How do we tackle the affordable housing crisis?

AFFORDABLE SILICON VALLEY

VIBRANT sv@home POLICY

ADVOCACY EQUITABLE

May 2016 HOMES

"Housing is where jobs sleep at night"
Carl Guardino, President and CEO, Silicon Valley Leadership Group

What is affordable housing?

Simply put, housing is considered affordable when a household pays no more than 30% of its total income for housing costs *(including rent or mortgage, and insurance, taxes and utilities)*. Housing that receives government subsidies and has income restrictions governing occupancy is known as "affordable housing."

The following chart details the incomes households must have to qualify for income-restricted affordable housing. Households earning 30% of the area median income and below are considered Extremely Low Income (ELI), those earning between 31-50% of area median income are considered Very Low Income (VLI), those earning between 51-80% are considered low income (LI), and those earning between 81-120% are considered moderate income (MOD).

2015 INCOME LIMITS - SANTA CLARA COUNTY

	% MEDIAN INCOME	1 PERSON	AFFORDABLE RENT	2 PERSON	AFFORDABLE RENT	4 PERSON	AFFORDABLE RENT
ELI	0-30%	>$22,350	$559	$25,550	$638	$31,900	$798
VLI	31-50%	>$37,250	$931	$42,550	$1,064	$53,150	$1,331
LI	51-80%	>$59,400	$1,485	$67,900	$1,698	$84,900	$2,223
MEDIAN	100%	>$74,400	$1,860	$85,050	$2,126	$106,30	$2,658
MOD	81-120%	>$89,300	$2,233	$102,050	$2551	$127,550	$3,189

SOURCE: HCD State Income Limits for Santa Clara County, 2015. Note that these numbers change each year and are adjusted by family size.

The majority of all income-restricted rental housing in Santa Clara County is affordable to households who make less than 80% of median income, with recent efforts focusing on ELI households.

IT'S NO SECRET that Santa Clara County faces a housing crisis. We read about it daily, and we see it first-hand in our lives: As rents and home prices continue to rise, questions continue to grow as to whether our friends, family, and neighbors will be able to stay in this area we all call home.

When I was Mayor of San José, I set a goal of producing 11,000 units in eight years; I'm proud to say that we not only met that goal, we surpassed it. Driving housing solutions may not be easy – but I know firsthand that it is possible, if you set the goal, commit resources, solidify community support, and measure outcomes.

In our region's past, dedicated community leaders in Santa Clara County came together on an ad-hoc basis to advocate for policies and programs to increase the development and preservation of affordable housing. While these efforts saw some success, it was clear that Santa Clara County needed an organization dedicated to and focused on affordable housing every day of the year.

With this in mind, many of these same leaders came together to determine whether there was a better way. After a series of focus groups, stakeholder meetings, and benchmarking studies, a decision was made to launch a new organization dedicated to creating a community where all people have access to a safe, stable, and affordable home.

SV@Home *(Silicon Valley at Home)* opened its doors on July 7, 2015 with the goal of working with community partners to advocate for more land and more money and to change the conversation around housing. SV@Home, with a small staff of five, is developing the roadmap to support its mission: Driving the creation of affordable housing for a more vibrant and equitable Silicon Valley.

This roadmap, described in the following pages, lays out five strategies to help move us out of our housing crisis and rebuild strong communities for us all. But we also need to foster collaboration and consensus across our region, which means participation and support across our community.

Together, we can make Silicon Valley more affordable and more inclusive.
Together, we can make a difference.

What's the challenge?

