SANTA CLARA COUNTY HOUSING TASK FORCE

"PUTTING IT ALL TOGETHER"

November 27, 2001

SANTA CLARA COUNTY HOUSING TASK FORCE:

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SECTION I

ACKNOWLEDGEMENTS

HOUSING TASK FORCE

The Housing Task Force has brought together a unique and qualified group of our housing community. Listed below is just a partial list of those who have supported our efforts and who have dedicated many hours of hard work to this process.

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City of Milpitas
Fremont Union High School District
Housing Authority of Santa Clara County
Immigrant Action Network
Innvision
Los Gatos Union School District
Oak Grove School District
PACT
Project Match
San Jose Unified School District
Santa Clara County Department of Drugs and Alcohol
Santa Clara County Department of Mental Health
Santa Clara County Employee Services Agency
Santa Clara County Foster Care Service
Santa Clara County General Services Agency
Santa Clara County Housing and Community Development Program
Santa Clara County Planning Department
Santa Clara County Public Guardians Office
Santa Clara County Social Services Agency
Santa Clara Unified School District
Santa Clara County Association of Realtors
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SANTA CLARA COUNTY HOUSING TASK FORCE:

SECTION II

EXECUTIVE SUMMARY

SANTA CLARA COUNTY HOUSING TASK FORCE REPORT

FORWARD

It is with a great deal of gratitude and satisfaction that I submit this report to the Board of Supervisors (BOS) on behalf of the Santa Clara County Housing Task Force (HTF). My thanks go first to BOS Chair Beall for allowing me the opportunity to serve as HTF Project Director. This project has been an enlightening and challenging experience, and I am humbled by the level of knowledge, capacity and dedication I have observed in the dozens of people I encountered along the way.

I also owe a special debt to Caroline Judy and Jean Cohen of Sup. Beall's office for their tireless effort over many, many long hours; to County Executive Richard Wittenberg, for his willingness to consider our proposal in the face of a looming fiscal crisis; to Interim Housing Coordinator Ray Villareal, for his devotion to the process while shepherding the four HTF Work groups under his supervision; and to the Steering Committee members who guided their groups: Chris Block and Poncho Guevarra of the Housing Trust of Santa Clara County, for the Regional Housing Action Plan Committee; Alex Sanchez, Executive Director of the Housing Authority, and Bonnie Bamburg, Director of New Development for Community Housing Developers, for the Government Surplus Land Committee; Will Lightbourne, Director of SCC Social Services Agency, and Frank Motta, Program Officer for Corporation for Supportive Housing, for the Special Needs Housing Committee; and Roger Barnes, Director of Education Partnerships for Santa Clara Unified School District, and Kristy Sermersheim, Executive Secretary-Vice President of SEIU Local 715 for the Public Service Employee Housing Assistance Committee. Countless other county staff from various departments also contributed time, expertise, and support as well.

Regarding the report, let me be clear that I am not the author, nor even the editor. My role during this phase of work has been that of a part-time director, overseeing and compiling work and information created in countless meetings, and reviewing hundreds of pages of documents. Let me also add praise for my colleague, Susan Silveira, who performed a valuable function by reading and synthesizing more than 26 reports produced by other groups that served as a basis for the work of the Regional Housing Action Plan Committee, one of the five HTF Work Groups. In addition, Ms. Silveira helped to review, compile and collate the contents of this report.

In addition, let me also point out that this document is not intended to be a "final report." The work that has just been completed is, in fact, simply the first phase of a lengthier project. Many of us recognized early on that achieving the identified goals of the various committees would require more discussion, additional participation by interested parties, and time to achieve consensus among the cities, school districts, and other jurisdictions in the county. The recommendations contained herein will require additional scrutiny and discussion, as well as consideration of implementation aspects, including fiscal impacts. This document serves to inform all readers of the scope and nature of the work, as well as of the basis for eventual recommendations.

However, it is also extremely important to note that this document covers the very intensive and comprehensive process just completed, and that its "update" status is not meant to sell it short. A great deal of research and analysis was conducted during this phase. And supplemental research on certain aspects of the housing crisis continues. (Some of that newer research is included in this document, albeit in somewhat raw form). I urge the reader, and subsequent Steering Committee convenors to make use of this valuable information. Other groups and efforts, too, may find this data useful.

In fact, local State Assemblymember Manny Diaz has recently convened a Select Committee on Silicon Valley Housing, appointing many to his committee who have also served on the HTF. We have encouraged Assemblymember Diaz to make use of some of the HTF work. In a hearing convened in November, Assemblymember Diaz and several of his Assembly colleagues along with representatives from State housing agencies heard about the HTF process, and voiced great interest in the regional aspects of it.

Finally, let me state my fervent hope that the BOS will endorse this report, without discussing the numerous recommendations. This is not the appropriate time to consider specific recommendations, other than those noted in Sup. Beall's transmittal memo. However, the work of creating housing affordable to all Santa Clara County residents is far from finished; we encourage the BOS to lend its support, and to promote the leveraging potential that a regional housing effort could produce.

Thank you for this opportunity to be of service.

