



375 Beale Street, Suite  
800  
San Francisco, CA 94105

## Meeting Agenda

### CASA Technical Committee

#### CASA Co-Chairs:

- *Fred Blackwell, Chief Executive Officer, The San Francisco Foundation*
- *Leslye Corsiglia, Executive Director, Silicon Valley at Home*
- *Michael Covarrubias, Chief Executive Officer, TMG Partners*

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Wednesday, July 18, 2018

10:30 AM

Yerba Buena - 1st Floor

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#### I. Welcome and Announcements 10:30 am

#### II. CBO Workshop Presentation 10:40 am

[18-0600](#) Report Back on Round One CBO Workshops

**Presenter:** Jennifer Martinez

[18-0601](#) Preliminary Results from Local Jurisdiction Survey

**Presenter:** Ken Kirkey

**Attachments:** [Preliminary Summary of Survey Results July 2018.pdf](#)

#### III. Public Comment 11:00 am

#### IV. Review Production Action Plans 11:20 am

[18-0602](#) (11.4) Promote Off-Site Construction and Similar Efficiency/Cost Improvements

**Presenter:** Denise Prinkston

**Attachments:** [11.4 Modular and Cost Improvements.pdf](#)

[18-0608](#) (12.1) Restore Fair Predictable Process and Close Loopholes in State Housing Law

**Presenter:** Denise Pinkston

**Attachments:** [12.1 Fair Predictable Process and Backsliding.pdf](#)

[18-0609](#) (12.2) Expand Eligibility for Senate Bill 35

**Presenter:** Denise Pinkston

**Attachments:** [Expand Number of Eligible SB 35 Projects.pdf](#)

[18-0610](#) (17.1) Apprentice Utilization Standard

**Presenter:** Denise Pinkston

**Attachments:** [17.1 Apprentice Utilization .pdf](#)

[18-0611](#) (17.2) Funding and Expansion of Construction Career Technical Education

**Presenter:** Denise Pinkston

**Attachments:** [17.2 CTE funding study.pdf](#)

[18-0612](#) Fiscal Policy White Paper

**Presenter:** Denise Pinkston

**Attachments:** [Attach IV.f Fiscal Policy White Paper\\_CASA Production Working Group-Fiscal A](#)

## **V. Review Affordable Production Action Plans 12:45 pm**

[18-0613](#) (14.3) Lower Voter Approval Threshold for Affordable Housing Measures to 55%

**Presenter:** Amie Fishman and Michael Lane

**Attachments:** [14.3 Lower Voter Approval Threshold for Affordable Housing Measures to 55%.](#)

[18-0614](#) (14.4) Recreate Redevelopment Agencies with a Focus on Affordable Housing

**Presenter:** Amie Fishman and Michael Lane

**Attachments:** [14.4 Recreate Redevelopment Agencies with a focus on Affordable Housing.pdf](#)

[18-0615](#) (14.5) Promote the Creation of Affordable Housing Authorities in Each County and at the Regional Level

**Presenter:** Amie Fishman and Michael Lane

**Attachments:** [14.5 Promote Creation of Affordable Housing Authorities in Each County and at](#)

## **VI. Review Public Lands Action Plans 1:40 pm**

[18-0616](#) (16.1) Modify State Housing Element Law to Require Public Land Identification and Incentivize its Development with Affordable Housing.

**Presenter:** Abby Thorne-Lyman and Heather Hood

**Attachments:** [16.1 Public Land Housing Element and Local Incentives20180705.pdf](#)

[18-0617](#) 16.2 Regional Actions to Support, Incentivize, Enforce Housing on Public Land

**Presenter:** Abby Thorne-Lyman and Heather Hood

**Attachments:** [#16.2 Public Land Regional Agency Strategies 20180705.pdf](#)

**VII. Next Steps 2:20 pm**

**VIII. Adjournment / Next Meeting will be on Wednesday September 19, 2018 at 11:00 AM**

**Public Comment:** The public is encouraged to comment on agenda items at Committee meetings by completing a request-to-speak card (available from staff) and passing it to the Committee secretary. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

**Meeting Conduct:** If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the Committee may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

**Record of Meeting:** Committee meetings are recorded. Copies of recordings are available at a nominal charge, or recordings may be listened to at MTC offices by appointment. Audiocasts are maintained on MTC's Web site ([mtc.ca.gov](http://mtc.ca.gov)) for public review for at least one year.

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**可及性和法令第六章:** MTC 根據要求向希望來委員會討論有關事宜的殘疾人士及英語有限者提供服務/方便。需要便利設施或翻譯協助者, 請致電 415.778.6757 或 415.778.6769 TDD / TTY。我們要求您在三個工作日前告知, 以滿足您的要求。

**Acceso y el Titulo VI:** La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Comisión. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6769 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

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Attachments are sent to Committee members, key staff and others as appropriate. Copies will be available at the meeting.

All items on the agenda are subject to action and/or change by the Committee. Actions recommended by staff are subject to change by the Committee.





# **The Committee to House the Bay Area**

## **Local Jurisdiction Survey – Preliminary Results**

July 6<sup>th</sup>, 2018



# Online Survey

- Understand local jurisdiction perspective; anonymous
- Open from May 18<sup>th</sup> to June 22<sup>nd</sup>
- Email invitations and reminders sent to 835 policymakers and key staff
- 139 complete responses received, representing 69 cities and all nine counties
  - 64 from policymakers
  - 75 from key staff, including planning/housing directors, and city/county managers
- Took 9 minutes on average to complete

# Survey Questions

## *Warmup questions:*

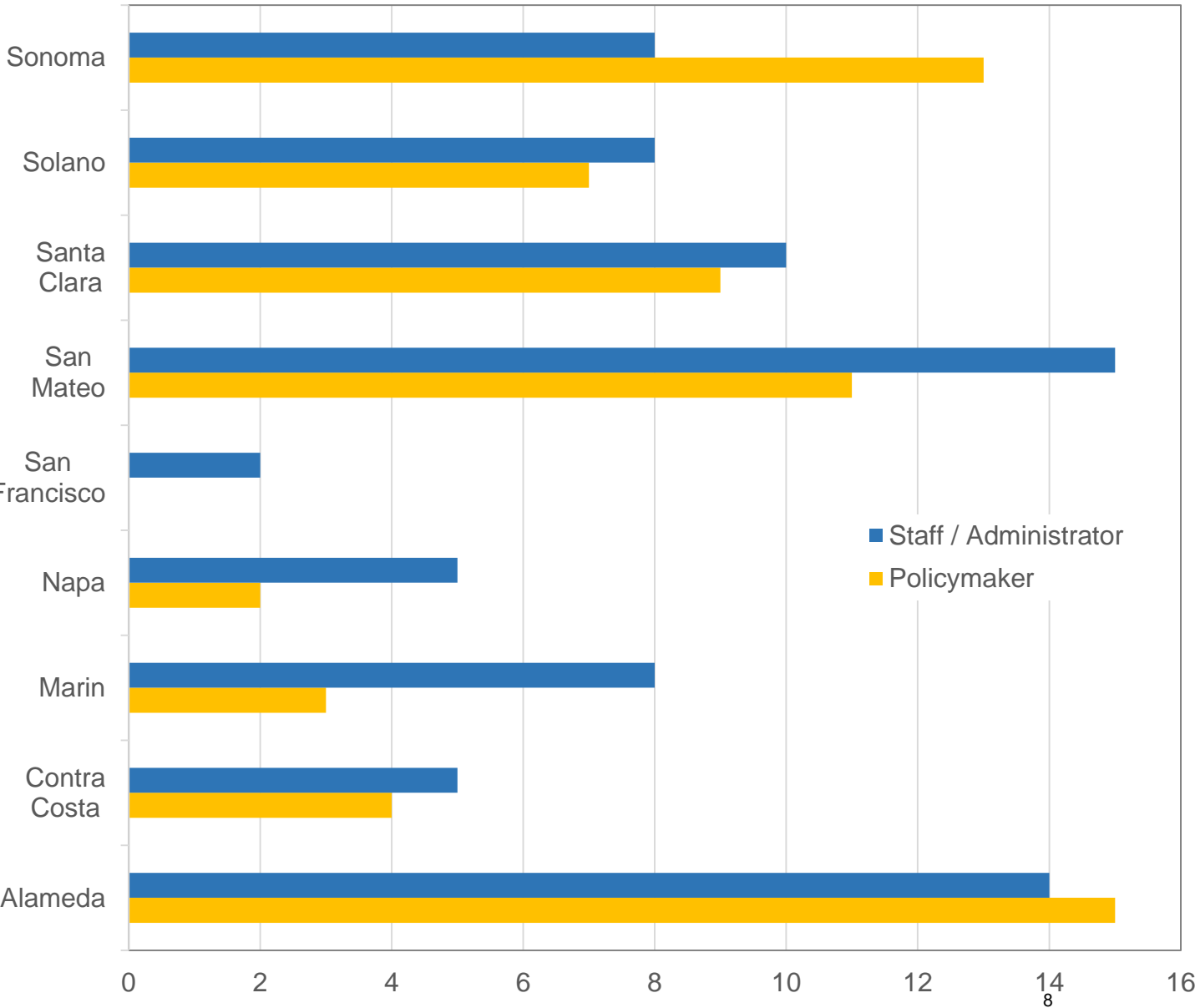
- What jurisdiction do you represent?
- In what capacity do you serve your jurisdiction?
- How familiar are you with the CASA process?
  
- What is the sale price of a typical 2-bedroom single-family home?
- What is the asking rent for a typical 1-bedroom apartment?

## *Main survey questions (top three choices):*

- Q1.** How is the housing crisis playing out in your jurisdiction?
- Q2.** How could your jurisdiction address these challenges?
- Q3.** What are the key barriers to implementing these strategies?
- Q4.** What types of housing does your jurisdiction need?
- Q5.** How can the state or the region help?
- Q6.** How can CASA help? *Open ended.*