Silicon Valley faces a housing crisis. While arguably one of the most successful places on earth - *if the Silicon Valley were a country, it would have the 6th largest GDP in the world*[1] - there is significant income disparity. We have some of the highest incomes in the country, but we also have people on fixed incomes and people who make minimum wages. These residents compete for housing in one of the most expensive housing markets in the nation. Relief is not in sight -- from 2013 to 2014, housing prices rose 13-16% while incomes rose only 4.4%.[2]

And with rental vacancy rates hovering around 2.5% and homeownership vacancy rates less than 1%, even middle-income workers like teachers, public safety workers, and health professionals find it challenging to find affordable housing options in our region.[3] But the housing crisis falls most heavily on those with the lowest incomes - seniors on fixed incomes, minimum wage earners, and people with disabilities. Without affordable housing options, people pay beyond their means, overcrowd existing homes, drive long distances to get to jobs, live in places that are unsuitable - like garages and basements - or live on our streets. More than 6,500 people are homeless in the County. These are not indicators of an equitable society, and impact our quality of life and our community's well-being.

Santa Clara County has an imbalance of housing and jobs and we continue to add jobs without adding new homes for the new workers. In 2015, the region added 64,000 new jobs and only 5,000 new housing units.[5] Without affordable homes, employers have trouble recruiting and retaining staff, and the service and retail industries have difficulty finding people to fill lower paying jobs. Recent studies have shown an exodus of workers from the Silicon Valley to other regions, citing the cost of housing as the cause.[6] For more than ten years, Silicon Valley employers have consistently ranked housing as their largest challenge.[7] This impacts our economic success.

To build healthy and strong communities, we must address these issues and drive solutions for a more vibrant and equitable Silicon Valley.

did you know? Households earning more than $100,000 receive significantly more State and federal housing subsidies than those earning less than $50,000 thanks to the mortgage interest deduction, which is only available to homeowners. In fact, in 2008, households earning $100,000 or more received $87.98 billion in federal housing subsidies while those earning less than $40,000 received only $44.91 billion.[4]

How expensive is it to live in Santa Clara County?

Housing prices vary from year to year and are impacted by market cycles, the economy, and housing production levels. We do know, however, that despite any fluctuations in prices, for the past 15 years, Silicon Valley has consistently ranked among the top most expensive housing markets in the nation.

As of the first quarter of 2016, the median market rent in Santa Clara County for a two-bedroom apartment is $2,850.[8] Using the 30% of income standard for affordability, a family would need to earn $114,000 per year to afford to rent a two-bedroom unit. The median market rent for all units, including all sizes and types, is $3,500 a month.

The median home value in Santa Clara County, as of February 2016, is $950,000, which would require an income of at least $151,000, assuming a 20% down payment and a jumbo loan at 3.75% interest.[9]

How much housing do we need?

According to the Association of Bay Area Governments (ABAG), between now and 2022, Santa Clara County and its cities need to plan for the development of 25,700 new lower-income units and 10,636 new moderate-income units – or 3,212 and 1,329 per year, respectively– in order to meet the demand from population and household growth. This is in addition to the County's existing deficit of 68,000 homes affordable to lower income households.[10]

Addressing the deficit while meeting the demand for new housing is a big hurdle, given that between 2007 and 2014 Santa Clara County cities produced an average of 927 lower-income and 338 moderate-income homes a year – or 28% and 21.5% of the Regional Housing Needs Assessment (RHNA) Goals. During the same time period, cities were successful in meeting their RHNA goals for market rate housing, producing on average more than 12,500 homes annually (or 139% of the RHNA goals).[11]

In addition to the ABAG numbers, Destination:Home, which spearheaded the Community Plan to End Homelessness, identified the need for 6,000 new housing opportunities to ensure that people are not living on the County's streets and along its waterways.

WHAT RENT CAN SILICON VALLEY EMPLOYEES AFFORD?

$475
Blue-collar contract industry worker ($19,000 average income)

$695
Retail worker ($27,812 average income)

$1,037
Medical assistant ($41,500 average income)

$1,330
White-collar contract industry worker ($53,200 average income)

$1,700
Teacher ($68,00 average income)

$2,832
Direct tech employee ($113,300 average income)

$2,850
Median market rate rental (2 bedroom)

Rent rates calculated based on 30% income standard

SOURCES: Working Partnership Source, the California Housing Partnership Corporation, and the Santa Clara County Office of Education

What are the solutions?

