

EAST BAY: THE RIPPLE EFFECTS OF THE HOUSING SHORTAGE AND AFFORDABILITY CRISIS

Lisa Vorderbrueggen

East Bay Executive Director for Governmental Affairs, BIA|Bay Area

lvorderbrueggen@biabayarea.gov 925-348-1956

Livermore Chamber of Commerce
Jan. 8, 2020

First, the not-so-good news ...

Housing Permit Numbers Went Up in 2018 ... But Not Likely in 2019

Bay Area cities and counties issued 31,892 housing permits in 2018, a 14 percent increase over 2017 and the third year of gains in a row. But as of October 2019, numbers are down.

SAN FRANCISCO BAY AREA HOUSING UNITS: 1967-OCT 2019

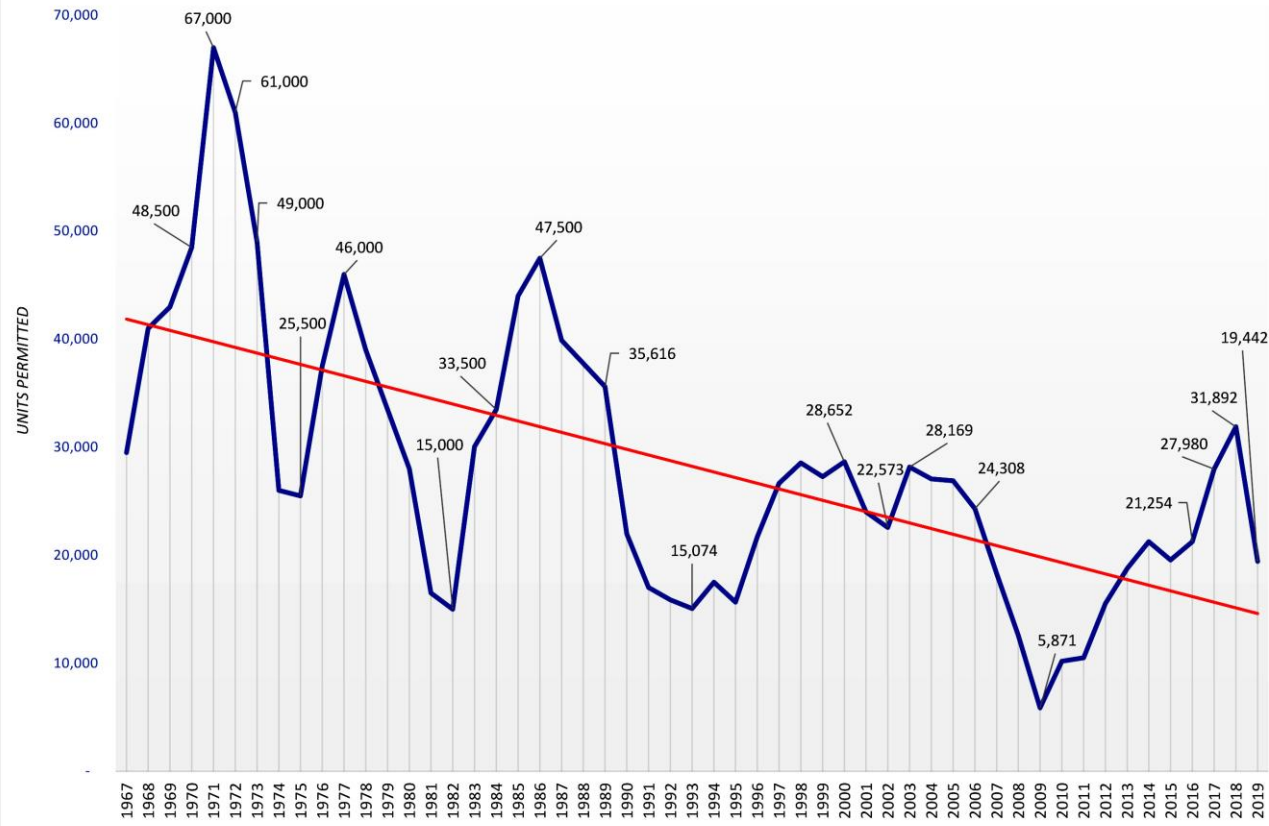
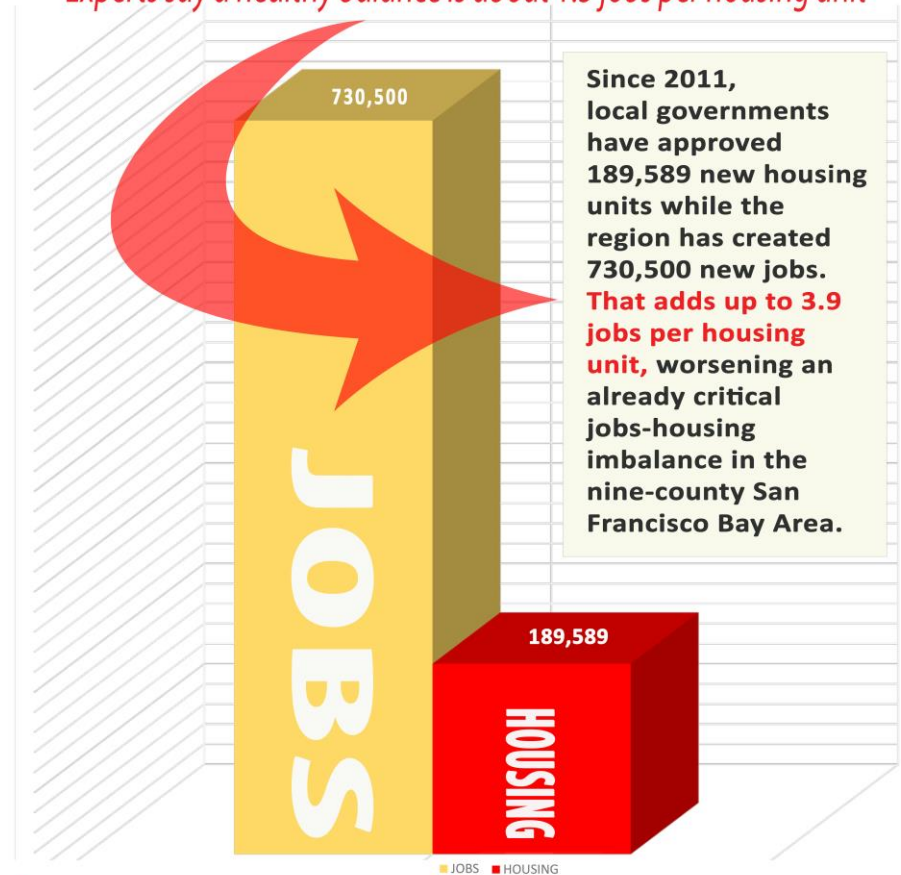