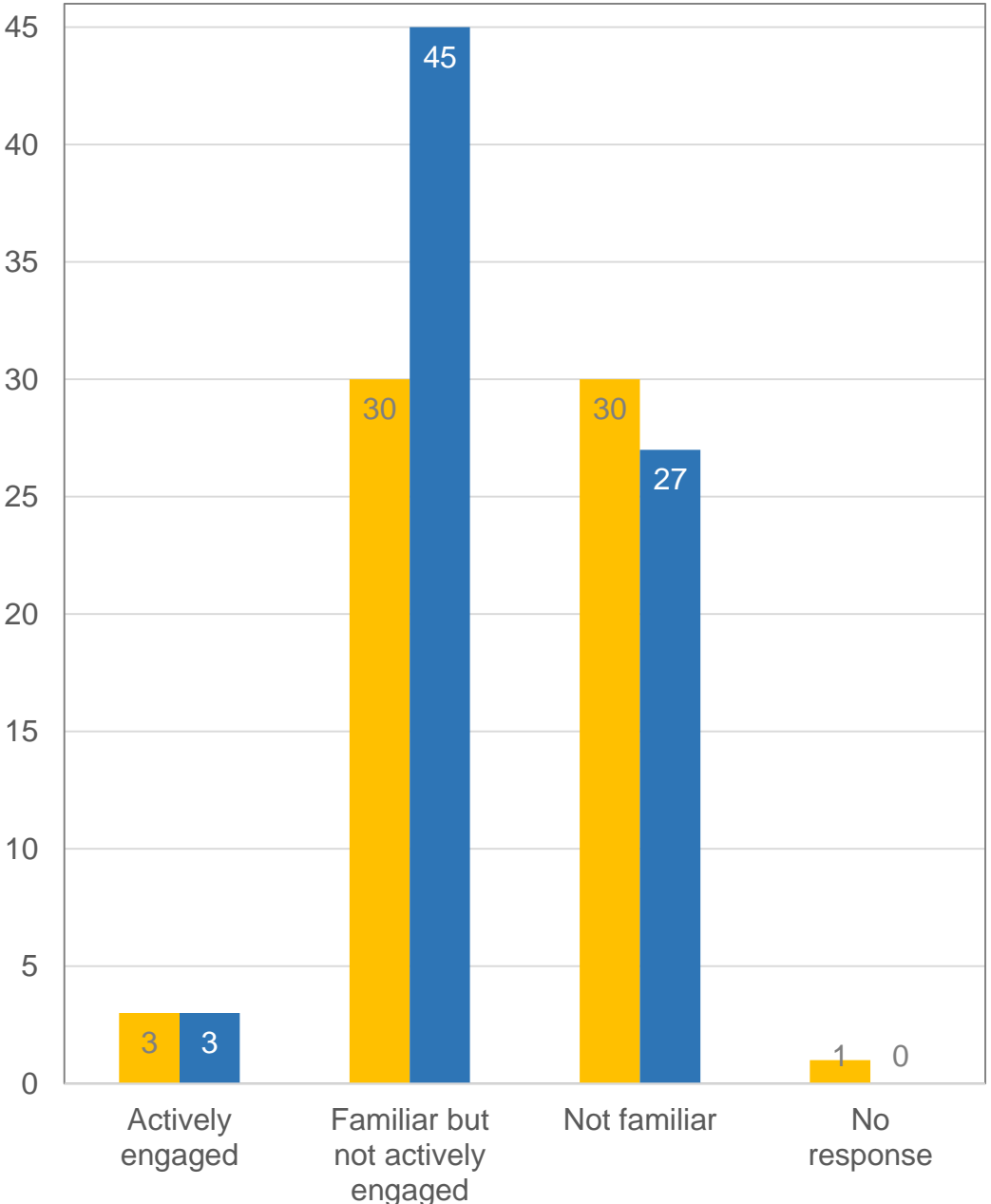
# Number of Respondents

by County



# Familiarity with CASA

Attachment 11b

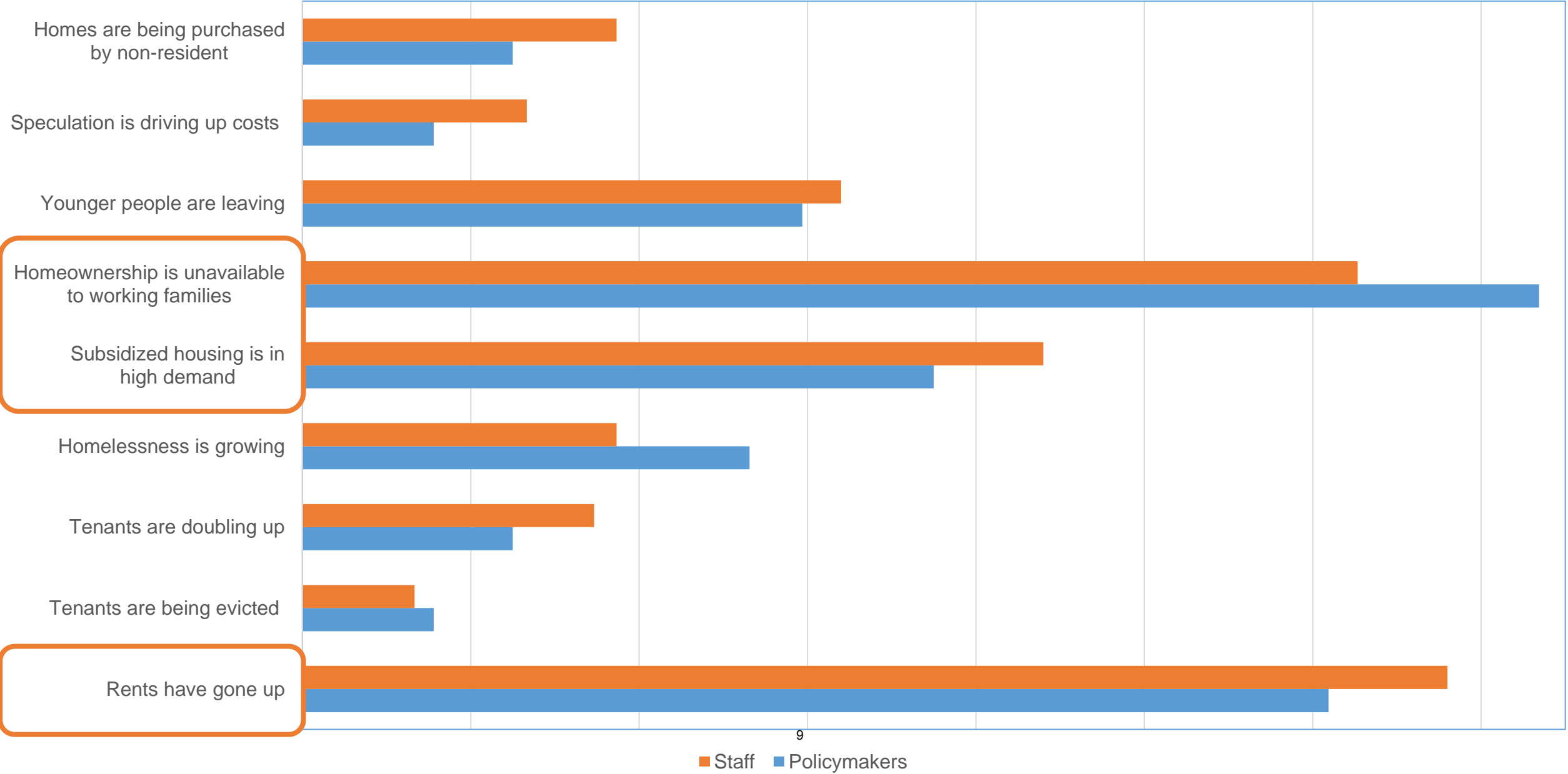




# How is the housing crisis playing out in your jurisdiction?

Attachment II.b

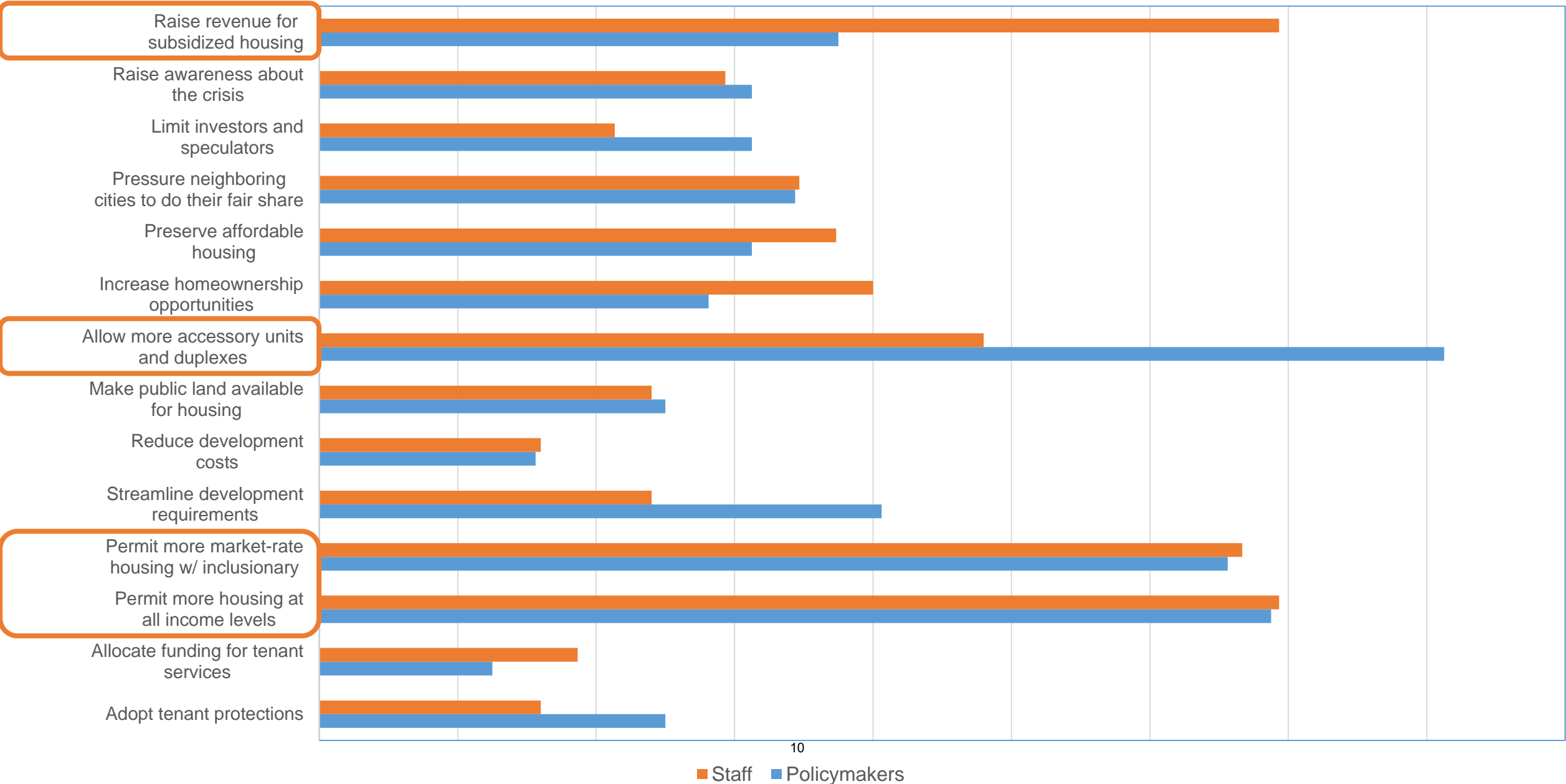
Top 3 picks



# How could your jurisdiction address the challenges?

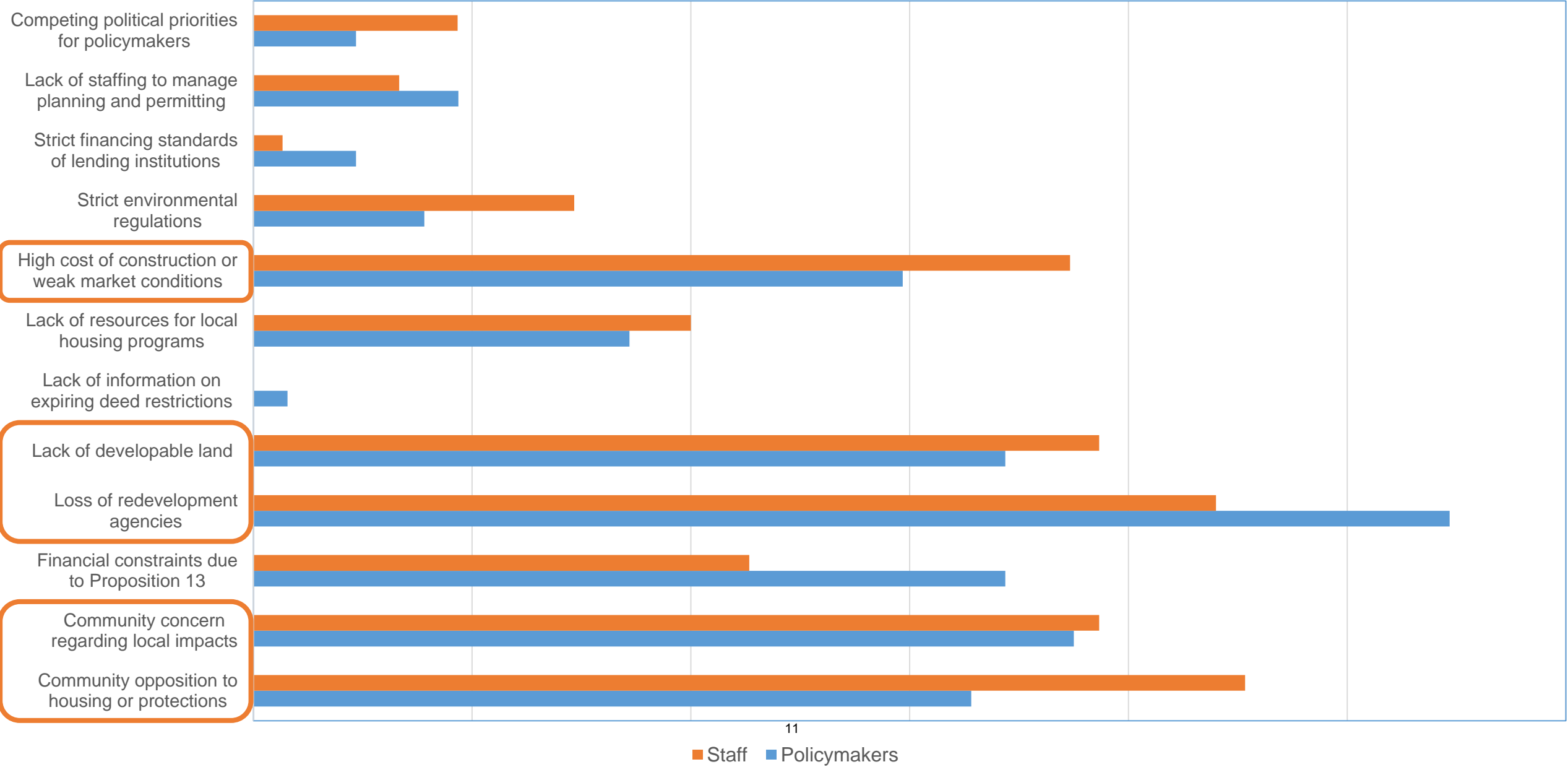
Attachment II.b

Top 3 picks



# What are the key barriers in your jurisdiction?

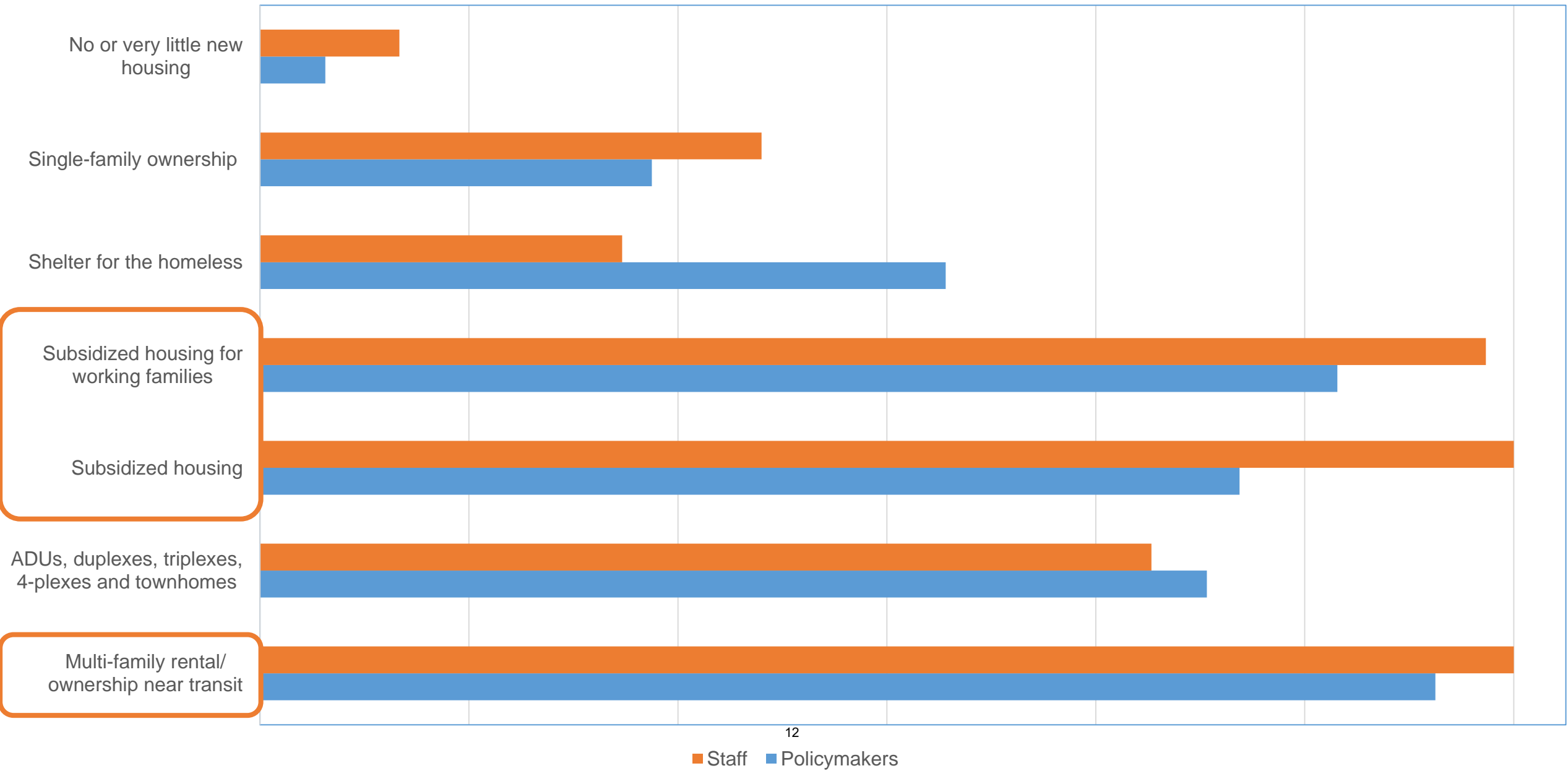
Top 3 picks



# What types of housing are needed in your jurisdiction?

Attachment II.b

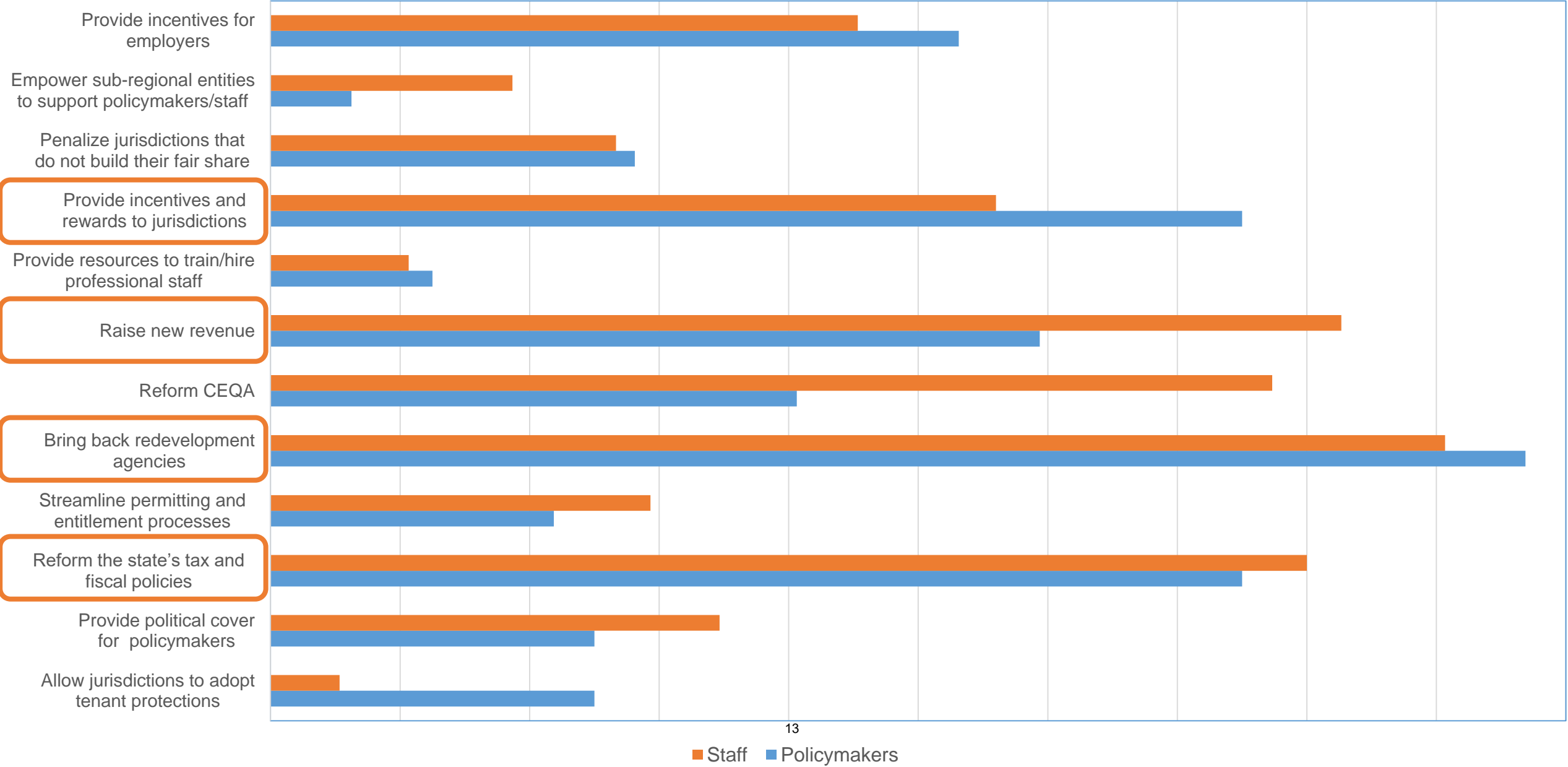
Top 3 picks





# How can the state or the region help?

Top 3 picks



# Alignment with the CASA Compact

## Protection

1. Rent stabilization and anti-gouging rent cap
2. Stronger just cause eviction requirements
3. Tenant services and right to counsel
4. Short-term rental and relocation assistance
5. Protection incentives for landlords and jurisdictions

## Preservation

6. Regional tracking and notification system
7. Flexible housing preservation funding
8. More preservation at the local level
9. Tax on vacant and under-utilized units and parcels

## Production (market-rate + affordable)

10. More types of housing in different neighborhoods
11. Lower net cost of new construction
12. Entitlement reform to reduce delays and improve compliance with state law
13. Fiscal incentives and requirements for jurisdictions

## Production (affordable)

14. Affordable housing production funding
15. Tailored policy and implementation toolkit for local jurisdictions
16. Surplus public land for affordable housing

<b>Action #11.4 Promote Off-site Construction and Similar Efficiency/Cost Improvements to Reduce Cost by 20%</b>		
1.1	<b>Key Element of CASA Compact</b>	#11 Lower net cost of new construction
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p>CASA should convene a production efficiency/cost reduction working group to support the scaling of the off-site construction industry and other cost reduction/production efficiency improvements that will reduce overall construction costs and improve delivery. Review cost reduction/productivity enhancement in residential construction with the aim of expanding housing production. This work would include:</p> <p>Training Planning Staff/Commissions</p> <ul style="list-style-type: none"> <li>• Cost problem for residential construction</li> <li>• Modular is a cost-effective high productivity means and method technique outside of their purview with specific physical requirements</li> <li>• If a project converts to modular need administrative waivers for de minimis increases in building height</li> </ul> <p>Training Building Officials</p> <ul style="list-style-type: none"> <li>• Building staff should visit modular factories</li> <li>• HCD reviews anything done within the factory, all site work, structural connections and building systems</li> <li>• If unit issues identified once the unit arrives on site, HCD should still remain the authorizing regulatory agency</li> <li>• Building staff cannot engage in 'scope creep'</li> <li>• Review/revise areas where building code conflicts exist</li> </ul> <p>Finance</p> <ul style="list-style-type: none"> <li>• Work with lenders and investors to educate them on procurement, timing of draws, inspection process, frontloaded payments</li> <li>• Increase the pool of lenders and investors willing to participate in modular projects</li> <li>• Change TCAC rules to incentivize modular</li> </ul> <p>Insurance</p> <ul style="list-style-type: none"> <li>• Work with insurance industry to increase the number of insurance companies willing to cover modular projects, and the number of products available</li> <li>• Address the current conflict where subguard insurance or P&amp;P bonds that are called could not compensate for a loss of a modular subcontractor because of the lack of companies in the industry</li> </ul> <p>Ongoing Issues</p> <ul style="list-style-type: none"> <li>• Cyclical nature of real estate industry – how to manage the workforce</li> <li>• Education about controlling locally imposed non-safety cost adds locally (green building, water recycling)</li> <li>• Political challenges with building trades</li> </ul>
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production

1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	<p>Reducing the hard cost of construction is critical to building more housing in the Bay Area at a price that the population can afford. A number of ongoing problems continue to suppress scaling up of modular that CASA/Bay Area Metro (BAM) can work to reduce so that this industry can make housing more viable for market rate and affordable housing producers.</p> <p>All new housing construction will benefit whether built by for profit or non-profit builders, market rate and affordable.</p>
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved?</i>  <i>What are the major sticking points and areas of negotiation?</i>	<ul style="list-style-type: none"> <li>Funding for off-site/cost reduction working group</li> </ul>
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	<ul style="list-style-type: none"> <li>BAM must devote ½ FTE to working on organizing modular working group meetings, trainings for city planning and building staff, and identifying policies that can be pursued to advance this industry.</li> </ul>
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<p><b>Protect:</b> _____ tenant households annually</p> <p><b>Preserve:</b> _____ net new units annually through long term affordability covenants or put into nonprofit ownership</p> <p><b>Produce:</b> 820,000 net new units of housing by 2040</p> <p><b>Cost reductions required to build all of the housing types described below</b></p> <p>[ ] Above moderate housing (&gt;120% ami): _____ units</p> <p>[ ] Middle market housing (81-120% ami): _____ units</p> <p>[ ] Affordable housing (&lt;80% ami): _____ units</p>