Addressing this crisis will take significant, coordinated effort. We know that our efforts to increase the affordable housing supply are hampered by several barriers, with the most serious being funding and a scarcity of available and affordable land. Other concerns include community opposition to affordable housing, the time that it takes to bring projects from conception to reality, and the loss of the affordable housing supply through redevelopment and displacement.

And while everyone agrees that we need to address the housing crisis, there hasn't yet been a clear and coordinated path forward. SV@Home's Affordable Housing Roadmap lays out a defined set of strategies to tackle the challenge head on, working with our many local and regional partners.

To be successful, we need awareness. We need the will. We need champions.

[1] Joint Venture Silicon Valley, February 2015
[2] Joint Venture Silicon Valley, February 2016
[3] U.S. Census and RealtyTrac, February 2016
[4] David Rosen & Associates, with information from the U.S. Government Accountability Office, the U.S. Department of Housing and Urban Development, the Joint Committee on Taxation, and Abt Associates
[5] Joint Venture Silicon Valley, 2016
[6] Silicon Valley Competitiveness and Innovation Project 2015, a report by the Silicon Valley Leadership Group and the Silicon Valley Community Foundation
[7] Silicon Valley Leadership Group Business Climate Survey 2015
[8] Trulia
[9] Zillow
[10] California Housing Partnership Corporation, 2015
[11] Association of Bay Area Governments

"We don't know where these new workers will live or how they will get to work. The answer is that we need more housing, it has to be in the core of Silicon Valley, it has to be dense, and it has to be vertical."
Russell Hancock, President and CEO, Joint Venture Silicon Valley

SOLUTION 1

Promote the development of housing for all

WHAT'S THE PROBLEM?

For many years we did not build sufficient housing to address the needs of the County's growing population and to account for the growth in jobs. As a result, the supply of housing is insufficient to meet demand, leading to low vacancy rates in both the rental and ownership housing stock and to higher prices. We need to ensure that we have housing for all - from those who are now living on our streets, to those who provide the services we rely on, to those who teach our children, to those who work for our leading employers.

did you know?

Homelessness costs the County $520 million a year. However, if housing is provided to persistently and chronically homeless residents, a recent study conducted by Destination:Home and the County of Santa Clara shows that we can reduce costs, on average, by $42,706 annually per person. By prioritizing building permanent supportive housing for the homeless, we actually save taxpayer dollars.

WHAT CAN WE DO?

Reframe density
Maximize the use of land by pushing the envelope on density, creating more walkable communities and improving the built environment. Educate community members on what density really looks like. Support policy makers in adopting proactive policies that offer incentives for denser development and by adopting density bonus programs.

Promote transit-oriented development
Work with cities, transit agencies, and other public entities to facilitate housing development on land near transit and jobs, ensure that development plans become a reality, and include affordability targets.

Update zoning codes and policies
Work with local jurisdictions to modernize outdated land use policies that favor sprawl and that restrict growth, and instead support policies that focus on the built environment, where urban mixed-use and mixed-income development come together to create complete communities.

Change the conversation
Challenge the myths and stories that people have accepted that lead to opposition to new housing development, and new affordable development, through education, research, and communication.

"Over the last decade, State and federal funding for housing subsidies has diminished sharply, leaving American cities struggling to find ways to finance affordable housing for the homeless and working poor."
Sam Liccardo, Mayor of San José

SOLUTION 2
Generate new resources for affordable housing

WHAT'S THE PROBLEM?

With the region's unaffordable rents and home prices, even middle-income households are challenged to afford housing. But while more development will help moderate prices and alleviate housing challenges for some, just building more housing will not solve the affordability problem for lower-income households. In this high-cost region, it is simply not possible to provide housing for lower-income families without a deep government subsidy.

