



HOUSING POLICY BRIEF

Ensuring Opportunity's Role in Addressing the Housing Crisis October 2016

The Bay Area is facing a serious housing shortage. The lack of affordable housing has led to high rent burdens, overcrowding, and housing insecurity for a growing number of families, and exacerbates the economic challenges faced by many very-low-income households. The creation of jobs has outpaced the development of new housing in the region. When new housing development occurs, it tends to be disproportionately located in low-income communities of color, and the resulting gentrification and rising rents leads to the displacement of many community members. Addressing the housing shortage and the displacement of low-income communities of color are not our only challenges; we must also address the housing needs of homeless individuals and families.

The purpose of this policy brief is to provide an overview of housing trends nationally, statewide, and countywide, outline potential policy-level solutions for Contra Costa County and provide recommendations on Ensuring Opportunity's most useful role within this complex policy landscape. The potential solutions outlined in these brief are congruent with our existing Policy Framework, which specifically outlines our support for policies that prioritize development without displacement by addressing local housing shortages and ensuring housing stability for both renters and homeowners.

National and Statewide Housing Trends

1. Nationally, the share of renters continues to increase as homeownership rates decrease

Recently released American Community Survey housing data show that homeownership rates continue to fall, dropping 9.4% between 2005 and 2014 (to 63%). Since 2006, most of the housing growth nationwide has been in rental units. In 2015, there were 43.7 million renter households. From 2014 to 2015, the largest increase in type of occupied housing units was in multi-unit rentals, while the number of single-family rentals decreased.

2. Nationally, share of cost burden households declined, but low-income renters continue to be more cost-burdened.

The U.S. Department of Housing and Urban Development (HUD) defines cost-burdened households as those that spend 30% or more of their income on housing. Over the last five years, the overall share of households that are cost-burdened has declined, but renter households are still more likely to be cost-burdened than owner households. In 2015, 49.1% of total renter households (21.4 million) were cost burdened, while far fewer (29.9%) homeowners with a mortgage were cost-burdened.

Renter householders (2015)

Household income	% of households that are cost-burdened
< \$20,000	88.9%
\$20,000 - \$34,999	75.5%
\$75,000+	5.8%

3. *California has the most expensive housing rental markets, and severely rent-burdened households*

California has 21 of the 30 most expensive rental housing markets in the country. According to analysis done by the California Housing Partnership Corp. (CHP), there is a shortfall of 1.5 million rental homes for extremely low-income¹ (ELI) and very low-income² (VLI) renter households. These households are competing for about 664,000 affordable rental homes. CHP attributes the shortfall of available and affordable homes for ELI and VLI households to an 8% decrease in renters' median incomes and a simultaneous 21% increase in rents since 2000, as well as to a 69% decline in state and federal investment in affordable housing since 2008. The Legislative Analyst's Office has also identified local land use and regulatory policies as a major constraint to the production of much need additional new housing.

Among ELI and VLI households not living in an affordable home, 76% are severely rent burdened³. These severely rent burdened households spend 39% less on food and 65% less on healthcare than households with similar income that are not rent-burdened. Among the state's workforce, 32% (4.7 million workers) are very low-income. This includes many teacher assistants, nursing assistants, home health aides, child care workers, cashiers and other workers who are the glue that helps our communities to function. Due to high housing costs, California has the second-highest percentage of overcrowded households, and the worst prevalence of renter overcrowding in the country.

4. *High housing costs drive California's high poverty rates*

California has the highest percentage of people living in poverty of any state when factoring housing costs: 20.6% as defined by the supplemental poverty measure, compared with 15% under the official Federal Poverty Line. For lower-income renters, high housing costs leaves few resources to spend on other essential needs such as transportation, food, and healthcare, and this drives more households into poverty. High housing costs are also contributing to persistent homelessness.

Contra Costa Housing Trends

1. *Lack of affordable housing drives more Contra Costa families into poverty*

Contra Costa is among the California counties with the largest shortfalls of affordable housing. CHP has identified a shortfall of 35,759 affordable, available homes that needed for ELI and VLI renters in our county. In Contra Costa, 73% of ELI households and 38% of VLI households are severely rent-burdened. Between 2011 and 2013, for every 100 ELI households there were only 24 units of adequate, affordable, and available housing.