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Legislation</li> <li><input type="checkbox"/> Regional Funding</li> <li><input type="checkbox"/> Statewide Funding</li> <li><input type="checkbox"/> Regulatory Reform</li> <li><input type="checkbox"/> Education and Advocacy</li> <li><input type="checkbox"/> Pilots &amp; Spreading Best Practices</li> <li><input checked="" type="checkbox"/> Other BAM convening, may required all of the above to ultimately achieve these goals</li> </ul>
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	<p>Select one</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Short-Term (0-2 years)</li> <li><input checked="" type="checkbox"/> Med-Term (3-5 years)</li> <li><input checked="" type="checkbox"/> Long-Term (6-10 years)</li> </ul>
1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	<p>Select one:: EASY TO AGREE, DIFFICULT TO ACCOMPLISH</p> <p><input type="checkbox"/></p>

References: <https://turnercenter.berkeley.edu/blog/modular-construction-in-the-bay-area-the-future-is-now>

<https://turnercenter.berkeley.edu/offsite-construction>



<b>Action # 12.1 Restore Fair Predictable Process and Close Loopholes in State Housing Laws</b>		
1.1	<b>Key Element of CASA Compact</b>	#12. Entitlement reform to reduce delays and improve compliance with state law
1.	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p><b>Amend the Mitigation Fee Act, Permit Streamlining Act, Housing Accountability Act and CEQA as follows:</b></p> <ol style="list-style-type: none"> <li>1. Disallow height and density reductions, limits, and moratoria in already residentially zoned areas to avoid compliance with State housing law especially the HAA.</li> <li>2. Where the general plan or its housing element and zoning already allow housing, HAA shall apply to provide protections to projects consistent with these plan standards despite any locally required rezonings for project approvals needed due to plan inconsistency with local zoning.</li> <li>3. For projects consistent with the general plan, any relevant specific plans, and consistent with residential use zoning, LOCK FEES AND RULES AT APPLICATION COMPLETENESS (excepting rule changes for life safety conditions). Lock fees and rules for 100% affordable projects as of the date of application. Local agency and special district rules, fees, codes, and standards must be made available in writing to an applicant on a written form available at the local agency with clear mechanisms for determining rules, fees, inclusionary standards, community benefits and historic status determinations or they cannot be requested by the local agency nor agreed to by the developer. These local rules/fees cannot be modified after Application Completeness. Completeness shall be defined as making all the required plan changes in the first zoning completeness letter. Historic status must be determined at completeness based on published reports.</li> <li>4. Allow no more than 3 de novo public hearings on a housing project (with possibility of appeals).</li> <li>5. Require approval of residential projects of up to 20,000 square feet in size in 6 months.</li> <li>6. Created unqualified Categorical Exemption under CEQA for infill projects of 20,000-square feet or less so PSA will apply.</li> <li>7. Local agencies must report to Bay Area Metro and HCD the length of time from new or renovated housing project application to project approval for all housing projects and remodels, as well as the number of de novo hearings and appeals on each.</li> </ol> <p>References: <a href="https://www.law.berkeley.edu/wp-content/uploads/2018/02/Getting_It_Right.pdf">https://www.law.berkeley.edu/wp-content/uploads/2018/02/Getting_It_Right.pdf</a></p>

1.3	<b>Supports these CASA goals:</b> (check all that apply)	<input type="checkbox"/> Protection <input type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	<p>Reinstate fairness, reasonableness, certainty, and deadlines in housing permitting through entitlement reform for homeless, affordable, and market rate housing. Case-by-case public disputes and opposition to many if not most housing projects, even when these are consistent with local plans and rules, prevent the region from supplying needed housing at any income level.</p> <p>Good government must be transparent, fair, predictable, and even-handed across the region, with clear rules that apply to everyone equally.</p> <p>This will improve local government workloads, enabling them to increase the number and speed of housing approvals and increase the amount of housing in the Bay Area. With these reforms, housing production cannot effectively increase in a significant manner because it is bottlenecked and can be delayed making fast, scalable housing production increases impossible across the region</p>
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved?</i>  <i>What are the major sticking points and areas of negotiation?</i>	<p>Some cities will resist State process reforms.</p> <p>Localities or neighborhoods should be eligible for planning grant funding to enable them to update and streamline their planning approvals process to meet new State standards, and to update their rules and codes so all standards are adopted up front and can be imposed in a transparent and consistent fashion.</p>
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	State law action team to draft and work out details of proposed legislation.
1.7	<b>Scale of Impact</b> (as measured by Plan Bay Area goal alignment)	<p><b>Protect:</b> _____ tenant households annually  <b>Preserve:</b> X _____ ??net new units annually through</p> <p><b>Produce:</b> new housing quickly and at scale  <input checked="" type="checkbox"/> Above moderate housing (&gt;120% ami): _____ units  <input checked="" type="checkbox"/> Middle market housing (81-120% ami): _____ units  <input checked="" type="checkbox"/> Affordable housing (&lt;80% ami): _____ units</p>
1.8	<b>Potential Vehicles for Implementation</b> Check all that apply	X Legislation
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	✓ Short-Term (0-2 years)— State bills in these areas have already been introduced
1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	X <b>Easy:</b> State Law to begin to reform these practices has already been introduced in Sacramento, CASA members should endorse and assist lobbying efforts for this reform.