Prior to the dissolution of Redevelopment Agencies and the loss of the 20% Low and Moderate Income Housing Fund, Santa Clara County cities took in $60 million annually for affordable housing. In what was a tsunami for affordable housing, these funds were lost, federal housing and community development funds were cut by nearly 50%, and other tools (like inclusionary zoning for rental housing) and funds were taken away by court and legislative action. According to the California Housing Partnership Corporation, 80% of available resources for affordable housing development and preservation were lost between 2007 and today *(see graphic below)*. And even when we had these resources, we were falling behind on providing needed affordable housing. As a result, we need a comprehensive approach to ensure there is enough money to tackle the need.

WHAT CAN WE DO?

Replace lost funds
Replace the $60 million in lost redevelopment funds by obtaining voter approval for one (or more) regional ballot measure that provides an ongoing, annual source of revenue for affordable housing, including permanent supportive housing.

Create new funds
Raise additional funds for housing for working families by achieving full participation from all cities and the County to adopt Housing Impact and Commercial Linkage Fees.

Advocate for more State and federal funding
Support and influence efforts at the State and federal levels to increase affordable housing funding that leverages local dollars, and ensure that Santa Clara County gets its fair share of affordable housing resources.

A LOSS OF
$130 MILLION
FOR AFFORDABLE HOUSING IN SANTA CLARA COUNTY

IN MILLIONS

	Redevelopment
	MHSA
	HCD (Props 46 and 1C)
	HUD

$160
$140
$120
$100
$80
$60
$40
$20
0

FY 2008 - 09   FY 2013 - 14
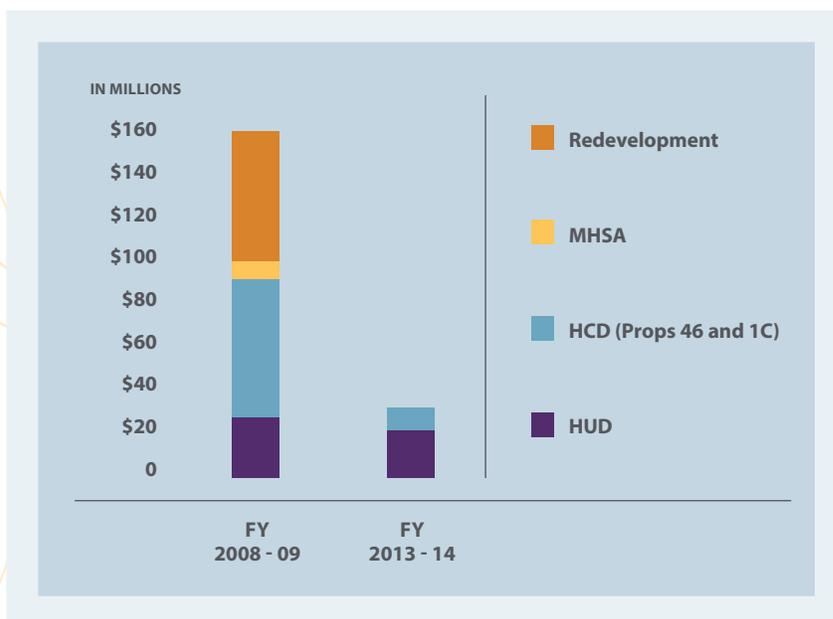
SOURCE: CHPC tabulations of Redevelopment Housing Activities Report and HUD's CPD program formula allocations. State housing bond funding from Propositions 46 and 1C provided by HCD. MHSA program funding provided by CalHFA.

"The cost of living here in Silicon Valley is a huge factor in attracting and retaining talent. And not just for high tech companies, but for nonprofits and educational institutions. The reality is that it is just too expensive for nearly everyone."
Katie Ferrick, Senior Manager for Community Relations at LinkedIn

SOLUTION 3
Increase the land available for affordable housing

WHAT'S THE PROBLEM?