CHART PREPARED BY BIA|BAY AREA ON JAN. 7, 2020, USING DATA PROVIDED BY THE CALIFORNIA CONSTRUCTION INDUSTRY RESEARCH BOARD (CIRB.) FOR MORE INFORMATION, VISIT WWW.MYCHF.ORG/CIRB/HTML.

October 2019

BAY AREA JOBS-HOUSING 'BALANCE'?

Experts say a healthy balance is about 1.5 jobs per housing unit



Jobs-Housing Imbalance Is Entrenched

Despite the uptick, it is too little, too late. The nine-county San Francisco Bay Area has not built enough homes to accommodate its workers in decades and the deficit is staggering. Here is a look at the jobs-housing numbers just for the past nearly nine years.

SOURCE: BIA/Bay Area updated this handout on Jan. 7, 2020, using data from the Metropolitan Transportation Commission's Plan Bay Area 2040, California Economic Development Dept. and the Construction Industry Research Board (CIRB), a service provided by the California Homebuilding Foundation at www.mychf.org/cirb.html.

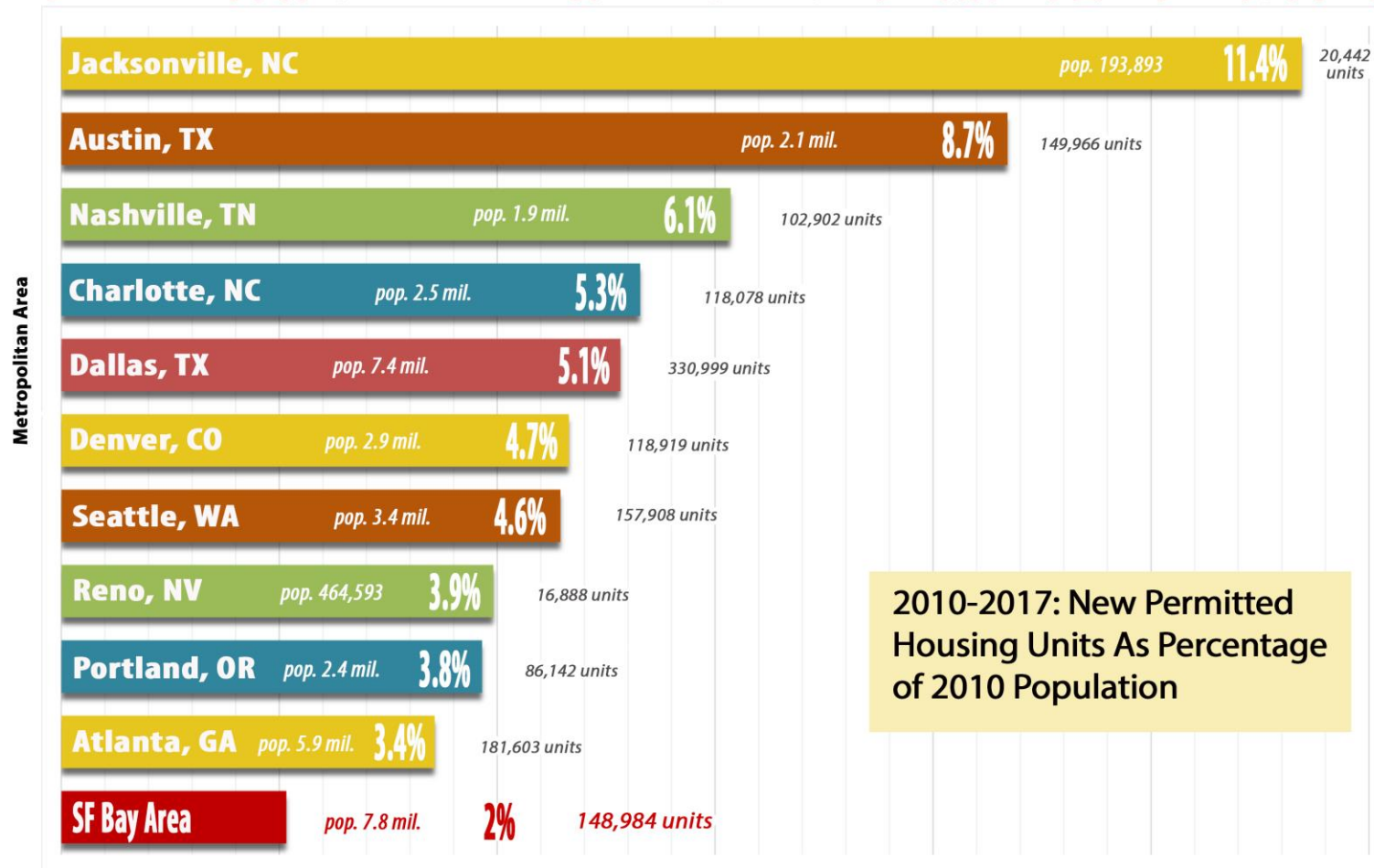
- ▶ More than eight years into its 30-year regional plan for how to provide adequate jobs and homes, the Bay Area is **93 percent ahead on jobs but 22 percent in the hole on housing!**
- ▶ This doesn't even take into account the 1 million housing unit generational deficit.