Respectfully submitted,

Paul A. Wysocki
November 26, 2001

SANTA CLARA COUNTY HOUSING TASK FORCE

REPORT SUMMARY

INTRODUCTION

It has been the mission of the Housing Task Force to thrust the County into a new public leadership role as ***"the countywide affordable housing champion."*** Consideration of jurisdiction, protocol and tradition were recognized and respected, but the severity of the crisis and the lack of comprehensive, compelling solutions inspired committee members and took precedence above all else. The prevailing sentiment has been that, while the region's jurisdictions have done many things to address the housing crisis; it has not been enough, and it is time to coordinate land use and housing decisions with the greater interests of the region.

Housing advocates see the Housing Task Force process as an opportunity to create a countywide affordable housing "champion." Others see opportunities for the County to fill several major regional policy and planning deficiencies, while some see the County becoming more vocal at the state and federal levels. All however, envision groundbreaking policy that unites all jurisdictions, public institutions and agencies into a synergistic effort to mitigate the housing crisis.

THE HOUSING TASK FORCE PROCESS

The Housing Task Force (HTF) was created by Supervisor Beall in his State of the County address in January, 2001. After several months of planning by a Steering Committee, the HTF first met on May 17, 2001 and was comprised of over 150 professional, volunteer housing advocates, developers, service providers, city and county housing staff and elected officials. All areas of the county and all affordable housing interests were represented. The HTF was divided into 5 subcommittees: 1) Regional Housing Blueprint; 2) Special Needs Housing; 3) Public Employee Housing Assistance; 4) Government Surplus Land; and 5) Community Land Trust. Four committees met approximately every two-three weeks from late May through August, while the Countywide Housing Blueprint Subcommittee met until mid September.

Each Subcommittee was advised of the time constraints of the process and recognized their work was limited to developing broad policy and strategy recommendations that would be refined later. Within their subject area, the Subcommittees conducted the following analysis:

- Define the affordable housing problem and needs
- Identify barriers to affordable housing, especially in Santa Clara County
- Identify key stakeholders in affordable housing and resources
- Develop strategies using short, medium, and long term goals
- Objectives must be focused
- Recognize/redefine the County's role in housing production, creation, and preservation
- Recognize the work of others and if possible, build upon that

As work of the Subcommittees progressed, policy and strategy recommendations initially focused on the specific concerns of the group, but quickly grew into far-reaching recommendations. Many of the recommendations overlap and most are still in a very rough form, because again, the process and time constraints did not lend itself to developing a refined product. It is, however, the intention of the Steering Committee that the recommendations will be reworked and further developed through a "transition period".

STRATEGY AND POLICY RECOMMENDATIONS

This summary briefly groups the major recommendations of the Subcommittees by overall project objectives that the Steering Committee intends to accomplish during the 'transition phase." The overall project objectives as formulated by the Steering Committee are as follows:

1) Regional Leadership and Advocacy
2) Infrastructure and Organization
3) Acquisition and Allocation of Resources

I. Regional Leadership and Advocacy

1) The Board of Supervisors should adopt a resolution declaring a **"State of Affordable Housing Emergency"** and announce a number of major action steps to be taken along many fronts. Possible action steps may include but are not limited to the following and the final resolution has not yet been approved by the Steering Committee.

2) In partnership with local jurisdictions and institutions, the County should establish a countywide Housing Advisory Commission (HAC) for planning and implementing a regional housing action plan. Key issues the regional forum will address include:

   - The use of publicly owned surplus land for affordable housing
   - Creating affordable housing opportunities for all public employees
   - Creating affordable housing opportunities for special needs persons and families
   - Developing comprehensive, consistent favorable land use and affordable housing policies throughout the county
   - Addressing the jobs/housing imbalance in the county

3) In partnership with local public jurisdictions and institutions the County should initiate a countywide Housing Education and Finance Assistance Program for all public employees.

   - This multi-jurisdictional program will establish a revolving loan program and provide rental and home buying assistance to public employees in Santa Clara County.

4) The County should take a proactive, local leadership role becoming the affordable housing advocate throughout the county. In this capacity, the County should facilitate the following:

   - Bringing together developers, service providers, city, state and federal agencies and resources for the purpose of developing affordable housing projects
   - Advocate for favorable land use policies and set asides for affordable housing developments
   - Advocate for cities to allocate 50% of their redevelopment funds to affordable housing
   - Further develop existing lobbying resources

5) The County should become an active and visible advocate at the state and federal levels of government. The County should work for the following:

   - Prepare an analysis of how state and federal housing programs in the county work or do not work here
   - Advocate for funds, tax incentives and programs (i.e., National Housing Trust) aimed at developing affordable housing in high cost counties throughout the state
   - Advocate (on behalf of local nonprofits and service providers) developing flexible conditions and consistent reporting requirements on the use of state and federal funds for affordable housing
   - Advocate for Housing Element reforms
   - Advocate for construction defect legislation
   - Encourage our state delegation to lead a large-scale effort to review and reform state licensing requirements and code
   - Advocate for legislation establishing Housing Redevelopment Zones
   - Advocate for reform of Proposition 13 and its many variants

II. Infrastructure and Organization

1) The County should redefine what constitutes surplus land and compile an inventory of all vacant or surplus land owned by local, state and federal governments, institutions and agencies in the county.