Money is essential, but without land nothing will get built. Land in the Silicon Valley is expensive, with land values ranging from $1-2 million per acre in Gilroy to $12 million per acre and up in Palo Alto. Furthermore, much of the County's land mass is already covered with single-family residential uses and there are few vacant parcels suitable for development. Because most land has been developed, new development often requires redevelopment, bringing with it the challenges of land assemblage, environmental remediation, and business and residential relocation. This increases the time and cost of building housing.

Both market rate and affordable housing developers face these problems, but access to land is even more challenging for affordable housing developers as they compete for land with builders who have more direct access to capital. We need to eliminate these challenges and create the opportunity for more affordable housing development.

HOW DO WE GET THERE?

Target publicly owned land for affordable housing
Work with public agencies in Santa Clara County to establish or enhance policies or ordinances that give priority to affordable housing when disposing of publicly-owned land. Ensure that these agencies not only embrace the sale, lease, or dedication of land as a critical tool in the affordable housing tool box, but that they proactively seek opportunities to create more affordable homes to address the need for more housing development.

Expand opportunities for landbanking
Seek opportunities for landbanking, where land is purchased now for future development, including working with public agencies and districts to identify and purchase properties for future affordable housing development.

Seek opportunities to use employment land differently
Work with employers and local agencies to create opportunities for housing on their campuses, particularly where significant land is used for parking, building on top of parking garages, or rethinking surface parking.

did you know?

The Valley Transportation Authority has more than 300 acres of land available for transit-oriented development, conveniently located next to light rail stations. And Santa Clara County cities, schools, transit agencies, special districts, and the State and federal government have hundreds of acres more that are no longer needed for a municipal purpose. With land prices at all-time highs, government agencies can reduce the cost of development by discounting or dedicating this land for affordable homes.

"It's in our economic interest to make these investments. This isn't altruism. It's more than anything an economic necessity. If we are going to have a healthy, sustainable economy, we have to find a way to house our workers."
Matthew Franklin, President of MidPen Housing

SOLUTION 4
Incentivize production and preservation of affordable housing

WHAT'S THE PROBLEM?

We know we need more housing, yet we know we can't build ourselves out of the affordable housing crisis by simply increasing the supply of housing. More housing development will certainly mitigate price increases and may result in small reductions in rent and mortgage costs, but we will never produce enough housing to drive market rents low enough that they are affordable to lower or even middle income households. In addition, we need to recognize that preserving existing affordable housing and mitigating or avoiding displacement, both physical and economic, are of critical importance. With pressures from the tight land supply and fewer available units, communities are experiencing more gentrification and existing homes are threatened by redevelopment. As a result, it is important to adopt tools that create protections that preserve existing affordable housing and respond to displacement.

did you know?

For every new high-tech job, more than four middle- and low-wage jobs are created.[12] Yet, between 2007 and 2014, Santa Clara County cities produced 35,962 market rate homes and only 8,861 homes affordable to lower- and moderate-income households. In other words, 139% of the County's Regional Housing Needs Assessment (RHNA) goals for market rate homes were met, but only 26% of the affordable housing production goals were achieved.[13] Full community solutions must be considered when developing high-income housing to ensure that housing is available for these new lower- and middle-income workers.

WHAT CAN WE DO?

Facilitate mixed-income housing development
Support inclusionary housing policies and advocate for affordable housing as a community benefit in all residential and mixed-use developments. Seek policies that require a minimum of 20% of units in all specific plans and area plans be affordable to lower- and moderate income households. Support policies that provide choices, including integrating affordable units in market rate developments, building offsite, or paying in-lieu fees.

Proactively support policies that facilitate affordable housing development
Develop policies that enable affordable housing development, including allowing by-right development of affordable housing on small sites and requiring affordable housing as an integral component of precise and specific planning areas.