Other U.S. Metros Are Doing Much More

The Austin, TX, metropolitan area with a population of 2.1 million people built more houses than the entire Bay Area with a population of 7.8 million.

When it comes to building adequate housing,

SAN FRANCISCO BAY AREA LAGS FAR BEHIND TOP U.S. HOUSING PRODUCERS



Sources: Forbes magazine, "The Cities Doing the Most to Address the U.S. Housing Shortage," by Joel Kotkin & Wendell Cox, December 17, 2015; and U.S. Census Bureau Metropolitan Statistical Area and Building Permit Survey data. *The San Francisco Bay Area consists of combined data from its five metropolitan statistical areas. Graphic updated on May 1, 2019, by BIA|Bay Area East Bay Government Affairs Director Lisa Vorderbrueggen: lvorderbrueggen@biabayarea.org.

Why Should You Care?

As the Bay Area News Group wrote recently after examining earnings and home price data in Bay Area zip codes ...



Consider a family earning the equivalent of \$100,000 today:

- In 2012, that family could afford the median rent in 70 percent of Bay Area zip codes. By 2018, the family could afford the median rent in only 28 percent of zip codes.*
- In 2012, if looking to buy a home, that family could afford the median mortgage in 41 percent of Bay Area zip codes. By 2018, the family could afford it in only 18 percent of zip codes.*

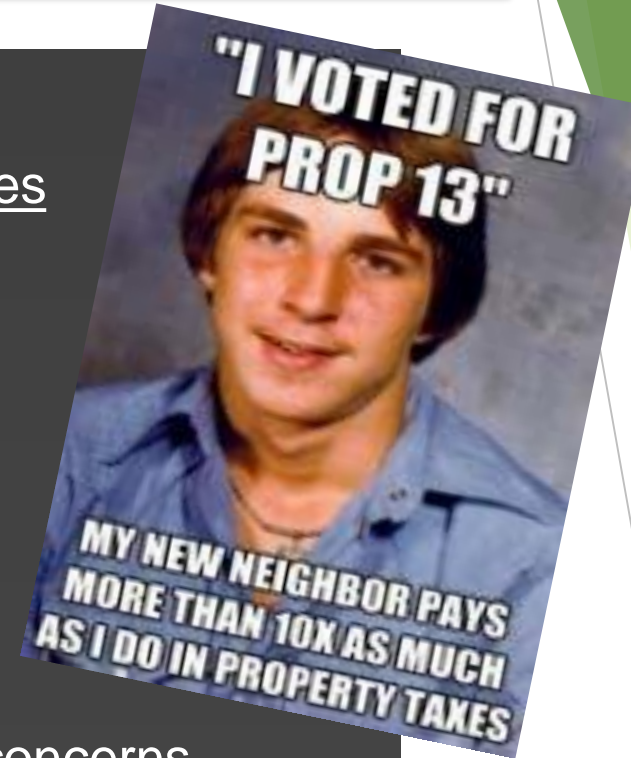
The Bay Area cannot continue to thrive if only the upper echelon can afford to live here. A well-functioning economy requires a diversity of jobs and income levels. We need housing for all those workers. And we need it near their jobs. ...

We must build our way out of this mess — by building more housing, not more freeways. Lots more housing.

Why does the imbalance persist? To quote Denise Pinkston of TMG Partners ...

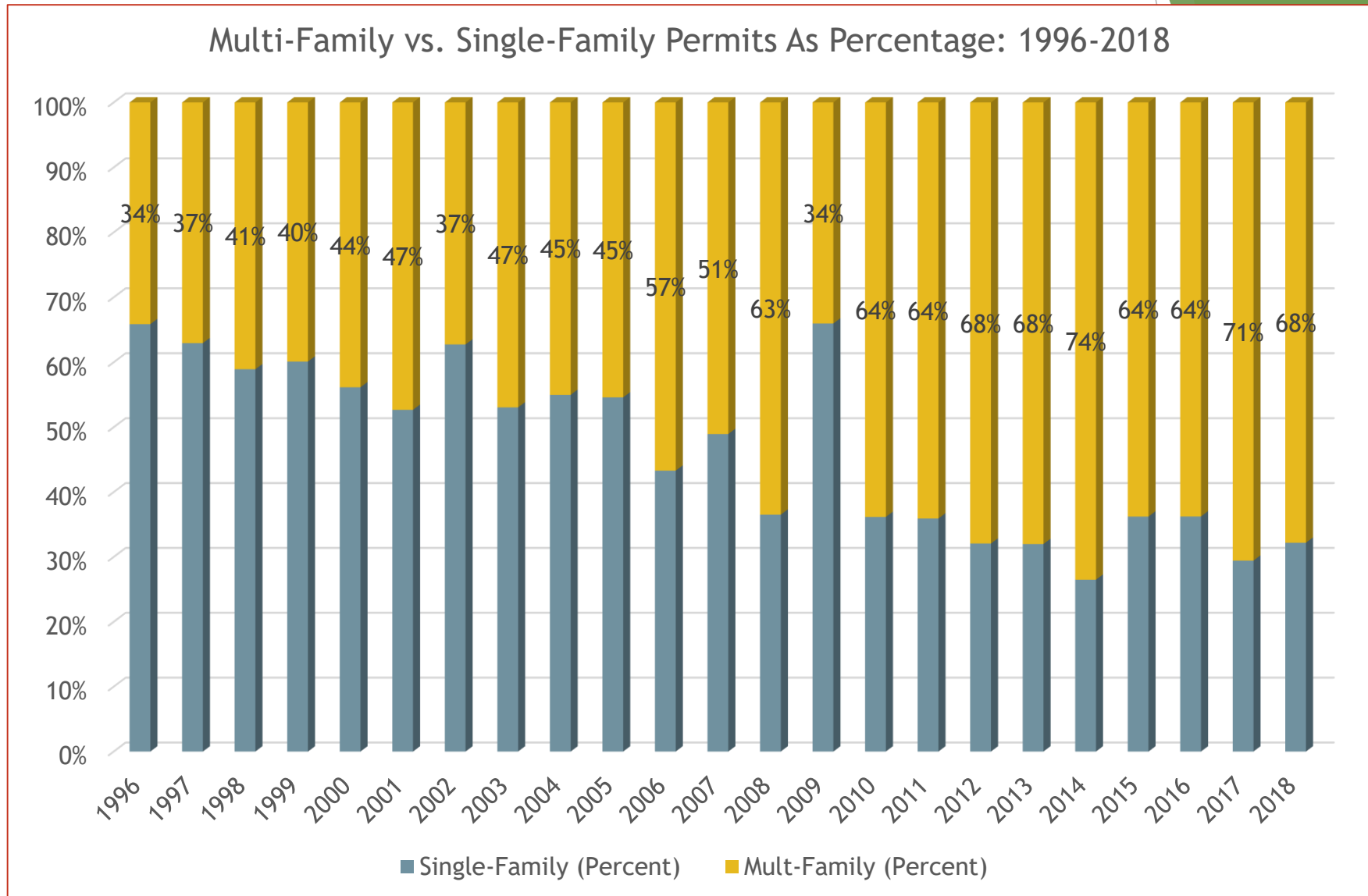
- Homeowners like status quo and to control outcomes
- Fiscal bias against housing (sales taxes preferred)
- Infill is hard (process, fees, land assembly, CEQA)
- Costs rising faster than incomes (25% in 2 years)
- Fewer people can afford to buy or rent.
- State/local costs increasing to solve variety public concerns (green, energy, fees for local services, inclusionary)

