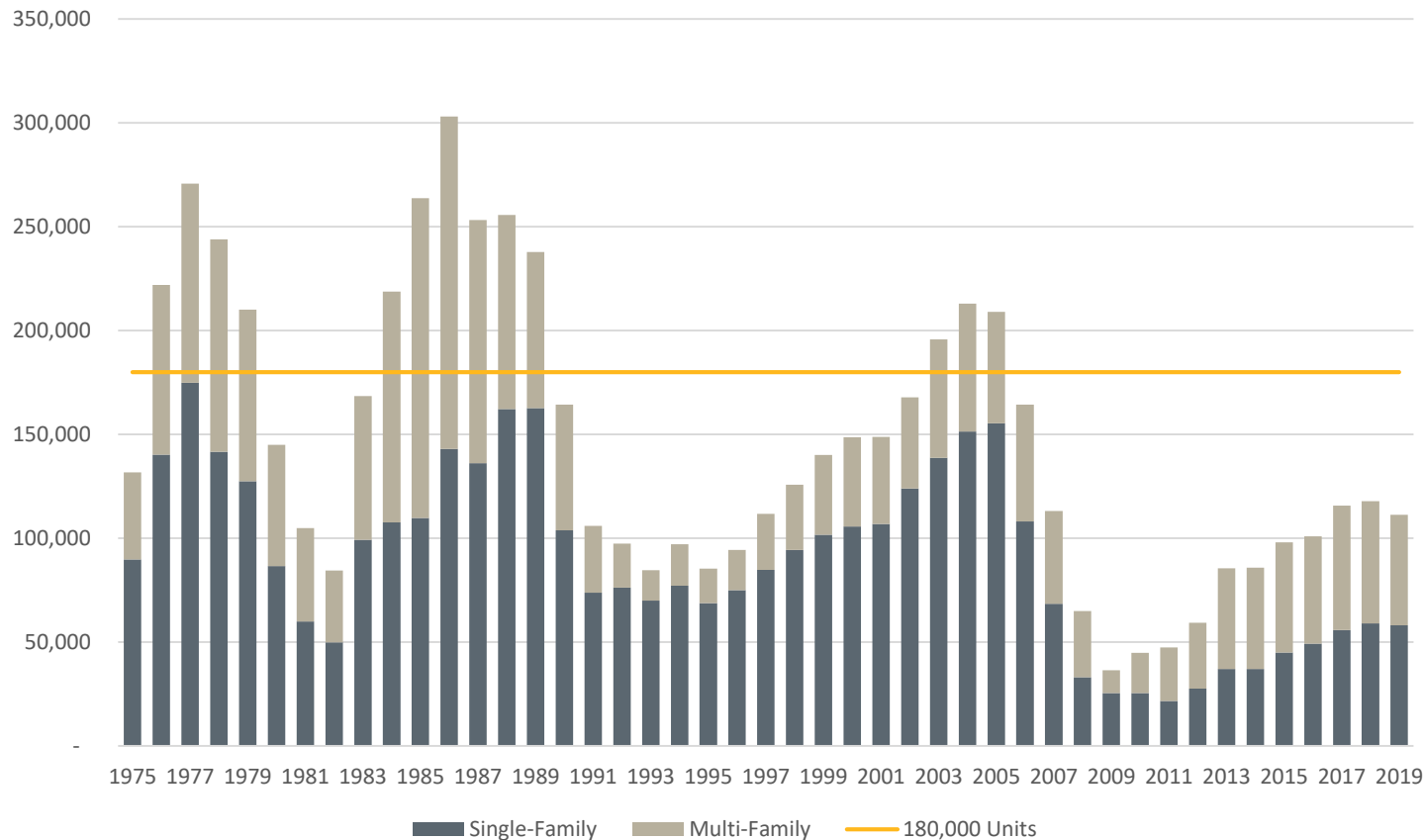
CALIFORNIANS ARE PAYING A LARGE SHARE OF THEIR INCOME ON HOUSING



Source: U.S. Census Bureau, Public Use Microdata Sample (PUMS), 2019.

Notes: Extremely Low-Income (0-30% AMI), Very Low-Income (30-50% AMI), Low-Income (50-80% AMI), Middle-Income (80-120% AMI), High Income (120% AMI and above)