¹ Extremely low income (ELI) households are those that earn less than 30% of the area median income.

² Very low income (VLI) households are those that earn less than 50% of area medium income.

³ Severely rent burdened households are those paying more than 50% of their income

When housing costs are taken into account, the poverty rate in Contra Costa County increases by almost 50%, from 12.5% to 18.6%, giving the County the 9th highest poverty rate in the State.

In Contra Costa County, rent prices recently increased 2.5% in one month (May 2016). Median rent is now up 9.1% over last year, at \$1,950 for a one-bedroom unit and \$2,300 for a two-bedroom. Rent prices in some Contra Costa County cities have increased by much more than the countywide increases. For example, in Concord, from April to May 2016, rents increased 7.1%. Median rents are up 12.3% year-to-year, with median prices of \$1,600 for a one-bedroom unit and \$1,870 for a two-bedroom. This means that renters in Concord need to earn at least 3 times the minimum wage to afford the average asking rent. In Contra Costa, overcrowding is 43% above the national average – an alarming statistic given that overcrowding has been found to be a critical indicator of negative health, safety, and economic household risk factors for low-income renters.

Due to reductions in federal and state funds and the state’s elimination of local redevelopment agencies, the County’s affordable housing funding decreased by 71% (\$39.5 million) from 2008 to 2014.

2. Homelessness in the county

The housing crisis in our region continues to leave many people homeless. The County's 2016 Point in Time Count found that 3,500 individuals were homeless or at risk of being homeless⁴. While this was a small (6%) decrease from the prior year, it is still a very high number. Of those individuals counted, 32% were unsheltered, 18% were sheltered, and 50% were at risk of homelessness. Of the households that were literally homeless, 7% were families with children. From 2015 to 2016, there was a 33% increase in the number of people sleeping in uninhabitable locations in East County, even as there was a decrease in West and Central County.

Analysis: State and local solutions to addressing the housing crisis

Rather than seeking a single “silver bullet” policy that will solve the housing crisis, it needs to be addressed through a mixture of policy solutions that tackle the problem from a number of angles. We need solutions that:

- address the needs of people who are homeless or at risk of becoming homeless
- prevent the immediate displacement of low-income communities, and
- increase affordable housing options for low-income communities

Following is a brief outline of potential policy strategies that Ensuring Opportunity may engage in to help meet the housing needs of the most vulnerable residents in our county. All of the solutions described below are congruent with the Ensuring Opportunity Campaign’s Policy Framework.

Addressing the needs of people who are homeless

Permanent Supportive Housing: Using a “Housing First” approach, in this strategy housing is targeted to chronically homeless residents, and in particular those who can benefit from on-site mental health, substance abuse, and medical care services. Programs under this model take various approaches to housing, including providing housing in units reserved for the program’s tenants (project-based housing)

⁴ At risk of homelessness are those individuals who were at imminent risk of losing a temporary sleeping arrangement and were not yet homeless per the HUD definition.

or providing assistance in obtaining and keeping housing through the open market. In addition to mental, substance abuse, and medical care support services, tenants can also receive support in seeking employment. Residents of permanent supportive housing pay no more than 30 percent of their income toward rent and basic utilities and stay in the program only as long as they need or “graduate” to another program. There is strong evidence that this model is an effective approach to the problem of homelessness, especially for people with psychiatric disabilities. In Contra Costa, only 3% of permanent supportive housing residents become homeless again.

Rapid Re-Housing: The goal of this strategy is to rapidly connect residents with permanent housing and offer time-limited financial resources and targeted supportive services. There is strong evidence that this approach is a more effective intervention for homeless families than offering emergency shelter and transitional housing. Families served through a rapid rehousing program are homeless for shorter periods of time, more frequently exit to permanent housing, and are less likely to return to homelessness compared to families that go to shelters and transitional housing. In addition, rapid rehousing is less expensive per exit to permanent housing. For example, in Alameda in 2012, the average cost for a successful exit through rapid rehousing was \$2,800, compared to \$25,000 for a successful exit from transitional housing.