The result is a long-term, continued supply imbalance with no middle income housing over time.



New Bay Area Housing Is Getting Denser

In 1996, 34 percent of permitted housing units were multi-family. In 2018, that percentage grew to 68 percent.



Higher Density Housing Costs Exponentially More Than Single-Family

As this slide from Denise Pinkston of TMG Partners illustrates, higher density development is economically feasible only in the most expensive markets.

SFD 	5 du/ac, 2,000++ sf/du 2 story	Single Family Dwellings (SFD). Feasible without subsidy Lowest cost: wood, no union labor, no elevators/ADA ; minimum sales price in Central Valley +-\$300k	
SFD- Small lot 	15 du/ac 2,000++ sf/du 3 story	Feasible in most markets	Cost <u>1.3X</u>/sf SFD
Townhome 	20 du/ac 1,800 sf/du 3 story	Feasible in most markets Low density reduces economies of scale on small infill sites	Cost <u>1.5X</u>/sf SFD
Townhome/Condo 	26 du/ac 1,200 sf/du 4 story	Feasible in <u>more expensive</u> markets Price needs to be above +-\$600,000 or cannot build	Cost <u>2.0X</u>/sf SFD
Midrise 	50-100 du/ac, 350+ sf/du 5 story + Garage	Feasible in <u>only expensive</u> markets Sites need to be +- 1 acre—rare in cities Price must reach \$4++/psf Small units/high rents. Small % of renters who can afford larger units	Cost <u>3.0X to 4.0X</u>/sf SFD
Highrise 	>100 du/ac 350+ sf/du 8-50 story	Feasible in <u>only EXTREMELY expensive</u> markets Price must reach \$4.50/5/6++/psf Few renters/buyers and few places can afford Hard to absorb an entire building-HUGE market risk	Cost <u>5X</u>/SFD

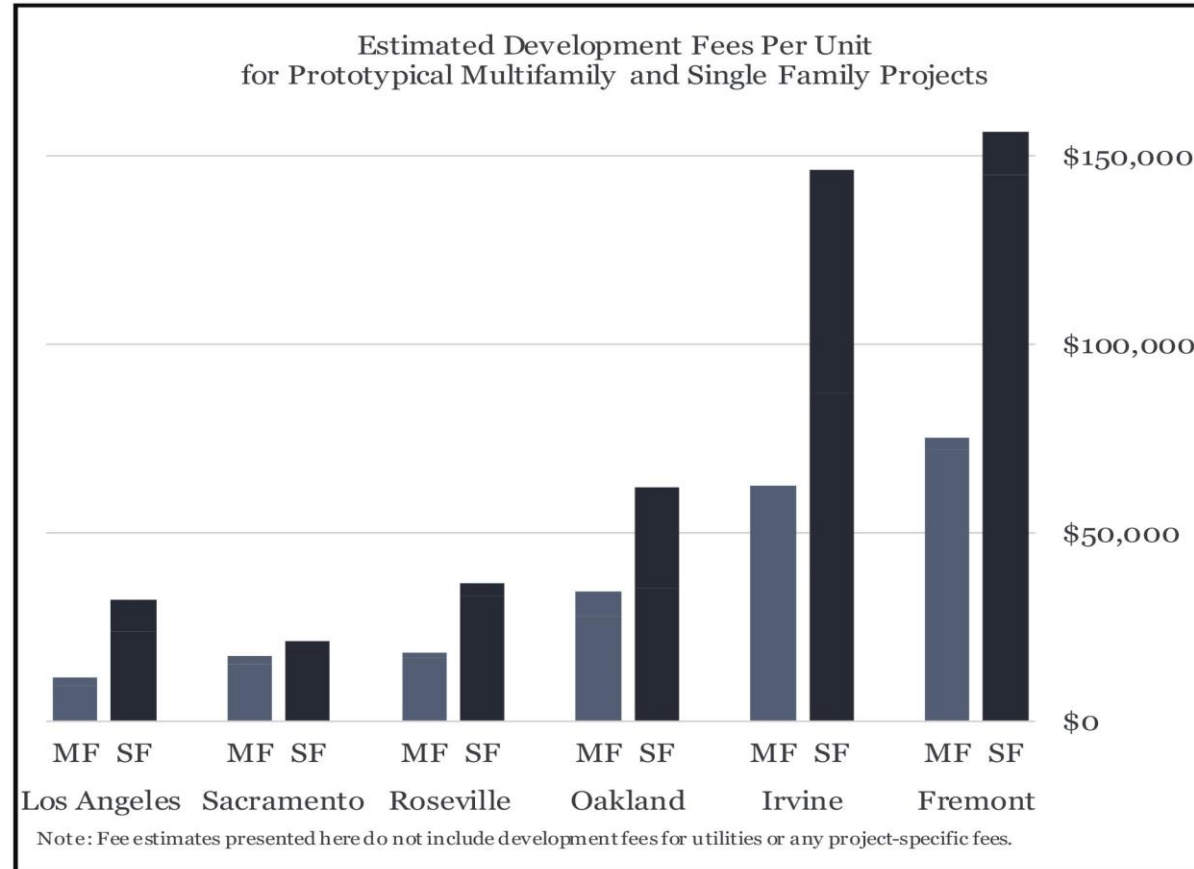
Existing laws provide neighbors and anti-growth activists outsized voices in the decision-making process when it comes to approving housing projects. It is a key driver behind the Bay Area's severe housing deficit:



- ✓ Very often, all it takes is a handful of determined residents to kill or dramatically reduce in size a housing project by applying public pressure on local elected officials.
- ✓ With enough signatures, many housing proposals can be forced onto the ballot and subjected to a public vote.
- ✓ The California Environmental Quality Act, or CEQA, offers persistent opponents multiple legal bites at a project, subjecting it to lengthy and costly delays.
- ✓ State laws intended to promote the production of adequate housing are generally weak and the NIMBYs (Not In My Backyarders) know it.

A study by the Turner Center for Housing Innovation at UC Berkeley recently concluded that individual fees charged by cities add up and substantially increase the cost of building housing.

Fremont topped the list in the Turner Center's study, with charges of \$171,000 per single-family unit. This doesn't include utilities and impact fees must be paid on top of the price of land, labor, construction materials and other costs.



"It All Adds Up," March 2018, Turner Center for Housing Innovation, UC Berkeley



What are development impact fees? Here are a few examples:

- ▶ **Antioch Fire Protection Fee:** \$591 per unit
- ▶ **Dublin Public Facilities Impact Fee:** \$25,755 per single-family unit
- ▶ **Emeryville Affordable Housing Impact Fee:** \$29,014 per multi-family unit
- ▶ **Livermore Park Impact Fee:** \$16,836 per single-family unit
- ▶ **Oakley Traffic Impact Fee:** \$12,406 per single-family unit
- ▶ **Lafayette, Petaluma, Richmond, Oakland, Santa Rosa and Walnut Creek Public Art Fee:** 1 percent of total construction cost of project either as an in-lieu fee or investment in public art onsite
- ▶ **East Contra Costa County Sub-Regional Traffic Impact Fee:** \$18,006 per single-family unit in Pittsburg, Antioch, Oakley, Brentwood and unincorporated portions of Contra Costa County

When Being No. 1 Is Really Bad!

Good grief.

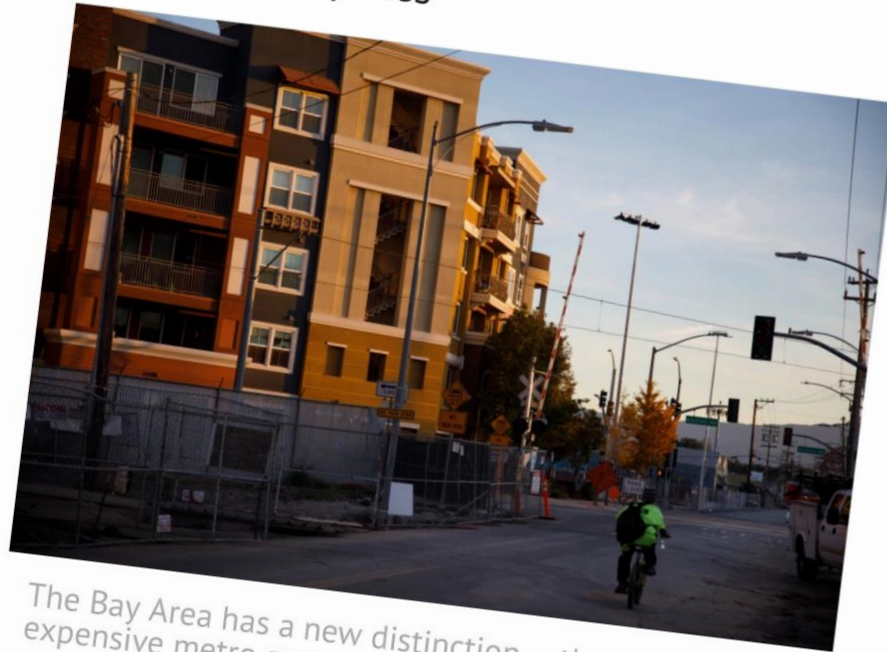
“The Bay Area is the most expensive place in the world to build an apartment building, office tower, hospital, warehouse or school,” wrote San Jose Mercury News reporter Louis Hansen in April 2019.

“And it is not even close. The region is 13 percent more costly to develop than second place New York, according to a new report by UK-based consultant Turner & Townsend.”