<b>Action #12.2 Expand Number of Eligible SB 35 Projects</b>		
1.1	<b>Key Element of CASA Compact</b>	#12. Entitlement reform to reduce delays and improve compliance with state law
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p><b>Enable more projects use SB 35 as primary by pairing with economic incentives that are offered for similar programs in other States (NYC) and thereby expand construction labor force</b></p> <ol style="list-style-type: none"> <li>1. Cap impact fees on SB 35 projects</li> <li>2. Add 15-year tax relief modeled on NY program to SB 35 projects “reverse redevelopment”</li> <li>3. Make SB 35 projects eligible for the State Density Bonus</li> <li>4. Allow SB 35 projects to provide less than 50% affordable in jurisdictions with poor RHNA performance (SF) so more deals can use the program <b>(discuss appropriate rate of inclusionary)</b></li> <li>5. Close loopholes on definitions of objective standards, labor standards, legal issues</li> <li>6. Clarify that single family home remodels and housing developments of less than 4 units, are eligible for SB 35 ministerial approvals without added wage, apprentice, or labor standards to reduce local planning workload on small but often controversial projects.</li> <li>7. Impose labor /affordability standards only on projects of 20 units or more</li> <li>8. Link to time limits imposed on tentative tract maps, exempt 100% affordable housing projects from these time limits.</li> </ol>
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	<ol style="list-style-type: none"> <li>1. Increase apprentice labor in streamlined projects to help stabilize and grow the construction labor force.</li> <li>2. Increase number of projects able to use SB 35 by paring added costs with economic offsets to enable more housing production overall in the region.</li> </ol>
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved?</i>  <i>What are the major sticking points and areas</i>	<ul style="list-style-type: none"> <li>• Some cities will resist State process reforms.</li> <li>• Must be linked to other aspects of CASA compact.</li> <li>• Discuss what tax abatement possible, and therefore what additional economic offsets are required to achieve project viability including package of incentives in CASA regional inclusionary policies, and level of affordability required.</li> </ul>

	<i>of negotiation?</i>	
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	State law action team
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<p><b>Protect:</b> _____ tenant households annually</p> <p><b>Preserve:</b> X _____ ??net new units annually through</p> <p><b>Produce:</b> new housing quickly and at scale</p> <p>[x] Above moderate housing (&gt;120% ami): _____ units</p> <p>[x ] Middle market housing (81-120% ami): _____</p> <p>[x ] Affordable housing (&lt;80% ami): _____ units</p>
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	X Legislation
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	<p><i>Select one</i></p> <p>✓ Short-Term (0-2 years)— State bills in these areas have already been introduced</p> <p>□ Long-Term (6-10 years)</p>
1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	<p><i>Select one      Rationale:</i></p> <p>X Easy: State Law to begin to reform these practices has already been introduced in Sacramento, CASA members should endorse and assist lobbying efforts for this reform.</p>



## CASA ENTITLEMENT REFORM-June 2018

### **I. ENTITLEMENT PROCESS AND ZONING ENABLES EXCLUSION: the last century of planning and zoning practice promotes racial and income exclusion and prevents robust housing production throughout the United States.**

In May, 2018, the American Planning Association issued “Policy Principles for the Nation’s Housing Crisis”. Here, the APA points out that

*“...it is critical to economic mobility within communities and regions that poverty not be concentrated. Thus, “fair share” approaches are necessary and proximity to jobs, accredited schools, and mobility services are key determinants of the specific spatial requirements for inclusive housing....Housing regulations and practices have often resulted in the creation of communities stratified by income or separated by race or ethnicity. The forces obstructing the creation of truly diverse communities are formidable...many local zoning codes are still based on an almost century-old framework that prioritizes best practices from more than a generation ago such as separating uses and encouraging more space for automobiles than people.... Across our nation in communities of all types, single-family housing is still the preferred development type, often allowed by-right. Meanwhile, multi-family housing often requires a special permit, variance, or other special action to make it happen. Special permitting processes can create development uncertainty, increase the cost of land and development, and stimulate opposition. There are few beneficiaries of this process, the least of whom are the people who need an affordable place to live.*

APA went on to set a number of policy goals to promote housing inclusion and equity including the following specific recommendations:

*“a reduction or elimination of minimum lot size requirements, the allowance of greater height and density, allowing accessory dwelling units, and the reduction of off-street parking requirements. Modernized codes incorporate the principles of transit-oriented development with an emphasis on the proximity of housing to public transportation amenities and existing infrastructure, providing greater opportunities for non-traditional housing types. These include micro-apartments and accessory dwelling units... allowing mixed-income, multi-family housing as a by-right use and establishing higher thresholds that are subject to special permit reviews. The approval process should be streamlined when there is a nexus between the developments proposed and identified housing needs and demand.”*

These recommendations from the American Planning Association, with a specific California analysis on local rules and barriers to expanding housing production are the basis for the CASA Entitlement Reform recommendations to create more inclusive housing in every community.

**II. Entitlement Problem Compounded in California:** time, cost, process in California has ballooned as deference to local discretion and even neighborhood veto of housing controls the land use process to prevent new housing. Planning and zoning rules are frequently not transparent and can change throughout the process or at the final hearing on a project. These processes mean that housing cannot be delivered timely, cost-effectively, or with certainty thereby suppressing housing in the region, harming all forms of affordable and market rate housing development. The process favors existing

residents, particularly single family homeowners who are most able and interested in using the planning and zoning process to exclude new community entrants by requiring more local review bodies and hearings, creating more discretionary review permits, filing multiple appeals and demands for more time or study, and using the environmental review process to block or demand exactions from new housing developments.

- A. Permit Streamlining Act no longer effectively controls timing of most discretionary projects due to CEQA creating a lengthy and litigious entitlement process. The California Permit Streamlining Act (PSA) was adopted to create limits to how much time a local government could take to review and consider a project before it would be “deemed approved” as submitted. Over the last decade or more since the adoption of the California Environmental Quality Act, however, CEQA case law interpretations now mean that PSA only applies after CEQA documents have been completed. As a result, hard deadlines for projects requiring CEQA review have in practice been eliminated, and there is no drop-dead date for locals to approve housing that cannot be pushed forward. Developers of all types fear CEQA challenges which can stop their entitlements or cause delays that make projects infeasible. This has allowed the process to eclipse the reasonable control of planning staff in face of increasing public demands for more input. Hard and fast deadlines need to be applied to more projects, especially smaller minor projects, to speed up approvals overall, reduce staff workloads, and restore timeliness to housing approvals. (Ex: SF planning streamlining inhibited by large volume of small projects such as deck additions/modifications).
- B. 11<sup>th</sup> Hour Demands: Cities change rules and fees throughout the process beyond the requirements of CEQA analysis, making it impossible for projects to anticipate “11<sup>th</sup> hour” cost adds that may make deals infeasible, delay or derail approvals, drive projects to reduce their costs by whatever means possible, often by avoiding hiring contractors with better skilled and trained labor “, and creates uncertainty which can chill a city’s overall pipeline from both an entitlement and financing perspective. While the ability to delay a project may create time for community organizations to engage in the entitlement process, it also gives local anti-housing forces the same tool kit to the detriment of housing in the region.
- C. Cities are using loopholes in HAA and SB 35 to avoid State housing law. These loopholes need to be closed. Local agencies, seeking to build less housing or to avoid State housing laws have begun to enact moratoria, rezonings, remove MF housing overlays, or define subjective things like “shadows” as objective standards. SB 35 may also be improved by adding language regarding labor management and enforcement.
- D. These added processing steps, and added conditions or impositions on market rate and affordable projects drive up the cost of housing, delay housing deliveries, threaten housing feasibility and access to finance, and thereby limit housing production overall.

**III. Per the national APA recommendation, California must adopt streamlining and ministerial permitting requirements for housing types other than single family, including ADUs and small MF projects.** California must also begin to consider reduction or elimination of minimum lot size in infill areas, reduce parking requirements, and create more multi-family zoning especially near transit.

References:

[https://www.law.berkeley.edu/wp-content/uploads/2018/02/Getting\\_It\\_Right.pdf](https://www.law.berkeley.edu/wp-content/uploads/2018/02/Getting_It_Right.pdf)

[American Planning Association, \*Policy Principles for the Nation's Housing Crisis\*, May 2018](https://www.planning.org/policy/principles/housing/)

<https://www.planning.org/policy/principles/housing/>

**Solutions: Reinstate fairness, reasonableness, certainty, and deadlines in housing permitting through entitlement reform and expand use of SB 35 as State's streamlining vehicle by adding tax incentives and fee caps to SB 35 projects.**

**Specific Proposals:**

**1. Enable more projects to avail themselves of SB 35 as primary streamlining mechanism by pairing SB 35 projects with economic incentives that are offered for similar programs in other States (NYC):**

**Clean-up law and add economic offsets for added affordable and labor costs:**

- 1) Cap impact fees on SB 35 projects
- (2) Add 15-year tax relief modeled on NY program to SB 35 projects "reverse redevelopment"
- (3) Make SB 35 projects eligible for additional units under the State Density Bonus Law
- (5) Allow SB 35 projects to provide less than 50% affordable in jurisdictions with poor RHNA performance (SF) so more deals can use the program (discuss appropriate rate of inclusionary)
- (6) Close loopholes on definitions of objective standards, labor standards, legal issues, qualifying projects

**Streamlining for smaller projects without added labor and affordability impositions which are more challenging for smaller projects to achieve**

- (4) Impose labor /affordability standards only on projects of 20 units or more including single family homes and o reduce local planning workload on small but often controversial projects.

**2. Reduce process for small projects that cannot utilize SB35 (20 units or less)**

- a) **Increase the number of ministerial approvals for CEQA purposes** for small (20 unit or less) infill housing developments so that the Permit Streamlining Act will again be applied to these. Modify the PSA to require a 6-month discretionary review process or be deemed approved.
- b) **Restore fairness and certainty to fees and process under Permit Streamlining Act**  
Fees/exactions must be codified, cannot ask, developer shall not offer differences, and they shall vest at the time the project application is deemed complete by the Planning Division.
- c) **Limit total number of de novo public hearings** to three (3), not counting appeals or continuances

**3. For all housing projects -close loopholes in the HAA (helps SB 35 projects and others)**

- Close loopholes on objective standards.
- Close loopholes so projects identified in general plan for housing are protected by the HAA if a project-by-project rezoning needed for approval.

**4. “Make It Work” package of reforms to Inclusionary Zoning, Density Bonus, Housing Mitigation Fees and Taxation of Affordable Units (at affordable price) so these work together**

- a. No mitigation fees, housing fees, or IZ fees on density bonus or affordable units
- b. DBL projects needing discretionary permits (CUP) cannot be denied except for DBL findings
- c. Codify the LUNA case. Synching up density bonus affordable to credit to local IZ
- d. Give the Density Bonus to all SB 35 projects
- e. Eliminate duplicate or triplicate requirements to pay for affordability and clarify that IZ units count as \$ credit to DB units at their affordable value, not just the number of BMR units
- f. Cap property taxes at affordable rent/price to assist in paying for on-site inclusionary
- g. Create regional inclusionary rules that expand to missing middle income categories with appeals panel at Bay Area Metro.

**5. Create more MF housing types and ministerial approvals to create inclusive zoning in every neighborhood.** Increase State required MF zoning including smaller multi-family housing types in current single family zones to create more inclusion in every neighborhood (duplex, triplex, quads) especially near transit. Increase ministerial multi-family permits to both enable zoning for these housing types, as well as to require approval of them. Create codes that encourage smaller more naturally affordable housing types, on small lots (with no minimum lot size), in a manner that expands home ownership opportunities in highly exclusionary communities and in communities at risk of gentrification and displacement with no other affordable home ownership opportunities. Increase state-required ministerial approvals for ADUs.

Create a small homes building code to encourage small, inherently energy efficient housing types without treating them as larger single family homes. Impose impact fees on a per square foot basis not on a per unit basis to eliminate bias towards larger homes.

(See also CASA Cost, Missing Middle Action Plans)



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# Policy Principles for the Nation's Housing Crisis

Our nation is confronting a housing crisis. This crisis varies in scope and specifics from city to city and market to market, but the reality remains that current policies are undermining the broad goal of ensuring housing choice and affordability for all.

The shortage of quality affordable housing reinforces inequality and limits access to opportunity, and the lack of housing options hurts the economy and constrains social and economic mobility. Addressing this crisis must be a priority for policymakers.

## Planning Is the Solution

Good planning is essential for increasing housing options, boosting affordability and unlocking opportunity. Enhancing planning resources and reforming planning policy can help ensure communities see the housing they need in the places that work best. Policy changes can address a host of current obstacles: reducing the cost to build housing, reducing living expenses for residents, supporting community development and revitalization, meeting new market demands while addressing past market failures, and ensuring we live up to the promise of affordable quality housing for all. It is not an appropriate goal to provide affordable homeownership options to all; rental is now and will remain an important part of the mix of housing options.

Many of our nation's cities have been dubbed "high cost" and metropolitan areas are struggling to maintain their workforce due to stagnant wages. Small towns and rural communities face unique housing issues that deserve attention and investment such as improving housing quality

and options. Production has not kept pace with demand. Preservation of existing affordable homes, whether through existing affordability restrictions or market forces is also critical. Planners are well-positioned to address these issues due to their close-proximity to development activities, permitting, and policy-setting at all levels of government.

APA seeks to identify and remove barriers to housing affordability. Some barriers are regulatory, some are social, and some are economic. Eliminating these barriers will require political solutions; others require funding; all will require revisiting community goals. Long-held beliefs some planners hold about the planning process and regulatory frameworks may have contributed to the housing crisis, however well-intentioned. Where and how people want to live is changing. A range of reforms can help our communities and neighborhoods provide more affordable choices.

With these policy principles, policymakers at all levels can advance strategies that will equip communities to address changing demographics and needs. Together, we can provide local communities with new tools, updated plans and codes, better public involvement, and a pathway for truly inclusive prosperity.

These strategies are intended to advance the following goals and objectives:

- Remove INSTITUTIONAL BARRIERS in zoning codes, funding programs and lending practices;
- Ensure AFFORDABILITY by facilitating the production of housing at all price points;
- Promote DIVERSITY by producing a wide variety of housing types and formats;
- Ensure EQUITY in the distribution of affordable units; and
- Ensure adequate FUNDING from both public and private sources.