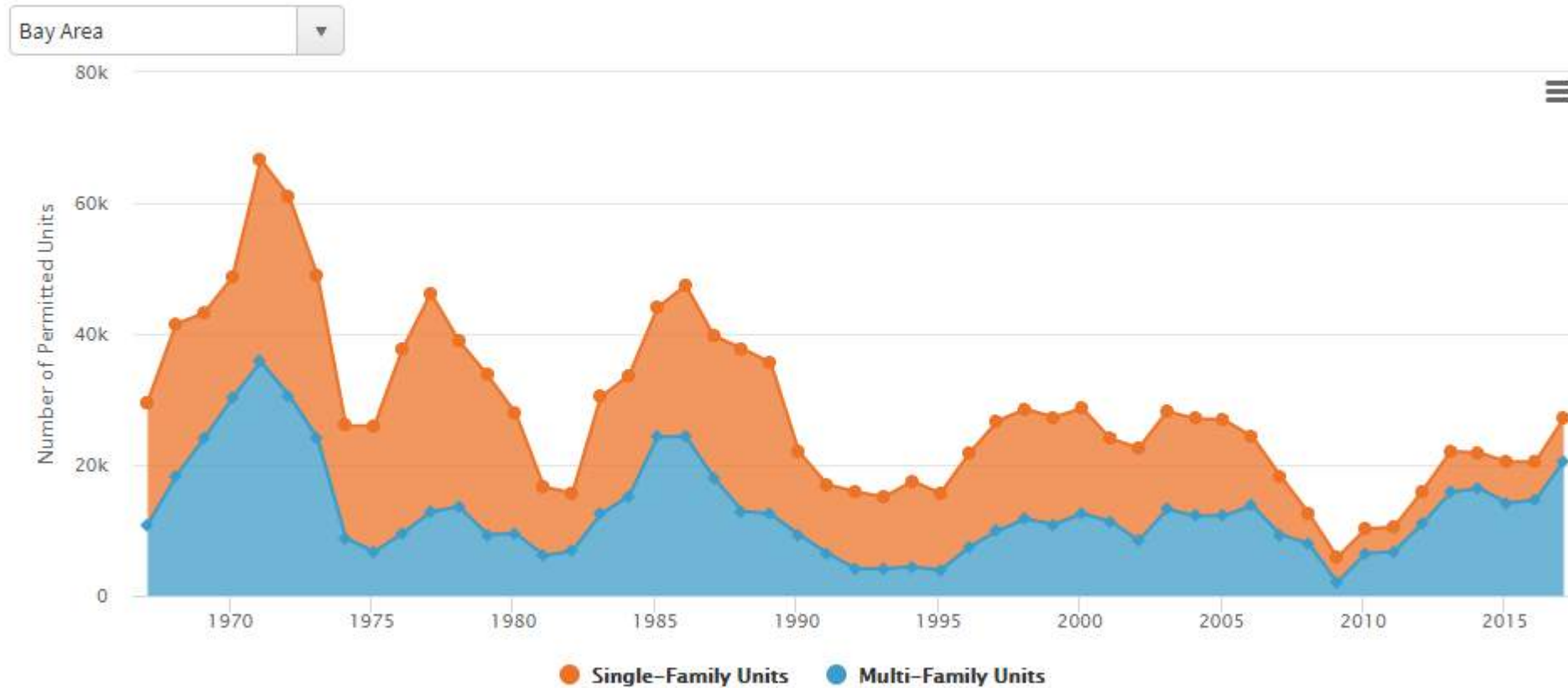
LOTS OF PEOPLE WANT TO MOVE TO CALIFORNIA AND THE BAY AREA, BUT FEW HOMES ARE BEING BUILT



Source: 1975-2019 annual residential construction permit data from Construction Industry Research Board. 2015-2025 Projected Annual Need from HCD Analysis of State of California, Department of Finance.