Business > Real Estate • News

New Bay Area crown: Most expensive place in the world to build

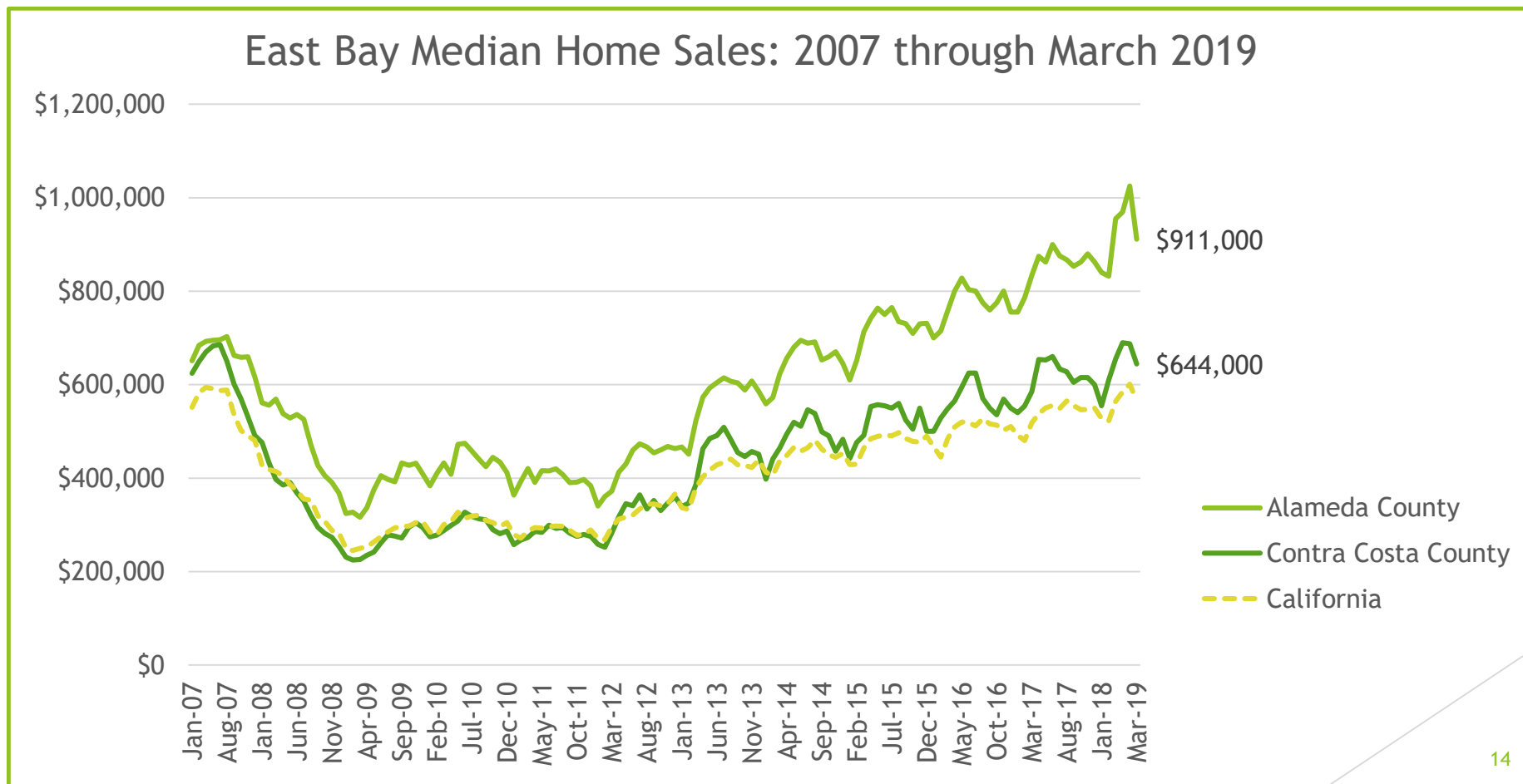
High demand, tight labor and tariffs
lead to record prices



The Bay Area has a new distinction – the most expensive metro area in the world for construction, according to a new report by the British consulting

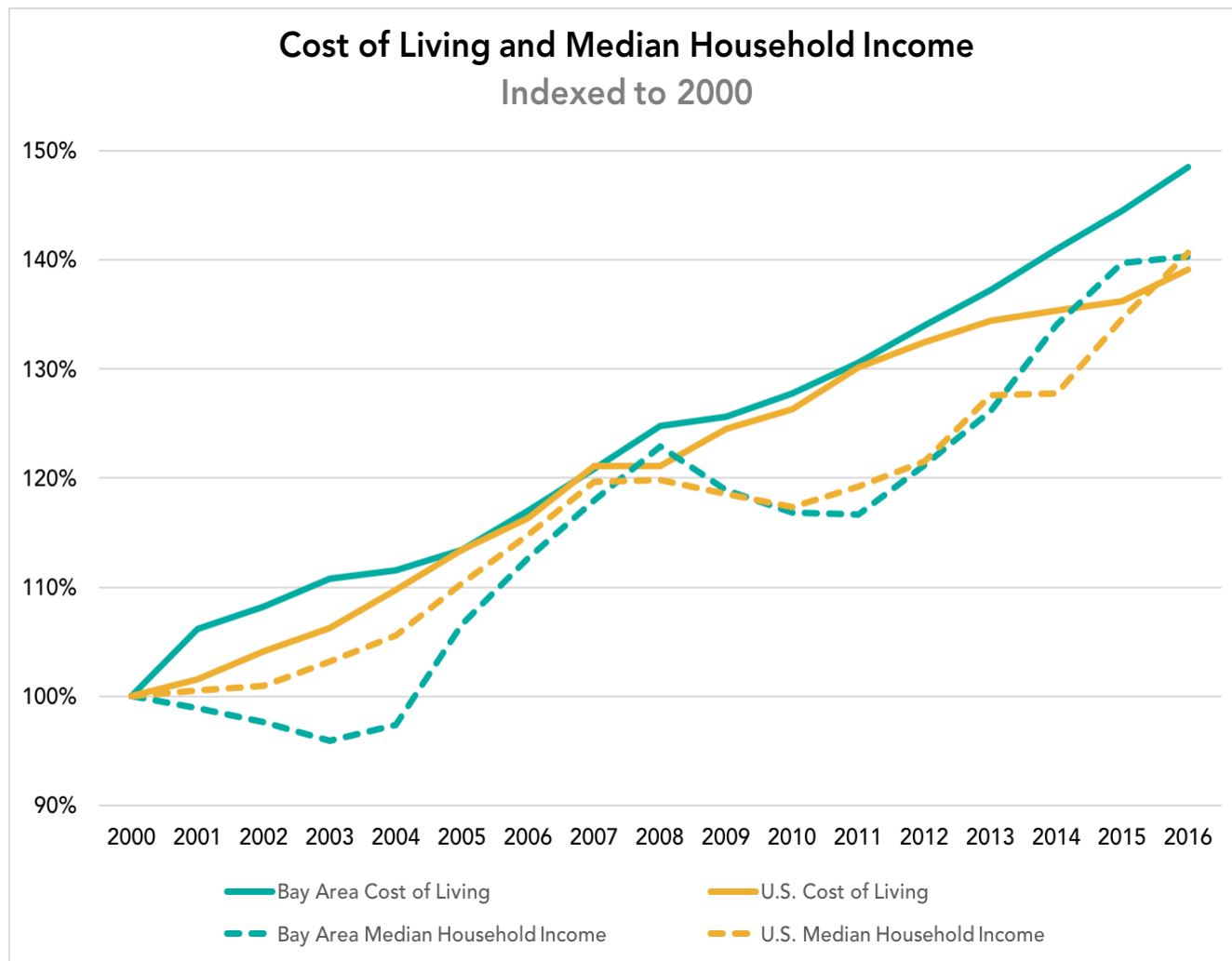
San Jose Mercury News, April 25, 2019, by Louis Hansen