Zero: 2016 Initiative: Ensuring Opportunity has been active in the county’s Zero: 2016 initiative, which is working toward the functional end of homelessness in the county. The county has met its initial goal of ending homelessness among veterans, meaning that more veterans are being permanently housed than are entering homelessness. As members of the Zero: 2016 Community Outreach and Engagement Committee, Ensuring Opportunity staff are developing strategies to increase the pool of landlords willing to rent to residents emerging from homelessness. The committee is also implementing a fundraising plan to increase funds in the new Housing Security Fund (administered by RCF), which is designed to do two things: provide reassurance to landlords by offering to reimburse the costs of any damage caused to the unit by formerly homeless tenants; and addressing one-time expenses (e.g., deposits, PG&E bills that are in arrears, etc.) that can prevent residents from getting back into permanent housing.

Addressing the needs of people who are at immediate risk of becoming homeless or being displaced

Rent Control and Just Cause for Eviction Protection: This is the most well-known and time-tested tool to immediately protect households from sudden rent increases and unjust evictions. The benefit of these policies is their immediate impact in preventing community displacement and fracturing. Refer to the Ensuring Opportunity rent policy analysis paper for more details on this policy solution. For the past six months, Ensuring Opportunity has worked with a diverse coalition of local residents, labor organizations and faith communities to prevent the displacement of many low-income Concord residents due to significant and repeated rent increases. In June 2016, the coalition organized a “Raise the Roof” community forum, attended by more than 150 residents, advocates and elected officials, to share information on the growing local housing crisis. The coalition is currently working with the City Council to request a temporary moratorium on rent increases and evictions until a permanent rent stabilization ordinance can be developed.

Addressing our region's chronic housing shortage

Longer-term solutions to addressing the housing crisis focus on strategies such as 1) increasing the overall supply of housing stock through market rate housing development; and 2) increasing the supply of housing that is affordable for low-income families.

1. Expand the supply of market-rate housing

Regulatory Reform:

Reexamining and reforming policies related to land use could reduce some of the barriers to development and streamline the process for approvals and construction. Strategies frequently mentioned include:

- Facilitating infill and higher density development
- Encouraging change in local financing practices to prioritize multi-unit construction projects
- Eliminating off-street parking requirements
- Reducing entitlement processes
- Reforming CEQA to be more streamlined and transparent

Mitigating these barriers may increase the ability of housing developers – both market-rate and nonprofit – to supply sufficient housing to meet demand and thus, over time, alleviate the chronic housing shortage in our region.

Accessory Dwelling Units (ADUs):

ADUs are additional living quarters that are added to single family lots that are independent of the primary unit. (In a slight variation, Junior Accessory Dwelling Units (JADUs) are segregated spaces that are created within an existing home.) ADUs units are a cost-effective and environmentally friendly way to increase the supply of housing, though they are not viewed as a large-scale solution to the housing crisis. Because development costs don't include the purchase of land, project costs are far less than a traditional new home development, which makes it more feasible for ADUs that are rentals to be priced at a more affordable rate (though it is up to the homeowner to decide what rent to charge). ADUs benefit homeowners by providing them with extra income. Many cities have strict planning codes and zoning requirements that make it hard for property owners to add secondary units. The Governor recently passed Assembly member Tony Thurmond's Junior Accessory Dwelling Units bill (AB2406), which facilitates the creation of ADUs. Ensuring Opportunity has been involved in preliminary conversations with Concord City planning staff about easing codes and permit fees for JADUs. With AB2406 now being implemented, we will seek opportunities to work with other jurisdictions in Contra Costa that are open to streamlining JADU approvals and associated fees.

2. Expand the supply of housing that is affordable to low-income families

A. Increase revenue streams to support the development of affordable housing:

Housing Impact Fees: This is a fee levied at the local jurisdiction level on market-rate developers, that can be dedicated for affordable housing. To impose an impact fee, local jurisdictions must perform a Nexus study to assess the extent to which new market-rate construction triggers a need to affordable housing.

- Oakland recently adopted a housing impact fee, with most of the revenue earmarked to build affordable housing and small additional amounts allocated toward infrastructure and capital improvements. Fee revenue is deposited in the city's affordable housing trust fund.
- Other Bay Area cities that have housing impact fees are Mountain View, Fremont, San Francisco, Walnut Creek, Santa Rosa, and Berkeley. Fees range from as little as \$3 per square foot to \$20.25 per square foot.
- The Concord City Council is in the process of considering adopting an impact fee to respond to local housing affordability concerns.