Realizing these principles will require a concerted effort by all of those in the planning profession to advocate, to engage their legislative officials and to conduct public outreach and education. Planning can deliver homes, places, communities, and opportunity.

## A Call to Action

### POLICY PRINCIPLES TO SOLVE THE NATION'S HOUSING CRISIS

We believe the following policy principles will address systemic housing issues through the collaboration of legislators, planners, developers, and residents.

## Principles

### ▲ Modernize State Planning Laws

Many state planning and zoning enabling statutes have not been updated in a generation. This stunts local planning and keeps it from being responsive to current issues and needs. There is presently a wide variety in how states address local planning efforts from those that are very prescriptive, and sometimes pre-emptive, to "home rule" states that offer little in the way of statewide regulation or oversight. While it is important to respect the differing forms of governance, there is a need for state involvement (and resources) to ensure consistency and universal participation among municipalities.

Reviewing and updating states' enabling statutes for zoning and housing policies is an essential step. Whether through mandates, funding, technical assistance, or other incentives, states should require binding comprehensive plans that reflect current housing, economic, and demographic trends and require implementing zoning amendments that advance plan goals and lead to production and preservation of affordable housing. All states should empower options for the use of tools like inclusionary zoning, support investment, provide data, and establish production goals. States can advance housing goals by requiring jurisdictions to provide affordable housing and options across all incomes and price points. States should designate a single agency to oversee housing policy, support local planning and achieve key production and affordability goals.

## ^ Reform Local Codes

In addition to outdated state zoning laws, many local zoning codes are still based on an almost century-old framework that prioritizes best practices from more than a generation ago such as separating uses and encouraging more space for automobiles than people. Communities need to review and modernize codes, and planners need resources to make this a reality. Outdated codes paralyze sound planning efforts, leading to income disparities, uncoordinated development, poor land use and, consequently, housing problems. Communities should adopt or revise codes to enable mixed-uses, offer a variety of housing types and price points and increase the number of places to build while being attentive to equity and resiliency. States can play an important role in supporting this effort.

In practice this may mean a reduction or elimination of minimum lot size requirements, the allowance of greater height and density, allowing accessory dwelling units, and the reduction of off-street parking requirements. Modernized codes incorporate the principles of transit-oriented development with an emphasis on the proximity of housing to public transportation amenities and existing infrastructure, providing greater opportunities for non-traditional housing types. These include micro-apartments and accessory dwelling units.

A lower cost of construction does not always translate into a quality affordable unit. The total cost of occupancy or ownership should be taken into consideration when looking at local building and zoning codes, not simply the cost of production or acquisition. Building

techniques that reduce maintenance and risk, while costlier at the outset, may have a substantial positive impact on the total cost of occupancy over time. For example, exceeding minimally-acceptable insulation requirements during construction will typically reduce utility bills over the tenancy of the dwelling unit.

## ▲ Mandate Inclusionary Growth Strategies

It is critical to economic mobility within communities and regions that poverty not be concentrated. Thus, "fair share" approaches are necessary and proximity to jobs, accredited schools, and mobility services are key determinants of the specific spatial requirements for inclusive housing. It is also important that truly inclusive housing be mixed income with both market and subsidized units — whether rental or ownership — in close proximity to avoid stigmatizing residents/owners of the affordable units.

Further inclusionary measures use a proactive approach to preservation of affordable housing units by exercising strategic property acquisition in current and future transit corridors. This will ensure that developing or redeveloping areas will not preclude transit-dependent populations from having the mobility needed for access to jobs, schools, health care, goods and services, and more.

The goal of truly inclusive growth requires policies that allow everyone to reap the benefits of economic growth and prosperity. Taking steps to mitigate the effects of gentrification and rising housing costs on existing residents can advance both social equity and support for new development. Innovative policy approaches can give current residents a genuine stake in housing and development while helping new residents access housing opportunity.

Housing regulations and practices have often resulted in the creation of communities stratified by income or separated by race or ethnicity. The forces obstructing the creation of truly diverse communities are formidable but increasing mandates for the removal of impediments and judicial decisions that assign liability regardless of intent make it even more urgent to deploy inclusionary practices. While inclusionary zoning may take different forms, the most common mandates that fixed minimum percentages of affordable units be set aside in exchange for greater density within the same building or project. Others allow for a prorated number of affordable units that may be provided offsite; still others allow for payment to a dedicated fund for use by others. States can support and enable the use of these and other tools that support inclusive growth and expanded housing opportunity across all communities.

## ▲ Remove Barriers to Multi-Family Housing

Across our nation in communities of all types, single-family housing is still the preferred development type, often allowed by-right. Meanwhile, multi-family housing often requires a special permit, variance, or other special action to make it happen. Special permitting processes can create development uncertainty, increase the cost of land and development, and stimulate opposition. There are few beneficiaries of this process, the least of whom are the people who need an affordable place to live.

Local jurisdictions can change this by allowing mixed-income, multi-family housing as a by-right use and establishing higher thresholds that are subject to special permit reviews. The approval process should be streamlined when there is a nexus between the developments proposed and identified housing needs and demand.

## ^ Turn NIMBY into YIMBY

Community support and approval is often one of the biggest hurdles to housing affordability. While many communities may acknowledge the need to address affordability issues and often adopt housing goals and strategies, community opposition and resistance to change often block sound housing policy and development from moving forward. Planning must no longer be a tool for those who only want to avoid change. Rather, planning can, and should, be an instrument to build communities for all and realize people's vision for their future.

The planning community can play a key role in countering opposition. Building general support for housing affordability means engaging the community early and often and listening to and addressing community values and concerns. An outreach strategy can guide planners on how to engage the general public and key stakeholders in dialogues about housing need, demand, and trends, as well as the impact of not addressing the issues. Holding listening sessions can lead to greater agreement on community priorities and create an impetus for change. Methods of outreach and opportunities for engagement should be inclusive and responsive to a broad range of constituents. Policies and practice should work to focus public engagement earlier in the process and establish a common framework for delivering the projects envisioned in those plans.

## ^ Rethink Finance

Traditional sources of federal funding for affordable housing may not always be available. Popular Department of Housing & Urban Development programs such as Community Development Block Grants and HOME remain in place but at sharply reduced monetary

levels. It is critical that all entities engage with their federal representatives to increase or restore HUD funding. Federal policy must also address the impacts of recent tax reform on a range of tax credits and related finance tools for housing.

Lending institutions often have inflexible standards or have periods where lending is reduced. While we do not want to return to the days of risky lending practices and lax regulation, we encourage banks to support mixed-use and other non-traditional development formats. Institutions can also support housing affordability by reducing requirements for developers to provide higher parking volumes.

Greater investment is needed in lower-income communities and to lower-income households. Tools like the Community Reinvestment Act help ensure fair lending practices and are essential. So too, are a range of tax, incentive and policy tools that promote critical investment in these communities. Potentially changing or repealing these requirements would devastate markets that need financial leverage to succeed.

The potential for further reductions in federal funding for infrastructure will place a greater burden on the private sector to provide for public works. States and local jurisdictions may offer a combination of strategies including access to low-interest bonds, revolving loans, tax credits, and grants to boost private investment. Local government assessment and tax policies are also a frequent impediment to innovative housing plans, often due to unfamiliarity or the lack of an applicable established assessment class. Maintaining a robust federal-state-local partnership is vital for housing.

APA's Housing Principles were approved by APA's Board of Directors on March 29, 2018.



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## Action #17.1 Apprentice Utilization Standard

1.1	<b>Key Element of CASA Compact</b>	#17 Stabilize construction labor supply
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	Link (a) streamlining; (b) local, regional or state funds; (c) local or state regulatory fee waivers and (d) tax credits/abatements to a <b>TBD apprentice-utilization standard</b> for projects that fall within a <b>TBD</b> range of project types and scale. Leverage the human, physical, & financial capital already invested in programs with demonstrated capacity for scale.
1.3	<b>Supports these CASA goals:</b>	<input type="checkbox"/> Protection <input type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	<p>The Bay Area has about 135,000 trades people employed in the construction industry and 5,000 annual job openings (BLS; Centers of Excellence 2016); CASA aims to increase new housing production 1.7 – 2X, which would increase both jobs &amp; annual openings 20-45%.</p> <p>The difficulty/cost of securing craft labor <i>currently</i> impedes housing projects. “Open shop” builders &amp; contractors chronically underinvest in workforce development (Construction Users Roundtable, 1983 &amp; 2004).</p> <p>Tens of thousands of Californians are on state-approved apprenticeship program waiting lists because programs accept only as many as are needed to meet contractors’ demand for apprentices.</p> <p>Policies that incentivize investment in &amp; utilization of apprentices will create more openings for apprentices. Contractors would benefit from less labor supply uncertainty, enhanced productivity, &amp; preparation of future front-line supervisors. Would-be construction workers (including women &amp; the majority who are people of color) benefit from zero out-of-pocket-cost skills development &amp; credentials that will increase career earnings &amp; better secure their health &amp; retirement.</p>
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved?</i>  <i>What are the major sticking points and areas of negotiation?</i>	<ul style="list-style-type: none"> <li>• Which trades &amp; Bay Area localities have the least stable supply to residential contractors?</li> <li>• Will apprentice-utilization standards be <i>all-trades</i> or a <i>TBD</i> ratio of apprentices of <u>any</u> trade per unit (or sq ft or contract \$ valuation)?</li> <li>• Criteria for training programs to qualify as an acceptable source should be based on a <i>TBD metric of demonstrated capacity to expand supply</i> proportional to the anticipated spike in demand;</li> <li>• Adjust ‘Local hire’ policies toward regional workforce realities;</li> <li>• Targeted populations goals? If so, credit extant low-income construction workers who become state-registered apprentices.</li> </ul>
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	<p>Apprenticeship/Training programs in &amp; serving Nor Cal already have approximately \$250 million in net assets. Operating revenues &gt; \$100 million per year mostly derive from <u>contractor payments</u> assessed per- hour-of-work by apprentices &amp; journey-persons. Payroll tax-exempt payments are made to 501(c)(3) training trusts employees’ fringe benefits.</p> <ul style="list-style-type: none"> <li>• Renters/buyers bear <i>hourly pro rata</i> costs (&lt; 1% of hard costs) that aren’t offset by efficiencies or absorbed through reduced profit;</li> </ul> <p>Locally accessible <b>pre-apprenticeship programs</b> are needed to vet &amp; prep apprenticeship candidates. Programs exist already in SF, SJ, Oakland, Richmond, and Menlo Park.</p>

	(continuation) <b>Resources Needed</b>	<ul style="list-style-type: none"> <li>Public &amp; private funds needed to bolster public &amp; private non-profit pre-apprenticeship programs. (see Policy Brief – Stabilize construction labor supply 2 (Training inventory &amp; funding plan))</li> </ul>
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<p><b>Produce:</b> 820,000 net new units of housing by 2040. (Will be impossible without expansion of residential builder &amp; specialty contractor labor supply <u>&amp;</u> increased supply of contractors)</p> <p><b>Reduce demand</b> for subsidized BMR housing from up to 50,000 residential construction workers, 40% of whom otherwise could qualify.</p>
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	<ul style="list-style-type: none"> <li>✓ Legislation (to create &amp; specify utilization standard)</li> <li>✓ Regional Funding (Agreements contain implementation requirements)</li> <li>✓ Statewide Funding (Agreements contain implementation requirements)</li> <li><input type="checkbox"/> Regulatory Reform</li> <li>✓ Education and Advocacy (pre-apprenticeship in schools; CBOs)</li> <li><input type="checkbox"/> Pilots &amp; Spreading Best Practices</li> <li><input type="checkbox"/> Other _____</li> </ul>
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	<p><i>Select one (Short-term approval; continuous implementation)</i></p> <ul style="list-style-type: none"> <li>✓ <b>Short-Term</b> (0-2 years) Programs &amp; Curricula already exist. Instructor hires necessary</li> <li>✓ <b>Med-Term</b> (3-5 years)</li> <li>✓ <b>Long-Term</b> (6-10 years)</li> </ul>
1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated</i>	<p><i>Select one</i></p> <ul style="list-style-type: none"> <li>✓ <b>Medium:</b> If CASA support produced policies that channeled contractors' labor demands toward apprenticeships with long waiting lists, those institutions could employ more trainers &amp; utilize existing facilities to full capacity.</li> </ul>

<b>Action #17.2 Funding and Expansion of Construction Career Technical Education (CTE)</b>		
1.1	<b>Key Element of CASA Compact</b>	#17. Stabilize construction labor supply
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	MTC-ABAG commission a report & action plan for public & private construction training programs to tap foundation & public funds that would enable program expansions. Estimate resources necessary (a) to train approximately 50,000 additional northern California building trades workers & (b) to reduce knowledge barriers that prevent construction workers from becoming construction contractors. Assess training programs' appropriateness for pre-apprenticeship & would-be contractor education.
1.3	<b>Supports these CASA goals:</b>	<input type="checkbox"/> Protection <input type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	<p>The Bay Area has about 135,000 trades people employed in the construction industry and 5,000 annual job openings (BLS; Centers of Excellence 2016); CASA aims to increase new housing production 1.7 – 2X, which would increase both jobs &amp; annual openings 20-45%.</p> <p>Annually, 900 Bay Area community college “exiters” who had enrolled in Construction Career Tech Ed (CTE) courses are employed within one year of exit (not necessarily in construction). Construction CTE has low enrollments &amp; awards as a % of all Bay Area community college CTE enrollments/award (0.6% &amp; 1.1%, respectively).</p> <ul style="list-style-type: none"> <li>• Identify &amp; propose ongoing, steadily budgeted funding streams for existing programs, based on a transparent funding formula, for CTE spending on secondary &amp; post-secondary construction crafts.</li> <li>• Identify &amp; propose separate funding streams for startup, expansion, &amp; updating of construction CTE programs.</li> <li>• Identify &amp; propose separate funding streams for addressing issues with historically underrepresented &amp;/or under-trained populations.</li> </ul> <p>Ultimately, bolster the supply of residential building with adequately skilled labor &amp; contractors. Potential workers include: women, people of color (including &amp; in addition to Latinos); vets; formerly incarcerated; people with related craft skills from declining industries.</p>
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved?</i>	<ul style="list-style-type: none"> <li>• Identification of info gaps/deterrents/obstacles for people of color &amp; all women to entering &amp; remaining in the pipeline for building trades.</li> <li>• California community colleges already have undertaken an intensive strategic CTE planning process. Can the system be channeled in the direction of prioritizing residential building CTE?</li> <li>• CCC's CTE cost data by course or program weren't available in 2015</li> </ul>