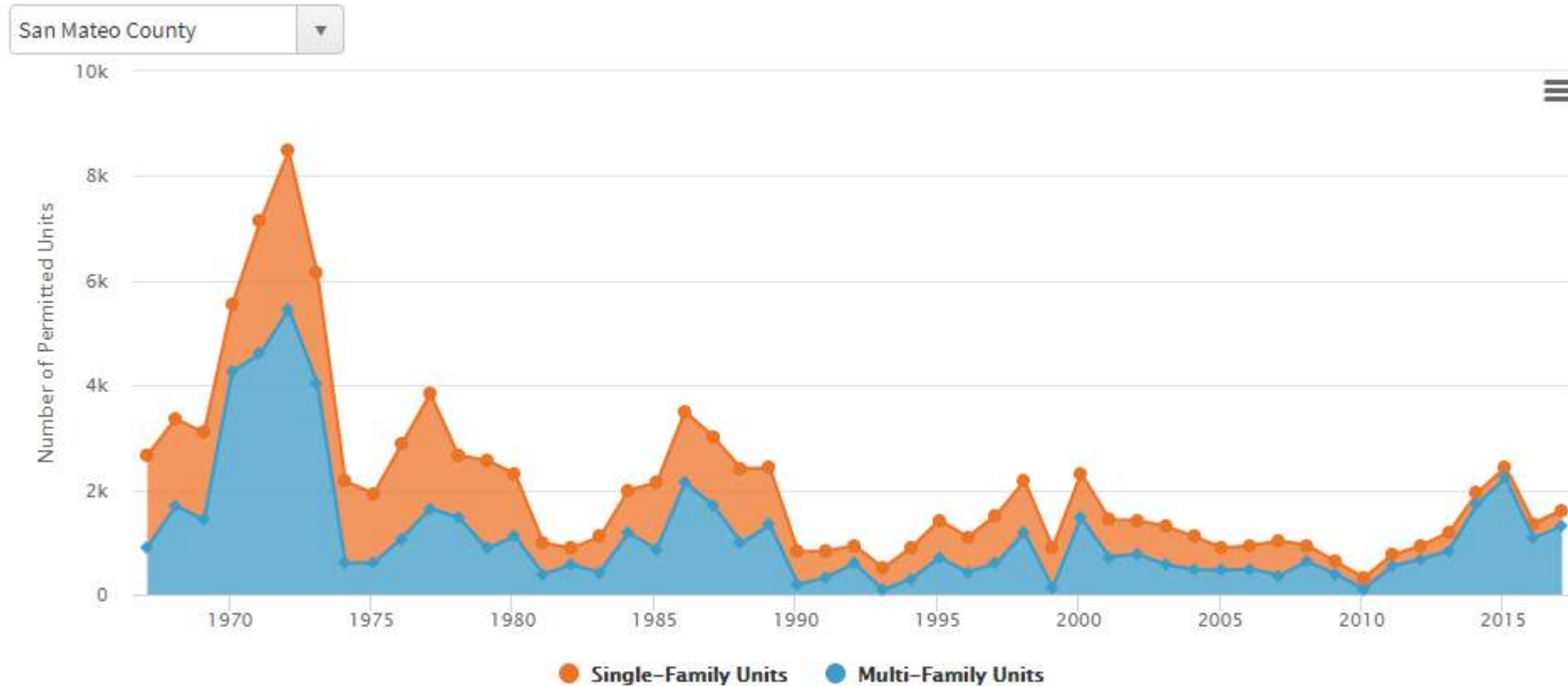
LOTS OF PEOPLE WANT TO MOVE TO CALIFORNIA AND THE BAY AREA, BUT FEW HOMES ARE BEING BUILT