Affordable Housing Bonds: In two Bay Area counties (Santa Clara and Alameda), affordable housing bonds have been placed on their November ballot.

- If approved by voters, the Alameda bond will generate \$580 million for affordable housing. The bond could provide up to 8,500 new rental units for low- and middle-income households, permanent supportive housing for homeless residents, and funding to help low- and middle-income families become homeowners. The Non-Profit Housing Association of Northern California (NPH) estimates that with the funds generated by the bond, Alameda County could potentially meet up to 70% of its need for affordable homes for low- and very low-income families.
- The Santa Clara bond will generate \$950 million. The bond will provide funds to build housing for homeless community members, low- and moderate-income renters, and first-time homebuyers. The majority of funding will be used to house extremely low-income households.
- San Francisco approved a housing bond in 2015.

Note: Since bond measures require approval by two-thirds of the county's voters, putting a bond measure on a ballot on a non-presidential election year may make it more difficult to pass.

Community Land Trusts: This strategy involves nonprofit, community-based organizations that acquire land to be used for development, primarily to ensure long-term housing affordability. Community land trusts help low-income families to build equity, and help to reduce displacement during periods of rapid property value changes. Prospective homeowners enter into a long-term (up to 99 years), renewable lease instead of a sale. When the homeowner is ready to sell, they retain a small portion of the increased property value and the remainder goes back to the trust. Property owned by a community land trust may also be used for affordable rental housing.

Bay Area community land trusts include:

- Community Land Trust of West Marin
- Northern California Land Trust
- Housing Land Trust of Sonoma County
- Oakland Community Land Trust
- San Francisco Community Land Trust

B. Maximize existing housing stock:

Accessory Dwelling Units: ADUs are considered to be “naturally affordable” housing options, since many homeowners charge below-market rate rents. (See *Expand market-rate housing* section above for more details.)

Recommendations for Ensuring Opportunity’s role in addressing the housing crisis in Contra Costa

Ensuring Opportunity has spent the past several months building strong working relationships with organizations, stakeholders, and community members who are committed to addressing the housing crisis. Given what we have learned from conversations with these key stakeholders, the value of the strategic relationships we have established, and our analysis thus far of the local housing crisis and the landscape of potential solutions, we propose moving forward as follows:

1. Continue to expand our engagement in local collaborative efforts

- Continue to support the Zero 2016 initiative through the Community Outreach and Engagement Committee.
- Support displacement prevention efforts (rent control and just cause ordinances) in Concord and beyond as opportunities arise across the county.
- Promote ADUs, given the recent passage of the new legislation
- Promote and support housing impact fees as they are discussed and considered throughout cities in the county. Concord City Council is currently in the midst of discussing a housing impact fee.

2. Amplify and connect the discussions and strategies being intensively discussed by leaders and stakeholders within every sector and region of our county.

- Host a countywide Ensuring Opportunity convening in early 2017.
 - Bring together diverse organizations, stakeholders, and community members to discuss regional, countywide and localized efforts to address the housing crisis.
 - Anticipated outcomes of this convening include:
 - Create a shared knowledge basis regarding the scope and impact of the local housing crisis
 - Educate key stakeholders about existing and potential solutions
 - Acknowledge and elevate local solutions that are working or showing promise
 - Inspire local residents, community leaders, influencers and decision makers to take action collectively and within their own sphere
- Utilize Ensuring Opportunity’s communication channels (social media, website, blog, newsletter) to strategically amplify the conversation, inform and educate key stakeholders, and engage and influence key decision-makers.

3. Explore statewide and regional solutions and advocacy efforts

We are exploring where Ensuring Opportunity can make the most meaningful impact within Contra Costa, regionally and at the state level. With a number of housing-related measures on the ballot both within Contra Costa and around the Bay Area, and several key seats being contested at the local level, it will be important to assess the political landscape after the election, to see where the momentum is and where new opportunities might emerge. In addition, our strong partnership with the Rise Together regional campaign – given their strong focus on housing issues in their new policy platform – has the potential to create strong opportunities for regional collaboration.