1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	MTC-ABAG staff time &/or budget for consultant study.  Calif spent a total of \$5.6 billion on workforce education and training during FY14-15 (\$3.1 billion from state funds and \$2.5 billion from federal funds). At least \$2 billion of state CTE funds was spent by the community college system. Amount spent on <i>construction</i> CTE in either the CCC or K-12 systems is unknown.
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<b>Produce:</b> To 820,000 net new units of housing by 2040, the need is to double the new residential construction workforce (impossible without expansion of residential builder & specialty contractor labor supply)
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	<ul style="list-style-type: none"> <li>✓ Legislation (medium term: authorize sector-targeted spending)</li> <li>✓ Regional Funding</li> <li>✓ Statewide Funding</li> <li>✓ <i>Private FOUNDATION funding:</i> start-up, expansion, updating costs; underrepresented populations programs</li> <li>✓ Education and Advocacy (targets: Appropriators &amp; Administrators)</li> </ul> <p>Pilots &amp; Spreading Best Practices (list of existing programs to be provided in Pt 2)</p>
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	<p><i>Select one (Short-term approval; continuous implementation)</i></p> <ul style="list-style-type: none"> <li>✓ Short-Term (0-2 years)</li> <li>✓ Med-Term (3-5 years)</li> <li>Long-Term (6-10 years)</li> </ul>
1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	<p><i>Select one</i></p> <ul style="list-style-type: none"> <li>✓ <b>Difficult:</b> Trying to reprioritize the programming &amp; expenditures of K- 12 schools &amp; Community College Districts will require engagement with institutions that have independent policy &amp; implementation processes. Working with community-based organizations takes less time, but involves a considerably smaller baseline of capacity.</li> </ul>

**CASA Production Working Group**

**Overview of housing and fiscal policy problem for CASA and Outline of Future Action Plans**

Overview:

The housing crisis is severely exacerbated by fiscal and tax policy structures in California that create powerful economic disincentives to zone and approve housing projects, and a virtual inability to provide sufficient subsidy to write-down the cost of housing so that it can be affordable to more Californians. Additionally, the state tax rules severely limit the authority of cities to raise revenue for public goods and services, leaving cities with limited tools to support the expanding infrastructure and services that come with growth.

**Fiscal Zoning and Development Impositions eliminate viable land for housing and contribute to driving up costs beyond what people can afford**

In many communities, the share of property tax received locally hovers around 10%, such that new housing property tax payments are widely found to be insufficient to provide desired levels of public services including schools, parks, roads, libraries, and affordable housing. This leads communities to limit their zoning for housing for fiscal reasons so they can balance their budgets from commercial land uses with a strong bias towards retail and hotel uses that direct their sales and transient occupancy taxes directly to local government (fiscal zoning). This also leads communities to impose tens if not hundreds of thousands of dollars of mitigations and impact fees for public works and community facilities, community benefit requirements, and community benefits.

**The high price of entry for new housing (Terner Center, 2018, It all Adds Up)**

Due to California tax laws, new market entrants are charged a confusing and ever-changing array of impact fees, community benefits, connection charges, etc that amount to high “entrance fees”, akin to country club dues, to enter existing communities. New housing is expected at building permit issuance (or reasonably soon thereafter) to pay up front to solve all the potential long term issues that new housing brings to the community, as well as pay ongoing property taxes at much higher rates than existing neighboring residents (which used to be relied upon to pay for long term costs on a less punitive annualized basis). The high initial and frequently re-negotiated and every rising impact fees/mitigations/benefits both reduces the number of feasible housing deals overall and directs a greater share of limited public funds for affordable housing away from critical housing towards other public goods charged in the form of impact fees. Rising impact fees and rising costs in general also lead developers to cut costs in the few places where they can control them and is a contributor to the diminished reliance of union contractors in the residential construction industry for mid-rise and even some high rise buildings which further exacerbates the construction labor shortage and increases costs.

CASA is considering capping impact fees and locking fees and rules at project application completeness to reduce the fee burden overall and eliminate the practice of 11<sup>th</sup> hour demands for “more” from individual housing proposals that results in less housing overall. **While this will enable more feasible housing deals that will result in more housing at all income levels, it does not solve the fiscal problem for cities.**

### Housing Does Not Pay For Itself-Fiscal Zoning

Fiscal zoning is the term used to describe a reliance on any land use (but housing) to help balance the budget. Fiscal zoning in effect removes many potentially desirable housing sites from ever being considered for any form of housing including low density often single story office parks, retail centers, and low density commercial areas that may be located on critical transit corridors. Fiscal zoning provides major tax and revenue rewards from zoning to prevent housing development—and is a major cause of the Bay Area’s jobs/housing imbalance by rewarding local agencies for much higher rates of commercial land use development and job growth and punishing them for expansive housing growth.

CASA has considered proposals to re-zone commercial sites for housing uses for an emergency period of 15-years to help diminish the harmful effects of fiscal zoning on housing. But if new housing is reduced as a primary source to finance infrastructure and capital projects, a local funding need is created that must be filled elsewhere for local governments to function and provide desired levels of services.

### The High Cost Of Housing Construction In A Period of Flat Income Growth Means New Housing Cannot Afford To Create More Inclusion Without Economic Offsets for the Additional Cost of Added Affordability

CASA’s Regional Inclusionary Policy –designed to create inclusion and more feasible housing deals that are inclusive--includes recommendations that affordable deed restricted units must be taxed at their affordable price not their market value (a reduction of potentially \$500,000/unit or more in taxable value with commensurate losses in tax revenue over time). CASA is further recommending that to improve workforce stability, increase housing production overall with affordability that SB35 be expanded to work in more locations by pairing it with 15-years of tax abatement modeled on other areas of the US that require a labor package with on-site affordability so that this combination does not suppress production. These additional CASA recommendations could have the unintended consequence of fiscally punishing cities that are attempting to add more housing while their neighbors providing less or less affordable housing feel no direct economic outcomes.

### Dire need for housing subsidy

Cities cannot suffer consequences, such as a loss of local control or funding, for failing to advance affordable housing production when they lack the fiscal resources to support non-market housing options.

The elimination of local redevelopment and the diminishment of State and federal housing funding, combined with the dramatic increases in the cost of producing housing, the need for subsidy has increased not only for a wide range of urgently needed housing programs to create more deed-restricted affordable housing new developments, to buy existing affordable projects and maintain their affordability, for emergency homeless housing, tenant protection programs, home ownership assistance programs, and even missing middle housing.

CASA must identify sources to create significant, transformative new sources of housing subsidy so that new housing production can serve the range of new housing needs.



In addition to the dire need for affordable housing subsidy, CASA must work to identify revenue to effectively implement Protection Committee ideas, namely what are mechanisms that could help fund tenant protection programs and services? (such as Legal Counsel, Emergency Financial Assistance, Rent and Evictions Registry, Relocation Assistance). Ideally mechanisms that generate revenue while also reducing speculation.

**CONCLUSION: Fiscal policy has significantly contributed to the long term suppression of housing supply and must be unraveled for cities to WANT housing production again, especially affordable housing, to reduce reliance on impact fees and 11<sup>th</sup> hour impositions that make proposed housing projects inviable, and for housing in the Bay Area to be enthusiastically pursued at every level of government versus other more tax enriching land uses. Furthermore, significantly greater dollars must be generated and dedicated to a wide range of Production, Preservation, and Protection programs for them to work and serve thousands of needy Bay Area families.**

**Without the willing and motivated participation of cities to encourage more housing, and pay to subsidize affordable housing, over the next decades local governments who must act to approve and create more housing options will continue to resist for fiscal reasons.** Without shifting funds to cities building housing, CASA's "more housing/more inclusion" recommendations will either not work over the long haul, or have the perverse consequence of punishing local governments trying to "do the right thing on housing" by adding more housing and more affordability requirements and failing to impose fiscal consequences on jurisdictions that continue to resist and suppress housing development.

#### **CASA ACTION PLANS IDEAS FOR PRO-HOUSING FISCAL POLICY:**

CASA'S membership vetted the ideas below in a single session with Fred Silva, tax policy adviser to CalForward and is recommending further study of the most initially viable ideas. We further recommend that these fiscal action plan recommendations be evaluated by expert fiscal policy team (such as Fred Silva) to determine (1) their potential fiscal results (2) their potential for solving the problems identified above (3) the steps needed to achieve them (4) an analysis of who pays, specifically include equity and regressive/progressive nature of fiscal proposals.

#### **I. Property Tax Policy Ideas to encourage more housing**

- a. **REGIONAL PROPERTY TAX INCREMENT CAPTURE AFTER 2019 BASE YEAR**-take small % of all increment generated in 9-County Bay Area and distribute to local agencies building housing for housing-related costs and infrastructure investments to replace some of the lost to reduced taxes on affordable units and reduced mitigation impact fees.

The increment generation "project area" is entire 9-County Bay Area, so that areas producing more jobs than housing will equally contribute a % of their tax base with jurisdictions producing more.

Tax dollars, tax increment funding paid to local agencies ON A PER UNIT BASIS for units delivered, at an increased rate for affordable units delivered to equalize tax effect of market rate and affordable housing production and to incentivize inclusionary policies

- b. **Tax refunds/repatriation based on housing unit deliveries**

The State currently, for example, requires “ERAF” reductions. Perhaps these or other tax dollars should be distributed to cities based on housing unit deliveries to get them closer to the % of tax dollars needed to make housing fiscally neutral. State should reimburse local agencies for Welfare Exemption and

Tax dollars, tax increment funding paid to local agencies ON A PER UNIT BASIS for units delivered, at an increased rate for affordable units delivered to equalize tax effect of market rate and affordable housing production and to incentivize inclusionary policies

- c. **Prop 13 reform to normalize California property tax law consistent with other coastal states in the US with growing population and job centers.**

**II. Fiscal consequences for Housing Suppression**

- a. Insert provisions in all transportation or other State and regionally distributed funds restricting them by at least 50% for local agencies that suppress housing production through any of the following, funding to be paid to Regional Housing Fund for affordable production subsidy
- Restrict issuance of building permits under a local growth control measure or have downzoned or reduced the residential density of any residential or commercial district in the last 5 years
  - Have adopted an ADU ordinance more restrictive than State standards
  - Do not have an approved Housing Element
  - Impose impact fees including special district fees that are higher than 50% of State wide average (or find some other way of establishing a fair impact fee level that does not discourage housing production like a fee cap/sqft)
  - Impose higher than Regional Inclusionary standard on private land without public subsidy or other public assistance that
  - Have denied or reduced density of any Housing Element site or density bonus project
  - Are not increasing their residential building permit issuance annually for the next 15 years by at least 5% for all types of housing
  - Regional or sub-regional unmet RHNA obligations for cities
- b. Consider “fees” charged to local agencies that
- Fail to meet RHNA and have added far more jobs than housing
  - A jobs/housing linkage fee to jurisdictions that have added more jobs than housing, with money dedicated to affordable housing in supportive jurisdictions in close proximity to growing industries.

**III. Major Bay Area regional affordable housing fund to fund/encourage affordable housing. Potential new taxes to deposit in regional housing fund for housing subsidy and housing-related infrastructure:**

- a. Sales tax override
- special authorization for an eight, quarter, or half cent tax by the state to a regional

“entity” specifically for housing that is above and beyond the already authorized sales tax percentage authorized for cities.

- b. **Commercial activity tax/fee** on companies over a minimum size. Could be comprised of one of the following
- Gross receipts tax focused on high profit companies driving housing demand
  - Tax based on # employees (head tax)
  - Commercial development housing impact fee that does not discourage job growth or business expansion

- c. **Regional bond measure modeled on RM3**

**IV. The following Taxes that can encourage better use of scarce housing resources, proceeds could flow to affordable housing subsidy programs locally or regionally. Level of difficulty may exceed fiscal benefits (TBD)**

Vacant unit taxes	Underutilized land tax	Energy extraction fee (oil/gas)
Second home tax	Luxury home tax	Vacant land tax
Air BB taxes (TOT)	Foreign buyer tax	Regional TOT
Real property transfer tax (\$1.5M and above)		

<b>Action #14.3 Lower Voter Approval Threshold for Affordable Housing Measures to 55%</b>		
1.1	<b>Key Element of CASA Compact</b>	#14 Affordable Housing production funding
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p>Proposition 13 requires any special taxes, i.e., taxes dedicated for a specific purpose, to receive at least 2/3rds approval when placed on the ballot by a legislative body and then the same level of approval by voters. Such a high bar means that it is exceedingly difficult and expensive to raise essential resources for affordable housing development. While Bay Area voters have been able to overcome such hurdles in three counties (SF, Alameda, Santa Clara) and several cities (Emeryville, Oakland) it has taken a veritable humanitarian shelter crisis to generate sufficient political support to be able to issue general obligation bonds for affordable housing.</p> <p>We propose asking voters to amend the California Constitution in 2020 to lower the voter approval threshold to 55% for any special tax related to funding the construction, rehabilitation or replacement of public or affordable housing and affordable housing-related infrastructure (ad valorem tax on real property, transactions or sales taxes on the sale of real property, issuance of general obligation bonds). California voters have already approved a similar measure (Prop. 39 in 2000) to lower the voter approval threshold to 55% for general obligation bonds issued for the construction, rehabilitation, or acquisition of land for school facilities. This constitutional amendment would only need to be approved by a majority of California voters to take effect (Prop. 39 was approved by a simple majority of 53.4%). Prop. 39 also had important accountability measures to ensure the funding was used for specified purposes, which this measure would also have in place.</p> <p>Lowering the voter threshold to 55% for approving special taxes related to affordable housing would have the effect of creating predictable and ongoing funding streams for affordable housing development and would greatly increase the viability of game-changing affordable housing funding measures.</p>
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input checked="" type="checkbox"/> Preservation <input type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	<p>CASA's support for such a measure could reinvigorate legislative efforts (i.e. ACA 4) to place such an amendment on the ballot, which given the severity of our state's housing crisis, could be approved in 2020. The resultant campaign would also require endorsements and financial support from member organizations.</p>
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved? What are the major sticking points and areas of negotiation?</i>	<ul style="list-style-type: none"> <li>What kind of political support (endorsements, lobbying, financial resources) are CASA's member organizations willing to lend to such a measure?</li> </ul>

1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	Legislative lobbying, then endorsements and financial support for ensuing campaign
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<b>Produce:</b> Thousands of new affordable units on an annual basis
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	✓ Legislation We would first need legislation in 2019 to place this measure on the 2020 ballot
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	✓ <b>Short-Term (0-2 years)</b> <b>Legislation in 2019, ballot measure in 2020</b>
1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	✓ <b>Medium:</b> This constitutional amendment requires a 2/3rds vote of the State Legislature to place it on the ballot and then a simple majority of voters statewide to be approved.