Historical Trend for Housing Permits - Bay Area



LOTS OF PEOPLE WANT TO MOVE TO CALIFORNIA AND THE BAY AREA, BUT FEW HOMES ARE BEING BUILT

Historical Trend for Housing Permits - San Mateo County



RISING INCOMES ALSO PLAY A MAJOR ROLE, BUT WERE EXACERBATED BY THE HOUSING SHORTAGE

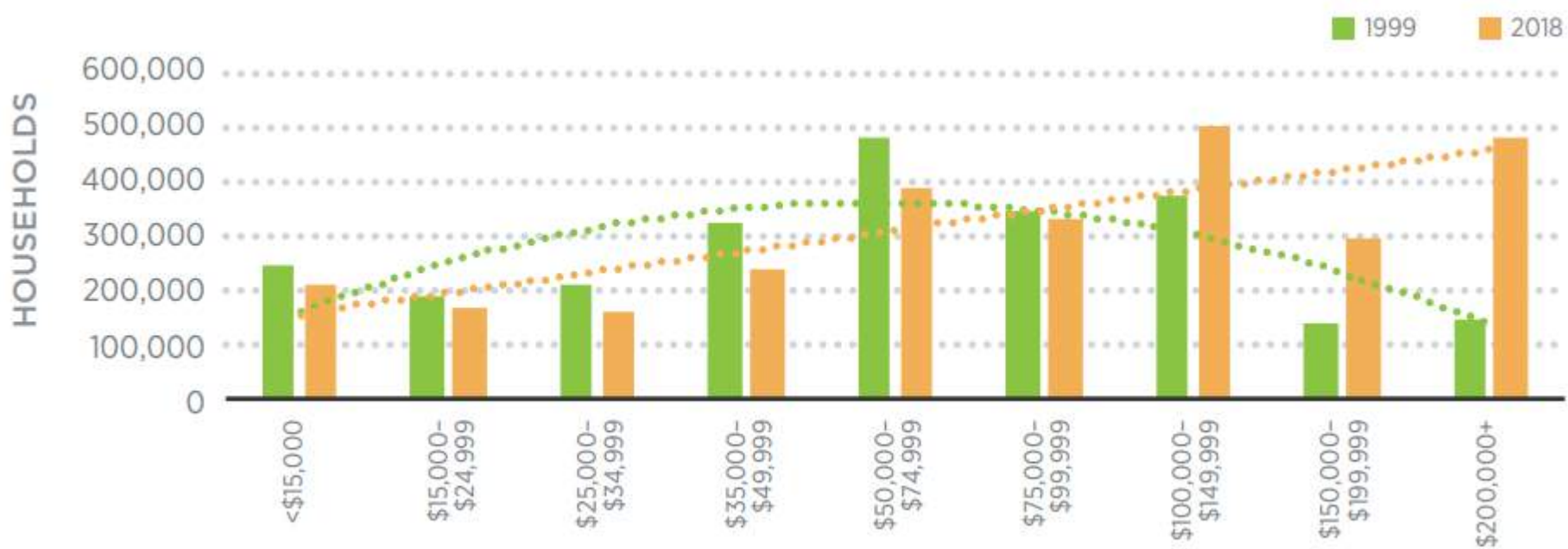


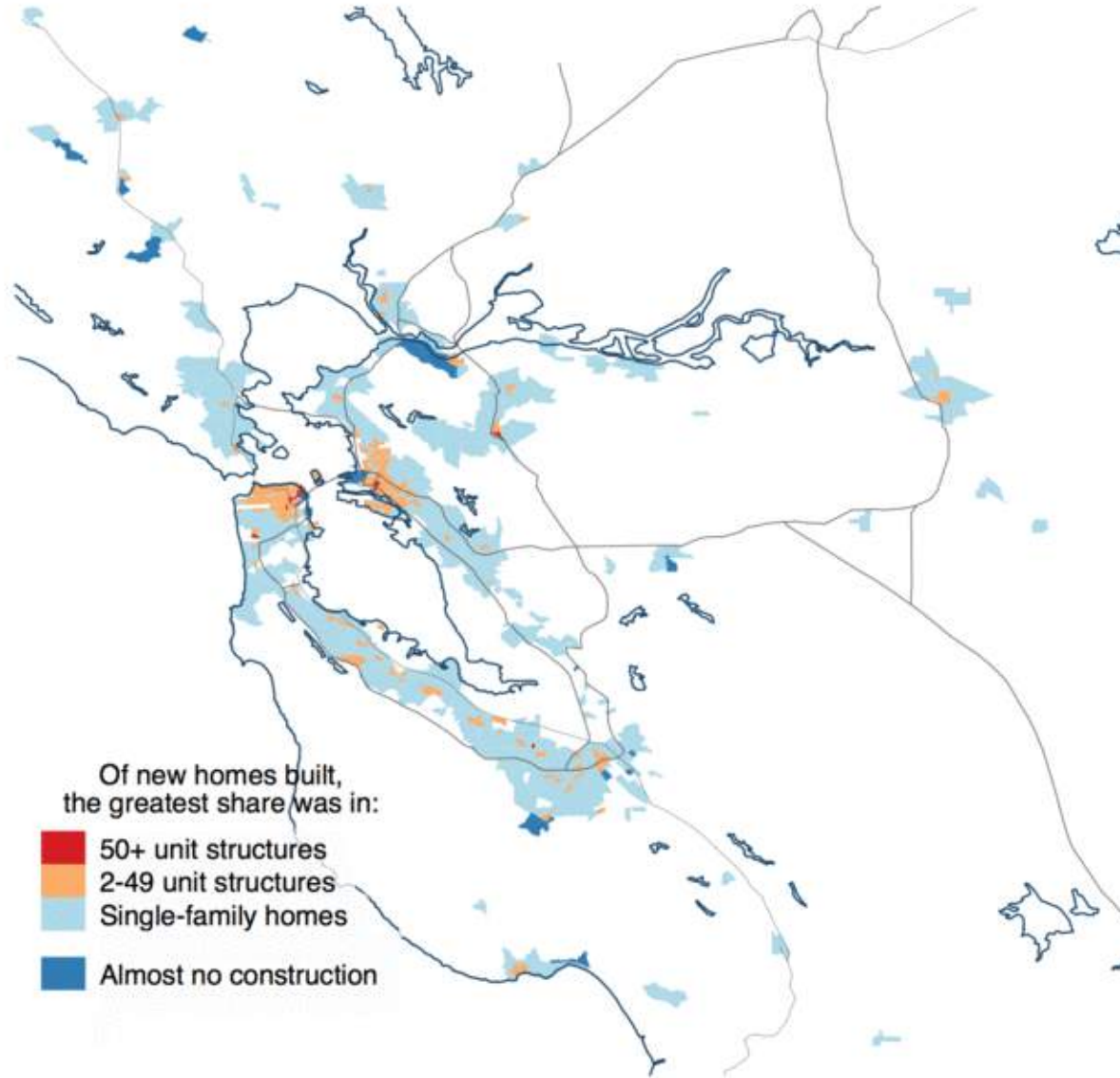
FIGURE 3
Incomes have shifted in the Bay Area to include many more wealthy people and fewer lower income people. Change in Bay Area Household Income Distribution, 1999–2018

MOST NEIGHBORHOODS HAVE STOPPED BUILDING HOUSING ALTOGETHER

- In much of the Bay Area, neighborhoods of detached single-unit homes were built in the mid-20th century
- As more jobs came to the region and more people arrived (or wanted to), housing production did not keep up
- In the 60s and 70s, neighborhoods were “downzoned” for the explicit purpose of *increasing* property values
- Now, with prices sky-high, the construction of new homes is opposed *because it's too expensive*