In California in 2016, for every \$1,000 increase in the price of a house, about 15,328 households were priced out of the market for a median-priced home. (National Association of Home Builders)



The Issue is Not Jobs but *Livelihoods*

As Micah Weinberg with the Bay Area Council Economic Institute recently illustrated in this slide, Bay Area household incomes are not keeping up with the region's cost of living - and housing costs are one of the biggest expenses.



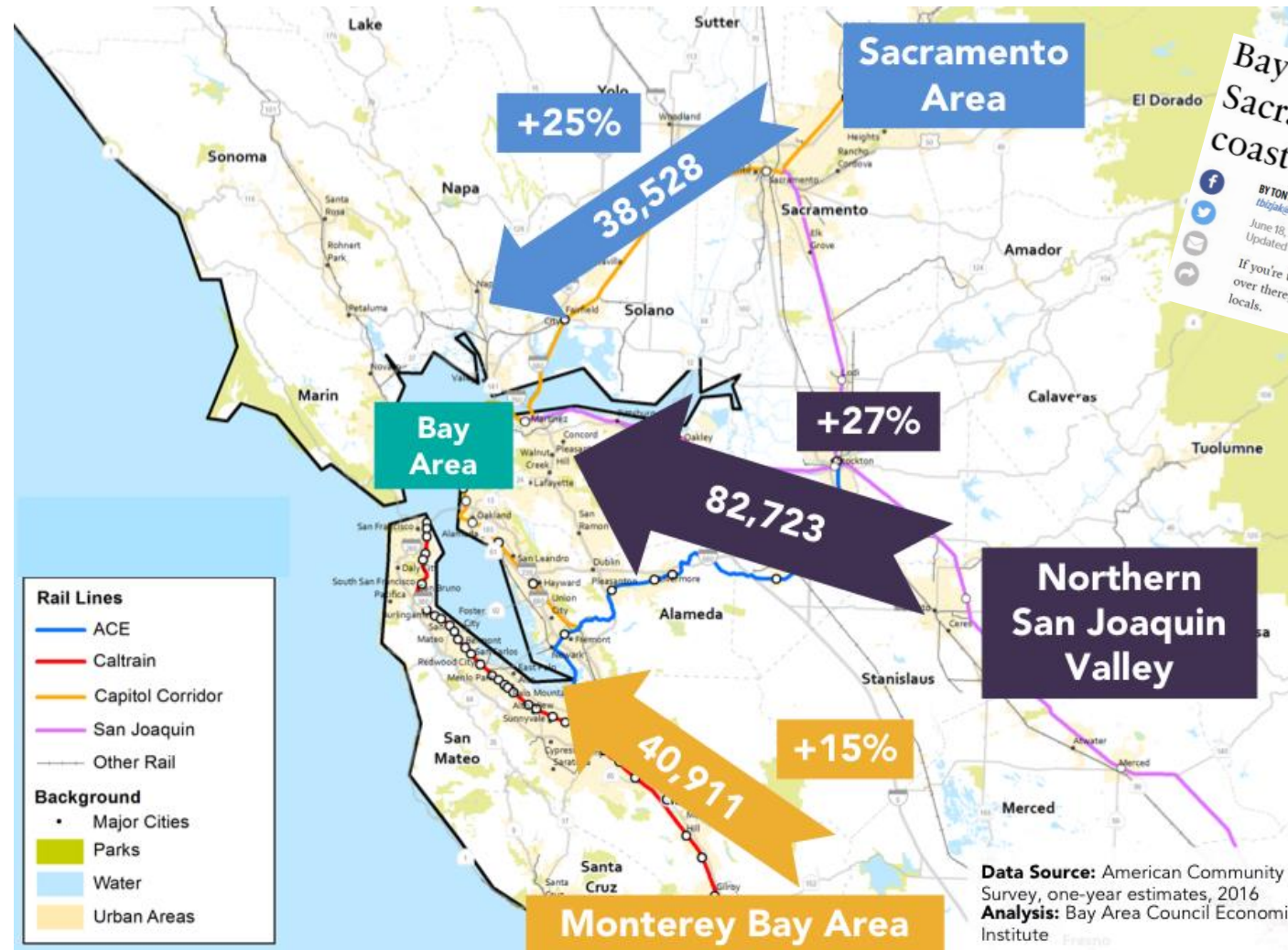
**Median Bay Area
income
\$89,000!**

**Median U.S.
income
\$59,000**

What happens when people cannot afford to buy or rent in the Bay Area?

Bay Area is now effectively a *megaregion*

As this slide from Micah Weinberg at the Bay Area Council Economic Institute illustrates, tens of thousands of Bay Area workers who cannot afford homes close to their jobs look to the outlying regions and spend two or more hours a day commuting.



Source: Census Transportation Planning Products, 2009-2013
Analysis: University of the Pacific

Bay Area residents are inundating Sacramento new home websites. Is a coastal wave coming?