## Action #14.4 Recreate Redevelopment Agencies with a Focus on Affordable Housing

1.1	<b>Key Element of CASA Compact</b>	#14 Affordable Housing Production Funding
1.2	<b>Brief Description</b>	<p>Up until 2012, California's Redevelopment Agencies provided a crucial source of local funding for affordable housing in the Bay Area. From 1949 to 2012, California's Redevelopment Agencies provided a critical tax increment financing tool for cities and counties. Agencies would "freeze" the property tax that taxing entities could collect at a certain rate (known as the "base rate") and would then collect the increase in property taxes over time in that neighborhood (also known as the tax increment) and use it to pay for their activities. Previously, Redevelopment Agencies could collect the whole tax increment from a given redevelopment area with the State providing a backfill for the local school district's portion of that increment. Redevelopment Agencies could previously pay for a host of activities including infrastructure improvements in a given neighborhood (sewers, utilities, etc.) and affordable housing. At the time of dissolution in 2012, Redevelopment Agencies collected over \$5 billion in annual tax revenues with 20% of those revenues or \$1 billion dedicated to the construction and rehabilitation of affordable homes statewide. In the Bay Area, Redevelopment represented the single largest funding source for affordable housing bringing in around \$220 million annually across the 9 Bay Area Counties. The State dissolved Redevelopment Agencies in 2012 and reverted their tax increment back to taxing entities in response to significant state general fund budget deficits. Former Redevelopment Agencies were replaced with successor agencies tasked with paying off existing legal obligations and winding down each agency's activities.</p> <p>We propose to reinstate Redevelopment Agencies and their previous powers (to finance specified infrastructure and housing projects, and to carry out related powers, such as the power to purchase and lease property within the redevelopment project area, that are similar to the powers previously granted to redevelopment agencies) with several important changes to both increase the resources dedicated to affordable housing and to protect against past abuses. Our proposed changes include:</p> <p><u>Dedicate 50% of the increment generated to affordable housing and housing-related infrastructure:</u> Increasing the increment dedicated to affordable housing would immediately generate significant ongoing revenues to ensure construction of deed-restricted homes affordable to low and very-low income households (up to 80% AMI). Funding housing-related infrastructure would ensure that essentials like sewers, utility connections, sidewalks, streets, and other critical infrastructure needs can be paid for. To combat previous abuses, where moneys dedicated to affordable housing were not spent, agencies would be given a specified time to spend such funds or they would revert to the Department of Housing and Community Development's Multifamily Housing Program (MHP).</p> <p><u>Establishing a tax-increment base year:</u> Provide jurisdictions with some flexibility in identifying the base year for collection of tax increment as in AB 1598 (Mullin) Affordable Housing Authorities of 2017.</p> <p><u>Ensuring accountability and transparency:</u> Adoption of annual budgets and annual reports (to be sent to two State oversight agencies including the Controller and HCD), required audits every two years after the issuance of debt, strict accountability measures and reporting for every action taken, steep fines for noncompliance, oversight by the State Controller and the Office of the Attorney</p>

		General in case of any violations. All proposed projects to be funded through Redevelopment would need to be part of a Redevelopment Plan approved through a resolution adopted at a public meeting. Redevelopment agencies would be governed by a board consisting of one member appointed by the legislative body that adopted the resolution of intention, one member appointed by each affected taxing entity, and 2 public members.
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input checked="" type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	Create a permanent and ongoing source of revenue for the construction and rehabilitation of affordable homes at a level that is similar to or higher than what was previously generated by Redevelopment.
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved?</i>  <i>What are the major sticking points and areas of negotiation?</i>	<ul style="list-style-type: none"> <li>Will there be a state backfill for taxing entities, in addition to school, whose increment has been redirected?</li> </ul>
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available.</i>	Tax increment is generated as assessed value grows without increasing property taxes.
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<b>Produce:</b> 1,000-1,500 affordable units a year
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	<ul style="list-style-type: none"> <li><u>Legislation</u>: Legislation to be proposed at the next legislative session to reestablish Redevelopment while curbing past abuses. (See AB 3037 Community Redevelopment Law of 2018 by Assemblymember David Chiu).</li> </ul>



1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	<i>Select one</i> <input checked="" type="checkbox"/> <b>Short-Term (0-2 years):</b> <input type="checkbox"/> Med-Term (3-5 years): <input type="checkbox"/> Long-Term (6-10 years)
1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	<input checked="" type="checkbox"/> Medium <i>Rationale:</i> There is interest in the State Legislature to bring back Redevelopment and a new governor is more likely to entertain such a proposal.

## Action #14.5 Promote Creation of Affordable Housing Authorities in Each County and at the Regional Level

1.1	<b>Key Element of CASA Compact</b>	#14 Affordable housing production funding
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p>AB 1598 (Mullin) was passed by the Legislature in 2017 and establishes an important new tool to fund the construction and preservation of affordable units. The Bay Area is experiencing significant growth in private investment and commercial office development which is increasing local property values. AB 1598 provides a tool to harness some of that growth in assessed value to pay for the construction of new affordable homes without raising taxes. AB 1598 gives cities and counties the power, through resolution, to establish affordable housing authorities (AHAs). AHAs can use property tax revenues generated by increases in property values to pay for their activities by “freezing” the property tax that local government can collect at the rate it was when an affordable housing plan is approved and then AHAs collect the increase in property taxes over time (or tax increment) and use it to pay for their activities. Local governments can also direct local sales taxes to AHAs as long as the use is consistent with the purpose for which the tax was adopted (in addition to the local Bradley-Burns portion). Affordable Housing Authorities have several advantages over other tax increment financing tools:</p> <ul style="list-style-type: none"> <li>• Not confined to a specific neighborhood type - the area covered by an AHA can be as big as the city/unincorporated county itself (no blight finding required).</li> <li>• Full flexibility on how much increment is taken and how large the area is to which it applies</li> <li>• Can be created through a local resolution</li> <li>• <b>Can bond against that increment without voter approval for up to 45 years.</b></li> </ul> <p>AHAs are not Redevelopment:</p> <ul style="list-style-type: none"> <li>• The property tax increment that AHAs can use is limited to the city's or county's portion of the increment unless the city and county agree to revenue sharing, the increment directed to schools remains untouched. That means that the amount of potential funding raised is significantly lower than under former RDA agencies.</li> </ul> <p>AHAs provide a flexible and ongoing form of revenue for affordable housing with no new taxes in that they use the incremental growth in the existing tax base to finance their activities.</p> <p>We are proposing two uses of AB 1598 to generate significant new regional affordable housing revenues:</p> <ol style="list-style-type: none"> <li>1. <u>Have MTC/ABAG create a program to actively promote the creation of new countywide affordable housing authorities for each of the 9 Bay Area counties:</u> Under AB 1598 each Bay Area county could create its own affordable housing authority through a Joint Powers Authority with the unincorporated county and incorporated cities within each county's boundaries making voluntary tax increment contributions. Each county AHA could then bond against that increment without needing voter approval with terms payable over 45 years. For instance, if San Mateo County were to create an affordable housing authority that annually collected \$12 million in tax increment (amount is for illustrative purposes), it could theoretically issue a bond valued at around \$150 million without needing additional voter approval. As the initial bond funds are expended, the County could issue additional bonds paid for by future incremental growth in property taxes. Promoting county AHAs</li> </ol>

		<p>would also provide a countywide solution that is sensitive to local needs as each county would need to negotiate an appropriate contribution scheme among its incorporated cities.</p> <p>2. <u>Have MTC/ABAG create a regional affordable housing authority that can collect voluntary contributions of local general sales taxes:</u> MTC/ABAG could create a regional affordable housing authority that could collect general sales and use taxes for the 9-county Bay Area and bond against those proceeds without voter approval. A regional affordable housing authority could be established through a joint powers authority voluntarily created by MTC/ABAG and local governments that choose to opt in. While the State constitution prohibits property taxes generated in one county to be transferred to another, there are no such restrictions for sales and use taxes. Local government presently has the flexibility, with voter approval, to impose up to an additional 2% of local sales taxes (in addition to the Bradley-Burns portion). AB 1598 allows for contributions from such general sales tax revenues into an affordable housing authority. MTC/ABAG would encourage contributions from local governments that could then be used as a revenue stream for debt service and/or as an ongoing source of revenues for a regional affordable housing trust fund.</p>
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input checked="" type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	Creation of an ongoing funding source for affordable housing at the regional level without the need for voter approval.
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved?</i>  <i>What are the major sticking points and areas of negotiation?</i>	<ul style="list-style-type: none"> <li>Counties would need to negotiate their own tax increment contribution formulas that balances county needs with local concerns</li> <li>What other funds could be contributed to AHAs from the local and regional levels that could be paired with the tax increment?</li> </ul>
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom?</i>	Locally generated tax increment
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<b>Produce:</b> Thousands of units annually <b>Preserve:</b> Thousands of units annually
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	<ul style="list-style-type: none"> <li>✓ Regional Funding:</li> <li>✓ Pilots and Spreading Best Practices: a countywide AHA could be established on a pilot basis in a large Bay Area county as “proof of concept” that could then be modeled in other counties.</li> </ul>
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	Select one <b>X Short-Term (0-2 years): To pass legislation and to develop education materials and begin to disseminate them to jurisdictions.</b>

1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	<b>X Medium - Rationale:</b> While the tool to establish AHAs exists, if they are to be functional across jurisdictions particular attention needs to be paid to local concerns in negotiating the creation of both county and the regional AHAs.

<b>Action #16.1 State policy/administrative changes to promote the use of publicly-owned sites for housing</b>		
1.1	<b>Key Element of CASA Compact</b>	# 16. Public and surplus land for affordable housing (including enforcement of state surplus land laws)
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p>There are nearly 700 acres of developable publicly-owned land near transit in the region which could yield between 30,000 and 50,000 new homes. There is also more public land beyond the proximity of transit, but information on such public land is not compiled in any single location and thus, is hard to analyze.</p> <p>Since there is great potential, multiple challenges to achieving a significant scale of development on public land need to be addressed:</p> <ul style="list-style-type: none"> <li>• There is lack of agreement about use of public land</li> <li>• Land may not be zoned adequately for development today</li> <li>• The State Surplus Land Act requires agencies to offer land for affordable housing, but many agencies do not understand or comply with the law</li> <li>• Many agencies lack the technical resources to implement sophisticated land development deals</li> <li>• Not all public land is equally competitive for low income housing tax credits and other affordable housing subsidy</li> </ul> <p>We propose the following changes to State law and guidelines to increase the use of public land for affordable housing.</p> <ol style="list-style-type: none"> <li>1. <u>Modifying the Housing Element:</u> all cities and counties in California are required to prepare a housing element to identify and zone enough housing sites to accommodate their full anticipated housing need over an eight-year period. An analysis of publicly owned sites and their current uses is not required under the housing element. Most jurisdictions do not have an inventory of all public land within their boundaries, and thus land cannot be deployed strategically. To address this the State could: <ol style="list-style-type: none"> <li>A) Require and resource jurisdictions to prepare a <u>full inventory of publicly-owned sites</u> within their boundaries, including current uses, and report this to their Councils of Governments (COGs).</li> <li>B) Allow <u>residential uses on developable public land</u>, regardless of zoning, by establishing a presumption in Housing Element Law that homes may be built on public land meeting certain criteria (e.g. not parkland). If a jurisdiction prohibits housing on a site, require them to submit a rationale for its exemption, based on strict State-sanctioned standards.</li> <li>C) Incentivize development of publicly-owned sites with affordable housing by <u>providing jurisdictions with a 1.5x RHNA site credit</u> for identifying publicly-owned sites for deed-restricted affordable homes</li> </ol> </li> <li>2. <u>(Sticks) Support bills to enforce the use of publicly-owned sites for affordable housing:</u> Support a revitalized AB 2065 (Ting) that closes various loopholes with the State Surplus Land Act including making clarifications on the definition of “surplus” and clarifying noticing and negotiations provisions of the law.</li> <li>3. <u>(Carrots) Support various regulatory changes to increase the overall supply of public land that could be developed as affordable housing:</u></li> </ol>



		<p>A) Establish streamlining for residential development on public land if it meets a high inclusionary threshold (to be debated) and follow SB35 labor provisions</p> <p>B) Make public land more competitive for affordable housing funds to incentivize rezoning: Modifications to LIHTC, AHSC, other program requirements. Build in incentives to programs that encourage housing development on public lands.</p> <p>C) Review State's spatial guidelines for public facilities (i.e. schools) to evaluate potential for changes that could open up land for housing without compromising the quality of on-site public services (e.g. New York allows for vertical mixed use with ground floor public uses)</p>
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve?</i> <i>Who would benefit?</i> <i>If applicable, identify any specific populations who will especially benefit.</i>	<p>Significantly increase the supply of publicly-owned land that is made available for affordable and mixed income development in the Bay Area</p>
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved?</i>  <i>What are the major sticking points and areas of negotiation?</i>	<ul style="list-style-type: none"> <li>• <i>Issue:</i> Need to set a standardized format for collecting data on publicly-owned sites that could be implemented across the state</li> <li>• <i>Sticking point:</i> Public agencies may have other envisioned uses beyond housing for their sites, that should be legitimately allowed.</li> <li>• <i>Sticking point/Negotiation:</i> Streamlining: local control of zoning, and debate on proper affordable housing threshold to qualify</li> <li>• <i>Sticking point:</i> fairness in making some sites more competitive for housing funds</li> </ul>
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	<ul style="list-style-type: none"> <li>• Legislative lobbying and costs of policy development/implementation</li> <li>• Costs to local governments or state of requiring public land inventory</li> </ul>
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<p><b>Produce:</b> up to 50,000 units near transit, magnitude beyond transit is unknown at this time.</p>



1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	<input checked="" type="checkbox"/> State Legislation This would require making amendments to Housing Element and streamlining laws.
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	<input checked="" type="checkbox"/> <b>Short-Term (0-2 years)</b>
1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	<b>Medium</b>  <b>Rationale:</b> These changes represent common sense reforms to housing laws and regulations to significantly expand the available supply of publicly-owned sites for the development of affordable homes while still meeting other public-serving purposes.