Dominant Type of New Housing Built 1940-1960

San Jose-San Francisco-Oakland, CA CSA

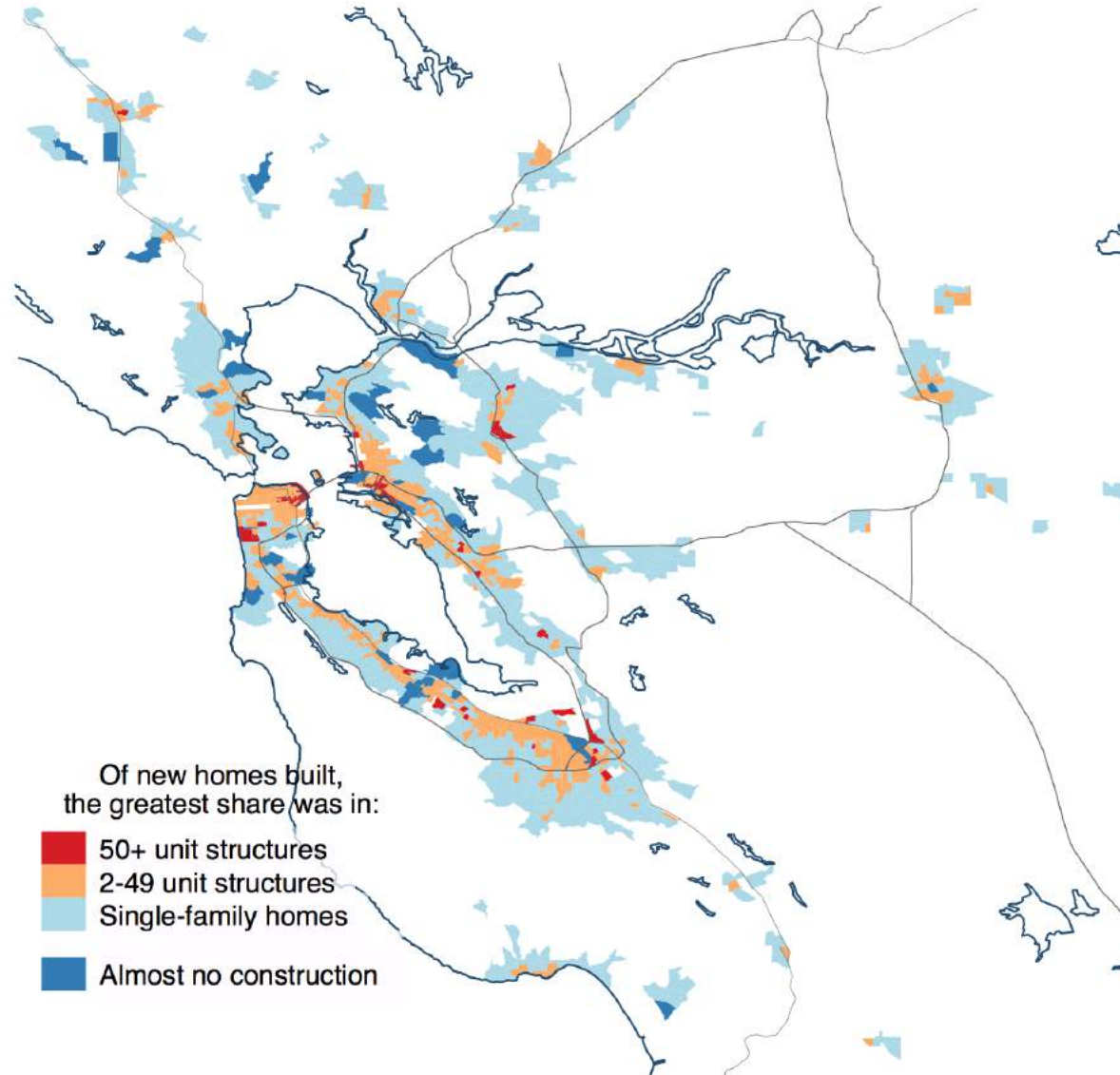


Source: BuildZoom; Census (2012-2016 5-year ACS).

Notes: Residentially-developed areas include Census tracts with more than 200 currently existing homes per square mile at the end of the period. An area is defined as having "almost no construction" if its net addition of new homes is less than 0.1 new homes per acre per decade.