Preserve existing affordable housing
Partner with other area leaders to preserve existing homes that are at risk of loss to the affordable housing stock. Support policies that require replacement housing for lost units and that adequately compensate residents who are displaced.

[12] Bay Area Council
[13] Association of Bay Area Governments

"The Silicon Valley has the brainpower and the risky personality to do some really innovative things when it comes to poverty... There has been brilliance out of that region that has changed the world. So wouldn't it be something if Silicon Valley could be the one that sparks the brilliance that starts to solve this really major problem?"
Martha Mendoza, Associated Press

SOLUTION 5

Implement creative and regional solutions to increase affordable housing

WHAT'S THE PROBLEM?

The region's housing challenge does not conform to city boundaries, with every city in the County and the Bay Area facing an affordability crisis. No one city can tackle this on its own. All 16 local jurisdictions - the 15 cities in Santa Clara County and the County itself - need to work together to develop solutions. We also need to work with neighboring counties to collaborate on broader, regional solutions.

Additionally, we need to consider new solutions that look at using land more efficiently. This includes Naturally Occurring Affordable Housing (NOAHs) - units that are affordable without government subsidies. Although NOAHs aren't the solution for lower-income households, they can provide some relief to middle income households (called "the missing middle").

did you know?

Each day, an estimated 209,000 workers commute into Santa Clara County for their jobs, while 109,000 leave the County for jobs in other parts of the region - a net gain of 100,000 people.[14] If more affordable housing was available near transit, jobs, and services, the number of cars on the road would decrease. Housing is a transportation solution.

WHAT CAN WE DO?

Promote NOAH opportunities, including second units
Work with innovators in the field to push forward new models for housing, including co-housing models for young workers, people with disabilities, and seniors; collaborative living; and home sharing. Support efforts to increase the feasibility of micro-units. Work with all cities and the County to adopt ordinances that enable the development of more second units (often called accessory dwellings or granny units) and "junior" second units through streamlined processes and rules.

Facilitate regional coordination in Santa Clara County
In partnership with the Cities Association, consider new ways to work regionally, including consideration of a Regional Housing Needs Allocation (RHNA) Sub-region for Santa Clara County, revenue sharing, and the possibility of a Joint Powers Authority or other structure to manage affordable housing programs throughout the County.

Participate in the regional conversation
Work with regional partners in the Bay Area, including sister housing advocacy organizations, transit agencies, and other regional partners to connect the work SV@Home is doing in the South Bay to the rest of the Bay Area.

Engage employers in the affordable housing solution
Identify opportunities for employers to participate in the affordable housing solution by investing in affordable housing developments, creating space for housing on their campuses, and other innovative measures.

[14] -State of California Employment Development Department, 2015

"We're in an extreme moment, and we need big game-changing solutions."
Amie Fishman, Executive Director of the Non-Profit Housing Corporation of Northern California

LEADERSHIP BOARD

SV@HOME STAFF

WHAT IS SV@HOME?

