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Our Commitment to End Poverty

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New Tools for Local Government to Advance Affordable Housing

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PRESENTERS

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NPH’S MISSION

The Non-Profit Housing Association of Northern California (NPH) sees a future where everyone has a place to call home and where low-income communities and communities of color have the opportunity to stay and prosper in the Bay Area.

We envision a day where everyone has access to an affordable home; and we can improve our health, our children’s educational outcomes, our environment, our transit system, our regional competitiveness and the Bay Area’s diversity and equity.
NPH’s WORK

- Helped pass 3 Bay Area affordable housing ballot measures in 2016 totaling over $2 billion for affordable housing
- 15 housing bills passed and signed by the Governor in 2017
- Getting cities and counties to comply with State housing law
• **AB 1505:** Cities and counties can now require (if they so choose) that new rental developments include affordable units

• **AB 1598:** Cities and counties can now use the growth in their existing property taxes to raise additional funding for affordable housing
AB 1505: INCLUSIONARY HOUSING
WHAT IS INCLUSIONARY HOUSING?

• When a jurisdiction requires that a certain percentage of homes in new housing developments (for rent or for sale) to be offered at below-market rents or sale prices.

• Jurisdictions must also offer alternate means of compliance such as fees, land dedication, off site development etc.
1629 Market Street (mixed income community)
528 market-rate units
158 affordable rental units
30% inclusionary
INCLUSIONARY HOUSING IN THE BAY AREA
THE PALMER DECISION

- A California Court of Appeal ruling in 2009 that prevented local government from imposing inclusionary requirements on new rentals without government assistance.

- Jurisdictions responded by adopting impact fees on new market-rate development or stopped requiring affordable rentals (but they could still require new affordable for sale projects).
AB 1505: “THE PALMER FIX”

• Cities and counties can now require (if they so choose) that new rental developments include affordable units.

• If the city or county had an inclusionary ordinance before the Palmer decision that required affordable rentals, those can go back into effect.
AB 1505: “THE PALMER FIX”

• For NEW ordinances, after 2017, jurisdictions can require that up to 15 percent of new rental units be affordable to households making <80% Area Median Income (AMI)

• **No need for a nexus study** but jurisdictions do need to pass ordinances to implement inclusionary requirement
If a jurisdiction adopts a NEW inclusionary ordinance that requires more than 15 percent of new units to be affordable to households making <80% AMI then it COULD trigger a review by HCD IF they meet the following conditions:

- They failed to meet at least 75 percent of their share of the regional housing need for market-rate units over the past 5 years or more
- They haven’t submitted their annual housing element progress report for two consecutive years or more
RECENTLY ADOPTED INCLUSIONARY ORDINANCES

Redwood City (May 2018):

❖ 20% affordability requirement for new rental developments (10% moderate, 5% low, and 5% very-low). 15% affordability requirement for new ownership developments. Does not trigger HCD review (as Redwood City permitted 316% of its market-rate need)

El Cerrito (May 2018):

❖ 10% affordability requirement for new rental development (5% low and 5% moderate). 12% affordability requirement for new ownership developments (moderate income).
QUESTIONS TO CONSIDER FOR YOUR CITY

• Does your city have an inclusionary ordinance in place?

• Does your city already require inclusionary units in new ownership developments but not new rentals?

• Does your city have impact fees? How do they relate to the local inclusionary ordinance?
RESOURCES FOR INCLUSIONARY HOUSING

- **NPH’s Inclusionary Housing Advocacy Toolkit:** Information on how to craft a policy that best suits your community’s affordable housing needs

- **ABAG’s Housing Website:** Information on which jurisdictions have inclusionary policies and other housing resources

- **Grounded Solutions Network:** Resources on understanding and designing inclusionary policies that work for your local context
AB 1598: AFFORDABLE HOUSING AUTHORITIES
AB 1598: AFFORDABLE HOUSING AUTHORITIES (AHAs)

Allows cities and counties, through adoption of a resolution, to create Affordable Housing Authorities to provide low- and moderate-income housing (up to 120% AMI)
WHY DOES THE BAY AREA NEED THIS TOOL?

- The Bay Area is experiencing MAJOR growth in private investment and commercial office development which is increasing property values. AB 1598 provides a tool to harness some of that growth in property values to pay for the construction of new affordable homes.

Photo credit: torbakhopper, Flickr Creative Commons
HOW ARE AFFORDABLE HOUSING AUTHORITIES FUNDED?

• AHAs can use property tax revenues generated by increases in property values to pay for their activities

• **HOW?** AHAs “freeze” the property tax that taxing entities (i.e. 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 Bradley-Burns)
FUNCTIONS OF AFFORDABLE HOUSING AUTHORITIES (partial list)

- Provide funding for the construction of homes affordable to low and moderate-income households
- Issue bonds
- Acquire and transfer real property
- Borrow money, receive grants, or accept financial or other assistance
- Receive locally allocated funding
- Adopt an affordable housing plan
- Make loans or grants for owners or tenants to improve, rehab, or retrofit buildings within the plan area
AHAs vs. OTHER TAX INCREMENT FINANCING TOOLS

- Not confined to a specific neighborhood type - the area covered by an AHA can be as big as the city/unincorporated county itself
- Full flexibility on how much increment is taken and how large the area to which it applies
- Can be created through a local resolution
AHAs vs. OTHER TAX INCREMENT
FINANCING TOOLS CONT.

- AHAs can issue affordable housing bonds without voter approval (typically bonds require approval by $\frac{2}{3}$ of voters) and pay for bonds using the tax increment.

- NOT Redevelopment (can’t divert property taxes from schools)
HOW TO ESTABLISH AN AHA?

• Adopt a resolution creating an AHA

• Require the AHA to create a Low and Moderate Income Housing Fund and adopt an affordable housing investment plan (various provisions)
HYPOTHETICAL EXAMPLE

• Bay Area City opts to create an AHA that can collect property tax increment from entire city

• Assessed property values increase on an annual basis by $3 million/yr

• Bay Area City issues $60-70 million bond over 45 years (approx. based on increment) to build affordable housing and pays for it using tax increment (no separate ballot measure is necessary)
NEXT STEPS FOR AHAs

“Clean up” bills moving through the legislature:

AB 2035 (Mullin): provides greater clarity for implementation of AB 1598

AB 1792 (Frazier): allows for AHAs to finance affordable housing-related infrastructure
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THANK YOU!  
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1. Affordable Housing NOW! The Veterans and Affordable Housing Act, Wednesday, August 29th:
This November, California voters will have the opportunity to approve the Veterans and Affordable Housing Act which will provide $4 billion to build homes for our veterans, struggling families, people experiencing homelessness and people with disabilities. Join JR Starrett, Director of Advocacy and Community Engagement at NPH to learn about how you and your organization can make a difference this November in making our state a more affordable place to live.

2. How to keep our existing affordable homes affordable, Monday, October 22nd:
Every year, hundreds of homes in the Bay Area whose rents were previously restricted to levels affordable to low-income residents lapse and become market-rate. To combat this widespread problem, in 2017 the State of California passed AB 1521 which greatly strengthens the State’s Housing Preservation Law to ensure that affordable homes can remain affordable for the long-term. Join Danielle Mazzella from the California Housing Partnership Corporation to learn how you can use this law to ensure that the existing affordable homes in your city or county can remain affordable for the long term.