Dominant Type of New Housing Built 1960-1980

San Jose-San Francisco-Oakland, CA CSA

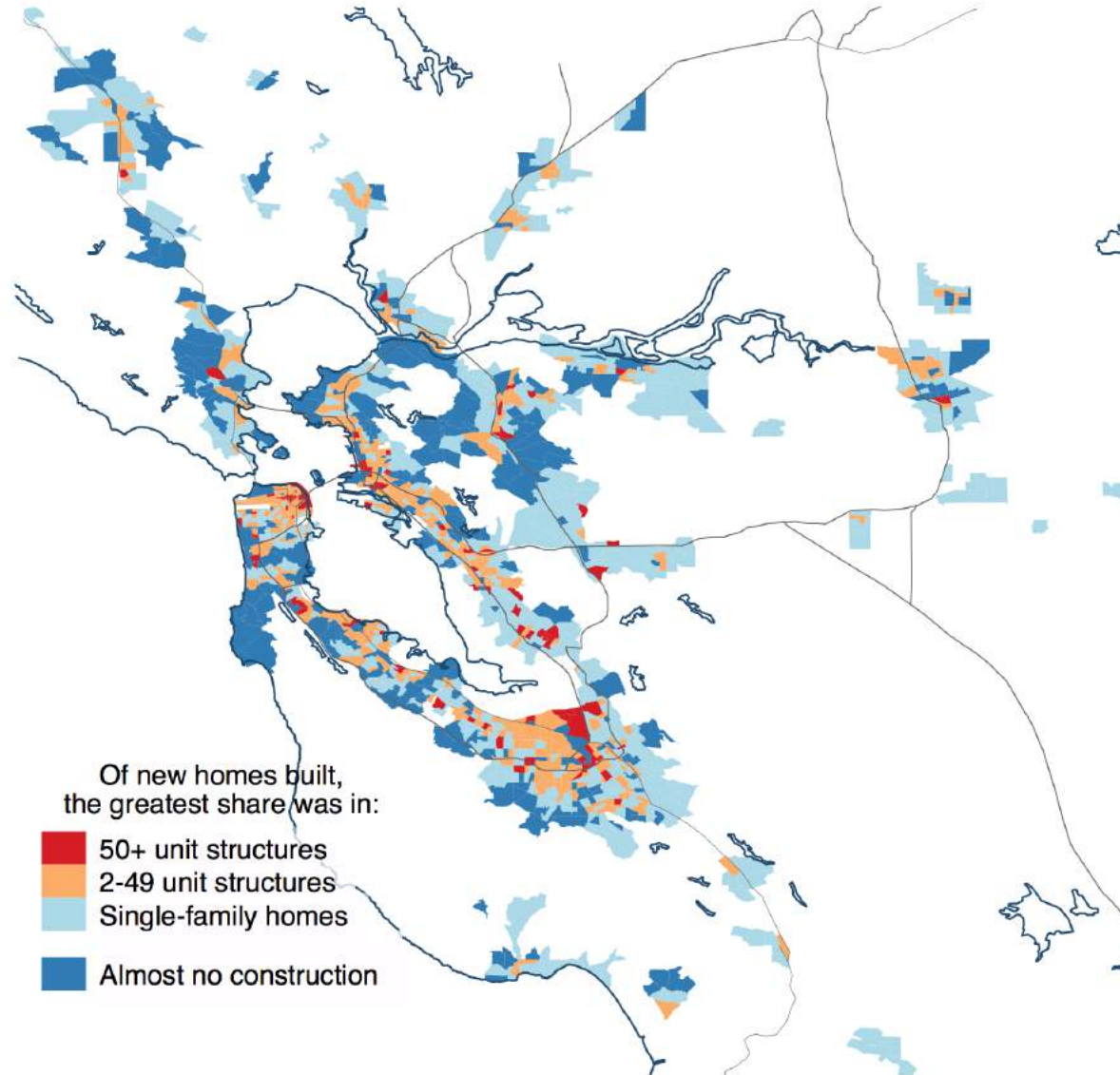


Source: BuildZoom; Census (2012-2016 5-year ACS).

Notes: Residentially-developed areas include Census tracts with more than 200 currently existing homes per square mile at the end of the period. An area is defined as having "almost no construction" if its net addition of new homes is less than 0.1 new homes per acre per decade.