SV@Home is a new nonprofit organization that is driving the creation of affordable housing for a more vibrant and equitable Silicon Valley. SV@Home represents a broad range of interests, from leading employers who drive the Bay Area economy, to labor and service organizations, to nonprofit and for-profit developers who provide housing and services to those most in need, and more. Our work seeks to change the current reality by advocating for policies and programs that increase the supply of affordable housing, educating public policy makers and community members, and creating awareness through messaging, research, and communication.
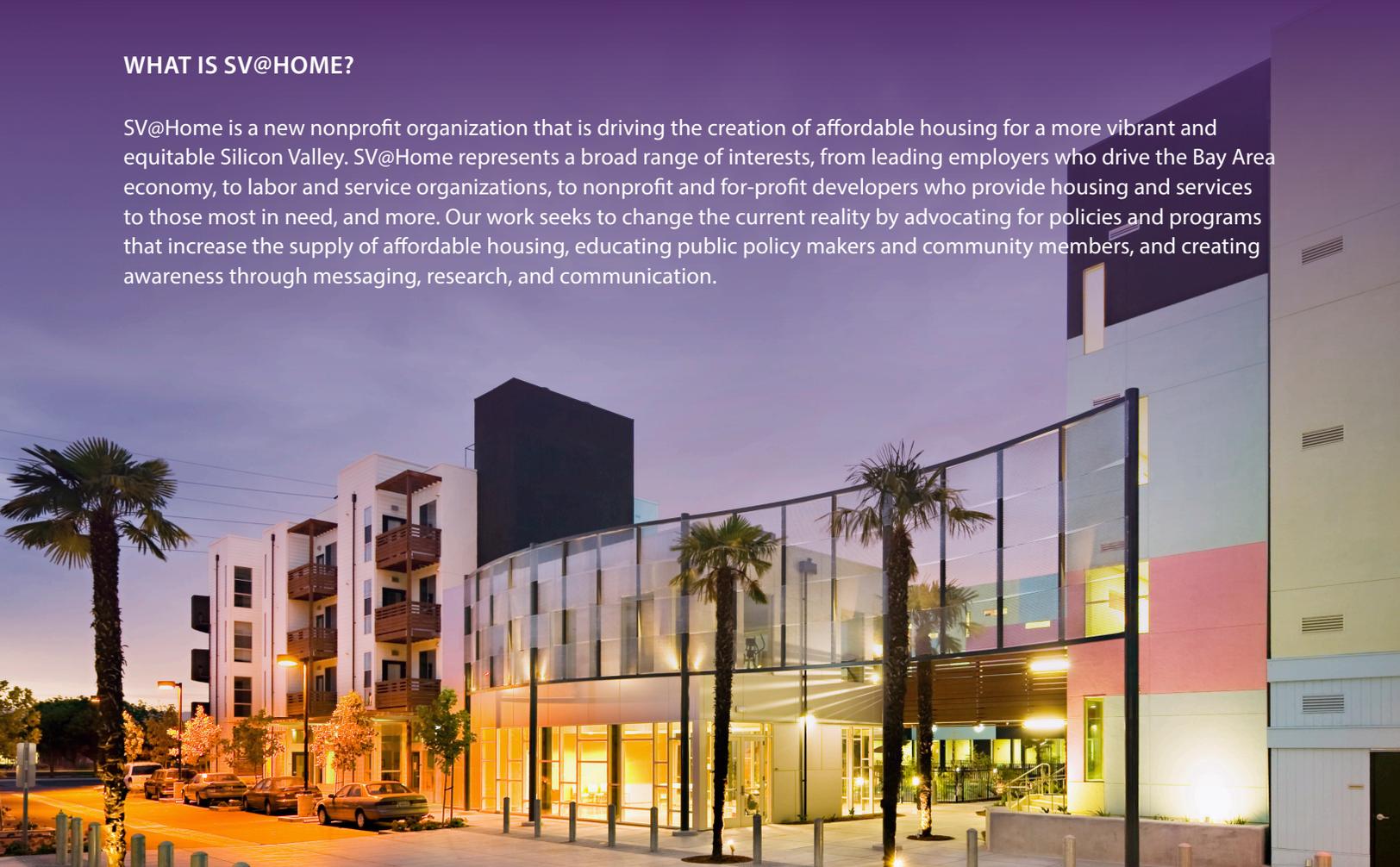
vision
Silicon Valley is a community where all people have access to a safe, stable, and affordable home.

SV@Home gives thanks to our founding members:

Google
The David and Lucile Packard Foundation
Knight Foundation
The Sobrato Family Foundation
Silicon Valley Community Foundation
LinkedIn
Enterprise Community Partners
Applied Materials Foundation

• • • • •

BRIDGE Housing
Community Housing Developers
EAH Housing
US Bank
MidPen Housing
Eden Housing
The Core Companies
First Community Housing
Habitat for Humanity East Bay/Silicon Valley
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