BY TONY BIZIAK
tbizak@sacbee.com
June 18, 2018 12:01 AM
Updated June 18, 2018 12:45 PM

If you're touring a model home this weekend in Sacramento, chances are the ones over there, the ones checking out the quartz counters and sizing up the locals.

From the San Francisco Business Times:
<https://www.bizjournals.com/sanfrancisco/news/2018/06/03/why-nearly-half-of-san-francisco-bay-area.html>

Click to Print News

Why nearly half of San Francisco Bay Area residents plan to leave

Jun 3, 2018, 8:34am PDT

Nearly half of San Francisco Bay Area voters plan to leave the region in the next few years, fed up with exorbitant housing costs and the long commutes caused by the lack of available homes near their workplaces.

Less than 48 hours before polls open for the California election, the business-sponsored Bay Area Council advocacy group released its annual survey of registered voters in the nine-county Bay Area showing that 46 percent are likely to move away, the highest percentage in three years.

Bay Area employers are losing talent and many companies are relocating to more affordable housing venues in the state, or much more likely, leaving California altogether, the Council says, as rising housing costs far exceed the compensation to cover monthly payments.

Housing costs topped the list of issues for the fourth straight year. Not surprisingly, 42 percent of those polled in an open-ended question said the housing crisis was the most troubling issue.

2019 Housing Legislation Highlights

- ▶ [SB 330](#) limits jurisdictions' abilities for the next five years to move the goalposts for housing development projects during their application process and strengthens the Housing Accountability and Permit Streamlining acts. It also bans jurisdictions from downzoning or otherwise adopting standards that would lessen housing intensity on sites zoned or planned for residential.
- ▶ [AB 1482](#) created a new, statewide standard for protecting against the most egregious rent increases and preventing no cause evictions.
- ▶ [AB 1763](#) expands existing density bonus law for 100% affordable housing projects to include unlimited density around transit hubs with an additional three stories or 33 feet of height. This important change could increase the financial viability of more affordable housing projects.
- ▶ [AB 68](#): Allows two ADUs on a single lot, as well as multiple ADUs on multifamily lots. Also limits certain design requirements that cities can impose on ADUs, and requires ADU approvals be completed in 60 days.
- ▶ [AB 881](#): Eliminates ADU owner-occupancy requirements for five years.
- ▶ [AB 670](#): Bans homeowners associations from banning ADUs.
- ▶ [AB 1483](#) requires cities to clearly post their impact fee schedules and nexus studies. (A similar bill, [AB 1484](#) (Grayson-D) would have made more dramatic changes to the state's impact fee regulations, but was shelved towards the end of the session. The issue of impact fees will almost certainly resurface in 2020.)
- ▶ [AB 1485](#) creates more flexibility for Bay Area projects looking to utilize streamlining as provided by 2017's SB 35. AB 1485 recalibrates SB 35 by allowing 20% affordability up to 120% of Area Median Income in cities where above-moderate Regional Housing Needs Assessment goals are not being met.
- ▶ [AB 1487](#) gives the Bay Area's Metropolitan Transportation Commission the authority to raise revenues across the nine-county region, the first such regional government in California to have this power. These revenues will be directed towards the production of new affordable housing, the preservation of existing affordable units, and tenant protection programs.

What will we see on housing in 2020?

- ▶ Most expect to see a slew of bills that purport to address the rising problem of homelessness either through policy, funding or both. A recent PPIC poll showed record high concerns among the public about the increasingly visible homeless population
- ▶ We anticipate that [AB 1484](#), an impact fee reform bill, will resurface. Assemblyman Tim Grayson made it a two-year bill and launched statewide hearings in late 2019. We have yet to see what Grayson will put forward but we've heard that the governor's office is interested in launching a Year of Housing Production and doing something to help make it easier for developers to build housing.
- ▶ Zillow and other real estate experts are predicting a slight softening in the Bay Area housing market, driven by the fact that fewer people can afford to buy or rent. This will do nothing to help boost housing production numbers.
- ▶ Rent Control 2.0 is expected to go on the ballot again, despite an earlier version that lost big at the polls in 2018. Advocates rewrote the legislation to address some of the criticisms and gathered the requisite signatures. The Legislature did adopt a form of rent control in 2019, however, and may not embrace this version.
- ▶ State Sen. Weiner of San Francisco is trying to revive [SB 50](#), which seeks to upzone housing production near transit and in single-family neighborhoods. He has met stiff resistance from community leaders, who view it as an attack on local control.
- ▶ [Prop. 13](#) on the November 2020 ballot asks voters to split the property tax roll, charging commercial properties at market rate while maintaining the 40-year limits on residential homeowners. If this passes, where will the money go?

What can you do to help?

- ▶ Sign up to receive your city council agenda via email and show up or send letters to support housing projects.
- ▶ Support pro-housing legislation and legislators. Visit www.CBIA.org for more information.
- ▶ Tell your local elected officials that adding to the housing supply matters to you. Many electeds say they hear only from narrowly focused but very vocal anti-housing groups.
- ▶ Join the YIMBY - Yes In My Backyard - Movement or at least send money. Check them out at yimbyaction.org or your community may have its own YIMBY group.
- ▶ Watch “A California for Everyone,” a short documentary about how the misuse of the California Environmental Quality Act has led to the current housing crisis at <https://vimeo.com/242696428>
- ▶ When your friend or neighbor complains about the new development under construction down the street and how its residents will clog his streets with their cars and his kids’ classrooms with their children, remind her that she, too, was once the not-yet-arrived resident. But someone took financial risks and secured the approvals to build the home she lives in today. Her neighbors made room for her on their streets and in their schools, stores and parks.

Thank you!

Lisa Vorderbrueggen

BIA| Bay Area

East Bay Executive Director for Governmental Affairs

1350 Treat Blvd., Ste. 140

Walnut Creek, CA 94598

lvorderbrueggen@biabayarea.org

925-348-1956

www.biabayarea.org