## Action # 16.2 Regional Actions to Support, Incentivize and Enforce Housing on Public Land

1.1	<b>Key Element of CASA Compact</b>	# 16. Public and surplus land for affordable housing (including enforcement of state surplus land laws)
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p>There are nearly 700 acres of developable publicly-owned land near transit in the region which could yield between 30,000 and 50,000 new homes. There is also more public land beyond the proximity of transit, but information on such public land is not compiled in any single location and thus, hard to analyze.</p> <p>Since there is great potential, multiple challenges to achieving a significant scale of development on public land need to be addressed:</p> <ul style="list-style-type: none"> <li>• There is lack of agreement about the use of public land</li> <li>• Land may not be zoned adequately for development today</li> <li>• The State Surplus Land Act requires agencies to offer land for affordable housing, but many agencies do not understand or comply with the law</li> <li>• Many agencies lack the technical resources to implement sophisticated land development deals</li> <li>• Not all public land is equally competitive for low income housing tax credits and other affordable housing subsidy</li> </ul> <p>Our status quo would be for each jurisdiction to handle these challenges independently. To create more efficiency in advancing outcomes, a regional entity could play a role in reducing barriers to housing development on public land by strategically coordinating information and resources across multiple agencies. Specifically, a regional entity could:</p> <ul style="list-style-type: none"> <li>• Provide <u>technical support</u> to agencies struggling with disposition strategies, to prepare pre-development studies, development feasibility assessments and RFP/Qs for development of affordable housing on public land sites</li> <li>• Consider <u>grants to fund long term public facilities plans</u> with emphasis on freeing up land for housing</li> <li>• Offset the costs associated with <u>reconfiguration of public facilities</u> to accommodate housing development</li> <li>• Provide <u>funding incentives</u> for public agencies to offer their land at a discount for affordable housing development</li> <li>• <u>Coordinate use of public land</u> – i.e. encourage prioritization of competitive lands for affordable housing to have a higher share of affordability, through technical support, education of public agency</li> <li>• Secure the financial resources and legal ability to <u>bank land for future development</u> if a public agency is disposing of it.</li> </ul>
1.3	<b>Supports these CASA goals:</b>	<input type="checkbox"/> Protection <input type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit?</i>	<ul style="list-style-type: none"> <li>• Increase production of homes throughout the whole region.</li> <li>• The specific populations will be everyone. Additional homes, especially in the specific location where new homes are built, will have relief and options from additional supply.</li> </ul>
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved? What are the major</i>	<ul style="list-style-type: none"> <li>• Some cities will resist more affordable housing, sometimes depending on specific locations of some public land.</li> <li>• Some agencies that do not have real estate or housing as a core part of their mission (school districts, transit operators, etc.) and will resist the requirement to create housing or not prioritize this issue.</li> </ul>

	<i>sticking points and areas of negotiation?</i>	
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	<p>Education (staff and materials) need to occur for cities, developers and communities to understand laws, applications, best practices, potential partners, and creative paths.</p> <p>A regional housing entity would provide:</p> <ul style="list-style-type: none"> <li>a) Technical assistance to cities</li> <li>b) Knowledge sharing</li> <li>c) Tracking and monitoring, data sharing</li> <li>d) Resources as incentives for local policymaking and capital for infrastructure and affordable housing development</li> </ul> <p>A regional housing entity taking on land banking would require significant resources – would need to weigh this investment against others.</p>
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<p>These calculations have not been completed yet and will be done in close consultation with MTC.</p> <p><b>Preserve:</b> ____ TBD ____ net new units annually through long term affordability covenants or put into nonprofit ownership</p> <p><b>Produce:</b> 30,000-50,000 net new units of housing by 2040</p> <ul style="list-style-type: none"> <li>[ ] Above moderate housing (&gt;120% ami): ____TBD____ units</li> <li>[ ] Middle market housing (81-120% ami):</li> <li>[ ] Affordable housing (&lt;80% ami): ____ TBD ____ units</li> </ul>
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	<ul style="list-style-type: none"> <li>X Legislation</li> <li>X Regional Funding</li> <li><input type="checkbox"/> Statewide Funding</li> <li>X Regulatory Reform</li> <li>X Education and Advocacy</li> <li>X Pilots &amp; Spreading Best Practices</li> <li>X Other: regional agency staffing and consultants</li> </ul>
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	<i>Medium Term – authority, resources and prioritization would take state legislation and funding.</i>
1.10	<b>Feasibility</b>	<p><i>Select one      Rationale: Feasibility varies based on activity. Easy</i></p> <ul style="list-style-type: none"> <li>X Medium</li> <li><input type="checkbox"/> Difficult</li> </ul>

## **Key Element 16: Leverage Publicly Owned Land to Address the Regional Housing Need**

There are nearly 700 acres of developable publicly-owned land near transit in the region which could yield between 30,000 and 50,000 new homes. There is also more public land beyond the proximity of transit, but information on such public land is not compiled in any single location and thus, is hard to analyze.

### **Core Problem: Public land could be available for housing production, but there are numerous barriers slowing down its deployment**

Public land offers a unique opportunity to spur housing production because public agencies can be patient land owners with the potential to provide land at below market rates, and may have a mission or motivation to support high shares of affordable housing and labor standards that can ensure employees can afford to live in the Bay Area. These precious parcels also create opportunities for mission-driven developers to build homes that are permanently affordable to our region's low- and very-low income residents without having to compete against more deeply-pocketed private sector actors for the same land. A number of issues hold agencies back from proactively leveraging their land to address the regional housing crisis:

**Issue 1: There is no full inventory of Public Land.** While MTC has conducted an analysis of developable public land near transit, there is no single clearinghouse for information on public land, making it nearly impossible to pin down the full potential for its development.

**Issue 2: There is lack of agreement about use of public land.** There is not widespread agreement on the affordability expectations for new housing on public land, nor on the expectations for density of new housing. The wide range of public agencies who own property do not necessarily agree on a minimum share of land to be reserved for affordable housing, nor on the minimum density that should be delivered onsite. From a public agency's perspective, decisions about affordability may require discounting or donating land, which many agencies are hesitant to do as they may be assuming land disposition will generate revenue to support their own public operations, or may not be politically palatable among the elected officials governing the use of land. There may not even be agreement on the use of land for housing across departments within an agency. Alignment on the vision for affordability of units on publicly owned land is needed, as is a strategy for gaining buy-in from these agencies' elected officials, and funding affordable housing.

**Issue 3: Land may not be zoned adequately for development today.** In situations where public facilities could be more efficiently accommodated to make room for housing development, the design becomes extremely complicated to ensure operability for ongoing public uses, and funding may not exist to support the relocation or redesign of the public facilities. The region's transit agencies are often committed to property development and have the staffing to execute transit-oriented development, but still lack resources for long term facilities planning, parking replacement, relocation of intermodal and other functions, etc. Typically, these costs come out of the end revenue to the agency, reducing the financial motivation to participate in a private development deal. Other agencies may not even know where to begin to develop their properties, and need basic technical support to overcome the overwhelming tasks of facilities development, relocation, and negotiation with a private developer.

**Issue 4: The State Surplus Land Act requires agencies to offer land for affordable housing, but many agencies do not understand or comply with the law.** California's Surplus Land Act requires public agencies to offer surplus land first and foremost for a number of uses, including affordable housing. The Act requires public entities, when disposing of surplus lands, to give first priority to organizations that will develop residential projects where at least 25% of the units are affordable to low- and very low-income residents. If the public entity does not sell or lease the surplus land to a priority organization, then at least 15% of housing units developed on those sites must still be affordable. This should ensure that affordable housing developers who often are priced out of the market for land have right of first refusal for public property. However, ambiguity in the law has led to many agencies not willingly complying with this provision as they intended to utilize their property for a different use such as economic development. Successor Agencies to Redevelopment, for example, may face complicated and unique financial circumstances that can affect their interpretation of the Act. Although MTC requires compliance with the Act to be eligible for OBAG funds, there is no public body responsible for monitoring public land, much less enforcing the

Surplus Land Act. It is left therefore to the advocacy community to enforce the Act as resources are available to do so, resulting in lost opportunities for affordable housing. AB 2065 (Ting) would have addressed some of the ambiguity in the Surplus Land Act, but was suspended this legislative session.

**Issue 5: Lack of Technical Resources to Implement Sophisticated Land Development Deals.** Agencies have a range of interests and needs for their property, and may not have the technical or financial ability to complete the complicated transactions associated with deployment of their properties. While some cities and transit agencies are committed to development on their land, and have requirements for affordable housing, other agencies such as school districts or community colleges may not have a property development team or interest in development. Similarly, state regulations guiding the design of facilities for various public functions (e.g. emergency services, schools) may hinder the reconfiguration of land for housing development.

**Issue 6: Not all public land is equally competitive for low income housing tax credits and other affordable housing subsidy.** Only a fraction of overall public land is strongly competitive for affordable housing funding programs such as LIHTC or AHSC. Thus while public land as a resource could be a tremendous opportunity for early delivery of affordable housing units, land that is competitive for funding needs to somehow be systemically prioritized and coordinated across fractional ownership. Further, it is worth exploring whether state funding criteria should be modified to expand the pool of public land that can compete for scarce resources.

**Core Solution: Reduce barriers to housing development on public land by ensuring land is adequately zoned, coordinating/monitoring regional public land supply, crafting supportive policies, offering technical support, and providing financial resources to support relocation or redesign of public facilities.**

**Solution #1 (Action Plan #16.1): Modify State Housing Element Law to Require Public Land Identification, and Incentivize its Development with Affordable Housing**

- *State requires jurisdictions to prepare a full inventory of sites under their ownership and their present uses:* As part of the Housing Element, jurisdictions would be required to compile an inventory of all sites under their ownership and their present uses. This information would then be reported to their Metropolitan Planning Organizations (MPOs) and Council of Governments (COGs). Require state-owned land to be included in housing elements, with affordability requirements
- *Allow residential uses on all developable publicly-owned sites:* Amend Housing Element Law to establish a presumption that homes may be built on publicly-owned sites and establish a requirement for a written rationale for its exemption, based on strict State-sanctioned standards (to be debated, ranging from health and safety to more complicated standards).
- *Provide cities and counties with 1.5x RHNA site credit for identifying publicly-owned sites for deed-restricted affordable homes:* Incentivize jurisdictions to identify and zone their publicly-owned sites for affordable homes by providing them with 1.5x site credit towards their Regional Housing Needs Allocation for each of their own publicly-owned sites that they identify and zone for the construction of new deed-restricted affordable homes.
- *State allows streamlining for development on publicly-owned sites meeting SB35 affordable housing and labor requirements.* With residential uses allowed on publicly-owned sites, SB35 streamlining provisions could also be applied to development of these sites when they meet the law's requirements or other affordability standards (to be debated).
- *Make public land more competitive for affordable housing funds to incentivize rezoning:* Modifications to LIHTC, AHSC, other program requirements that could expand acreage of public land that is competitive, or exceptions for public land in certain situations, i.e. In specific plan areas/PDAs/others with transformative vision? Build in incentives to programs that encourage housing development on public lands.

**Solution #2A (Action Plan #16.2): A Regional Housing Entity Monitors Public Land and Supports Surplus Land Act Enforcement for Affordable Housing**

- Obligate agencies through state law to report inventory of public land on a regular basis to COG or regional entity, and what is defined as "surplus." This could be done through the Housing Element strategy defined

above

- Require, through State law, that all public agencies provide their COG or the Regional Housing Entity with 90 days notice prior to selling or leasing any publicly-owned site and ensure that regional entity is staffed well enough to monitor public land, ensure solicitations comply with Surplus Land Act, and implement the act especially its noticing requirements
- Enforcement and reporting could be tied to regional transportation funds, other financial incentives
- For sites not developed with housing (e.g. office development), work with agencies to establish housing impact fees that could support the costs of affordable housing on other public properties or provide funding for housing preservation and/or tenant protection programs within the jurisdiction in question. This could be within an agency, or across agencies through the proposed Regional Entity.

**Solution #2B (Action Plan #16.2): A Regional Housing Entity Provides Resources (Technical Assistance and Infrastructure Funding) to Support Development of Public Land with Affordable Housing**

- Education on the importance of public land and Surplus Land Act to elevate the issues
- Regional technical support for agencies struggling with disposition strategies, to prepare pre-development studies, development feasibility assessments and RFP/Qs for development of affordable housing on public land sites
- Consider grants to fund long term public facilities plans with emphasis on freeing up land for housing
- Offset the costs associated with reconfiguration of public facilities to accommodate housing development
- Funding incentives for public agencies to offer their land at a discount for affordable housing development
- Regional coordination of use of public land – i.e. encouraging prioritization of competitive lands for affordable housing to have a higher share of affordability, through technical support, education of public agency
- Agency would have financial resources and legal ability to bank land for future development if a public agency is disposing of it
- Agency State’s spatial guidelines for public facilities (e.g. school districts) to evaluate potential for changes that could open up land for housing without compromising the quality of on-site public services<sup>3</sup>

**Solution #3: Incentivize Agencies to Adopt Land Disposition Policies Supporting Growth of Construction Industry Labor Force (to be considered in separate Action Plan)**

- State-level incentives (could include streamlining of development approvals, density bonus, and funding) to encourage rezoning of public land, when policies are in place that help expand the trained labor pool available for housing construction
- Funding incentives (i.e. priority consideration for state funding programs such as AHSC and LIHTC) for public agencies with labor requirements for construction of housing on public land, calibrated to ensure affordable housing project feasibility and continued eligibility for state resources.