Dominant Type of New Housing Built 1980-2000

San Jose-San Francisco-Oakland, CA CSA

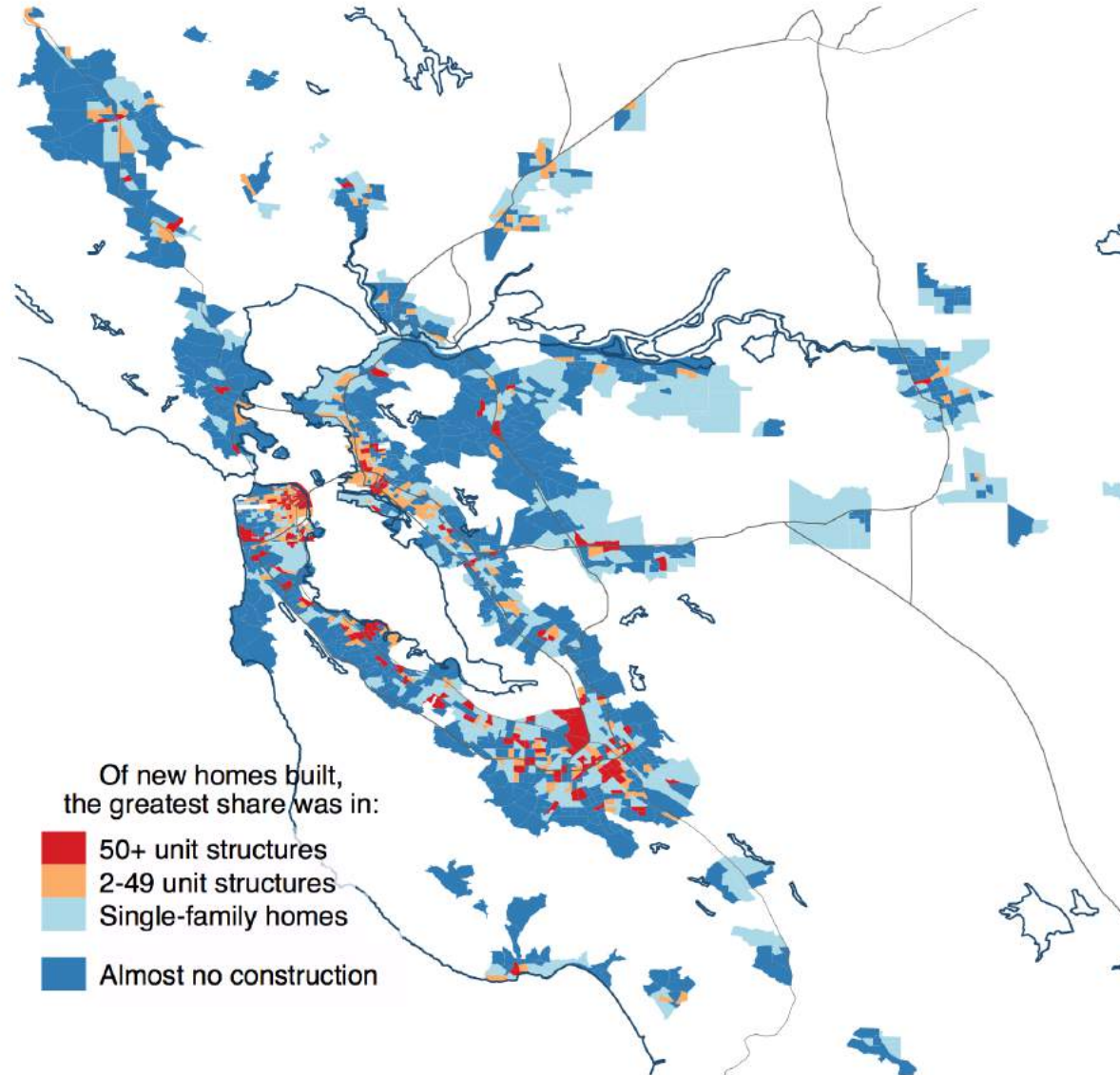


Source: BuildZoom; Census (2012-2016 5-year ACS).

Notes: Residentially-developed areas include Census tracts with more than 200 currently existing homes per square mile at the end of the period. An area is defined as having "almost no construction" if its net addition of new homes is less than 0.1 new homes per acre per decade.

Dominant Type of New Housing Built 2000-2016

San Jose-San Francisco-Oakland, CA CSA



Source: BuildZoom; Census (2012-2016 5-year ACS).

Notes: Residentially-developed areas include Census tracts with more than 200 currently existing homes per square mile at the end of the period. An area is defined as having "almost no construction" if its net addition of new homes is less than 0.1 new homes per acre per decade.

A QUICK HISTORY OF HOUSING ELEMENTS

- California has had a state-mandated housing planning process for more than 40 years – the regional housing needs assessment and housing elements
- Population growth is forecast, “housing need” allocations are distributed to regional planning agencies and then cities, and cities must make plans for how that housing will be accommodated
- **It has not worked**
- Housing targets were far too low relative to housing demand, they were manipulated by savvy governments, and there were no serious consequences for failing to meet these already unambitious goals

NEW AND IMPROVED HOUSING ELEMENTS

Key elements:

- Higher housing need allocations, closer to actual demand
- More realistic plans for accommodating housing
- Cannot build all housing in low-income neighborhoods
- Accountability for cities that don't comply with planning mandates or fail to hit housing production targets

HOW WILL CITIES HIT THEIR NEW TARGETS?

- Housing prices (and the cost of development) are extraordinarily high, so income-restricted units require deep subsidies
- At the same time, incomes are high so many people can afford the price of new housing, and high market-rates can cross-subsidize below-market units
- And high prices indicate incredible demand for more homes in the region
- But with the price of new housing out of reach to most people, and so many people struggling with the price of housing old and new, a supply-only approach is a tough sell

THE THREE S's

- **Supply, Stability, and Subsidy**
 - **Supply:** Building enough homes to meet all needs
 - **Stability:** Protecting renters and other vulnerable households
 - **Subsidy:** Funding to fill the gaps left by #1 and #2
- Each serves a different purpose and each must be a priority
- This is a policy statement as well as a political one:
We won't build the coalitions needed to solve our biggest challenges so long as renters, young people, lower-income households, and others fear what new development will bring

WHY **SUPPLY** MATTERS

- **Supply is about acknowledging physical and economic constraints**
- Housing will not be affordable and accessible if we don't have enough homes for everyone (physical)
- Scarcity empowers landlords at the expense of tenants and sellers at the expense of buyers (economic)

What it can do: Stabilize prices and create new resources (taxes, affordable housing, etc.)

What it can't do: Bring median home prices from \$1 million to \$500,000 (e.g.)

WHY **STABILITY** MATTERS

- If Supply is about responding to physical and economic realities, **Stability is about meeting our moral obligations**
- A person shouldn't lose their home simply because they have the bad luck to live in a newly-popular (gentrifying) neighborhood

What it can do: Shield people from rising rents and eviction — keep things from getting worse

What it can't do: Solve the underlying drivers of rising prices, or do much to help people who don't already have a home

WHY **SUBSIDY** MATTERS

- **Subsidies are a tool to apply where Supply and Stability fall short (which they will)**

What it can do: Help the people for whom Supply and Stability aren't enough (millions and millions of people)

What it can't do: Help everyone, or solve the problems caused by inadequate Supply or Stability policy

SO, AGAIN: HOW CAN CITIES HIT THEIR HOUSING TARGETS?

First, some politics:

- Invest in representative surveys of your community
 - Surveys show that majorities of California residents support more housing in their neighborhoods; don't rely solely on public meetings to gauge public sentiment
- Make the case that growth means opportunity and investment
 - Cities are not empowered to stop growth, but they can shape it to provide things residents want: more diverse housing choices, jobs, shops, restaurants, open space, etc.
- Make the alternative clear: continued rising prices, increased homelessness, more and longer car commutes, increased greenhouse gas emissions
- Blame the state if you need to
 - Cities lose local control if they don't comply; better to retain authority

PRODUCTION-ORIENTED POLICIES


- Build up your commercial corridors and centers, where transit is most effective and residential displacement is least likely
- Improve on state mandates
 - E.g., SB 9 allows 4 units per lot, but in a pretty kludgy way. Change zoning and/or design standards to allow row-houses, courtyard apartments, or other designs that may have more local appeal (and are more likely to actually be used)
- Give subsidized housing developers a leg up with affordable housing overlays (more density + floor area for 50-100% low-income buildings)
- Make more developments “by-right” — more certainty, lower cost
 - Do quality planning up front, then stick to the plans you’ve made

STABILITY-ORIENTED POLICIES

- Rent-stabilize older housing
 - It won't make housing more affordable, but it will give tenants more certainty about the future and shield them from rapid changes in the market
- Limit “low-yield” redevelopments
 - Replacing four old apartments with five (or three) new apartments is not a win for affordability
- Require negotiated buyouts or “right of return” for displaced households
 - This increases the cost of development, but it can be offset by allowing sufficiently dense replacement projects

ADDING AND RETAINING INCOME-RESTRICTED UNITS

- Use density bonuses or (well-designed) inclusionary + upzoning
 - Free income-restricted units (as long as costs don't exceed additional revenues)!
- Require 99-year covenants on new income-restricted housing
 - But be careful with subsidized developments – many rely on eventual expiration of covs
- Buy older housing and covenant some of the units
 - Use profits on some units to subsidize losses on others
 - This doesn't address increasing demand – you still need to build – but it can be a less expensive way to meet low- and moderate-income targets
- Consider a real estate transfer tax to support affordable housing needs



“Zoning is a means by which a governmental body can plan for the future—it may not be used to deny the future...to avoid the increased responsibilities and economic burdens which time and natural growth invariably bring.”

-Pennsylvania Supreme Court, 1965



THANKS!

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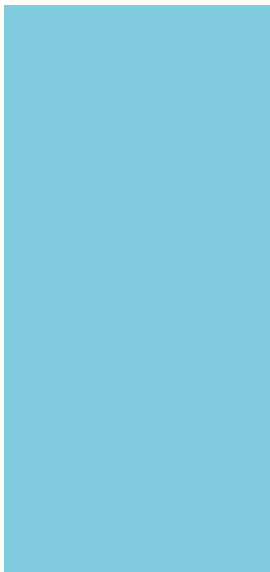
Breakout session prompt

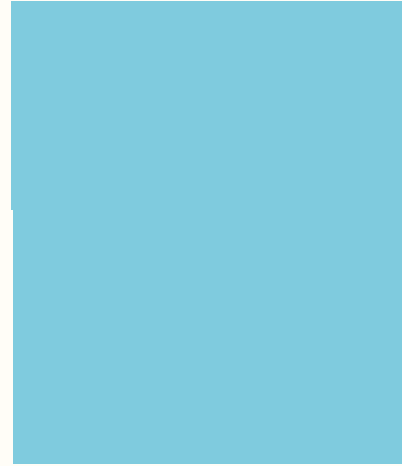
Share something you learned today that surprised you.



- Give us feedback at <https://tinyurl.com/hsgracialequitysurvey>
- Learn more about what's happening in your community at letstalkhousing.org/connect
- Share your housing story at letstalkhousing.org/stories
- For more info on programs and events, sign up at letstalkhousing.org/events

Next Steps & Resources





Thank You!



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