2) The County should create an Affordable Housing Unit to coordinate the development of new County housing service efforts, as well as support existing efforts, including but not limited to the following:

   - Facilitate coordination of current housing efforts of County departments
   - Gather critical data and determine housing needs of County special needs clients and public employees
   - Establish affordable housing information services (Housing Education Assistance Program) for special needs clients and public employees
   - Seek and acquire new resources

- Provide resource acquisition assistance to developers and service providers
- Use County resources to facilitate local projects
- Develop marketing strategies and materials directed towards the county in support of affordable housing
- Advocate for affordable housing issues at the local, state and federal levels of government

3) The County should establish a Special Needs Housing Education and Assistance program for special needs clients and housing service providers.

    - Services provided by the County would include ongoing rental and down payment assistance, as well as emergency assistance and life skills training.

4) The County should establish "best practices" policies in Special Needs Housing management, including:

    - Developing ways to encourage and reward successful programs
    - Facilitating the development of new community based special needs housing models and developing innovative designs that would be effective in Santa Clara County

5) The County should establish a County Housing Department for building very low and extremely low-income housing for special needs clients and public employees. The County Housing Department should:

    - Issue building permits for affordable housing projects on County surplus lands
    - Work with cities on building affordable housing projects on County unincorporated lands
    - Become an insurer or guarantor of financing for affordable housing projects
    - Establish a temporary loan fund for developers of affordable housing projects
    - Establish a rental housing assistance program to buy down rents
    - Utilize and/or leverage service contracts to facilitate the development of affordable housing
    - Provide "catalyst financing" to assist nonprofit developers

III. Resources Acquisition and Allocation

1) The County should move immediately to initiate the establishment of a countywide "Affordable Housing Land Bank" (AHLB), to hold and manage "gifted" or purchased lands for the purpose of developing affordable housing.

2) The County should make available all vacant or surplus lands owned by the County to the Affordable Housing Land Bank and urge all public jurisdictions, institutions and agencies in Santa Clara County to do the same.

3) The County Housing Department should be engaged in an on going effort to acquire resources including permanent funding for countywide affordable housing programs. Potential new resources and funding could include but not be limited to the following:

- Surplus Government Land for building affordable housing units
- Units/Land acquired through Inclusionary Zoning, Density Bonuses
- Special Tax districts
- Bond Financing
- Housing development/Commercial development fees
- Local taxes
- Local foundations
- Pension Funds
- Redevelopment Funds
- Additional state and federal assistance

CONCLUSION

The Housing Task Force Steering Committee is recommending the Board of Supervisors appoint the Steering Committee to oversee the refinement and implementation of the recommendations of the Housing Task Force report. The Steering Committee will report to the Board of Supervisors and the HLUET Committee of its progress on a regular basis as well as take direction from the Board, Committee, and County Administration.

SANTA CLARA COUNTY HOUSING TASK FORCE

"PUTTING IT ALL TOGETHER"

SANTA CLARA COUNTY HOUSING TASK FORCE:

SECTION III

RECOMMENDATIONS

THE COMMUNITY LAND TRUST SUBCOMMITTEE RECOMMENDATIONS:

Short-term Recommendations:

1. **Objective: The Subcommittee recommends the Board of Supervisors sponsor the creation of a countywide, "Affordable Housing Land Bank".**

   A. The County should immediately assign a small working group to find an appropriate partner to draw up the Articles of Incorporation, file with the state, draft bylaws, recruit a Board of Directors etc., and formally establish the **"Santa Clara County Affordable Housing Land Bank" (AHLB).**

   B. The purpose of the AHLB would be to advance the development of affordable housing opportunities in Santa Clara County, with special emphasis on low, very low and extremely low-income housing.

   C. The AHLB would be charged to accept, hold and administer land, facilities and funds contributed to the AHLB.

   D. The AHLB would be charged to acquire and sell lands for the purpose of giving the organization the flexibility and means to be effective developing affordable housing opportunities.

   E. The County should make the first contribution of appropriate surplus land to the AHLB and begin a public campaign to encourage other jurisdictions, corporations, foundations and private individuals to do the same.

   F. The AHLB must establish broad community support for its efforts to develop affordable housing by establishing partnerships between the County, Cities, for profit and nonprofit developers, service providers and local philanthropic organizations.

Mid-term Recommendations:

1. **Objective: The AHLB Board of Directors should establish organizational goals and criteria for the affordable housing projects it will support.**

   A. Lands administered by the AHLB would be made available for development of affordable housing opportunities for low, very low, and extremely low income populations with emphasis placed on housing opportunities for the following:
      a. Public employees
      b. Non profit service workers
      c. Special Needs Populations
      d. Working Poor Families

   B. The AHLB would support those projects that offered opportunities for homeownership and rental housing assistance.

   C. Homeownership would be available to those who earn less than 80% of the area median income.

   D. Rental Assistance would be available to those who earn less than 50% of the area median income.

   E. The AHLB would give preference to those projects that promoted the community interests by adhering to smart growth principles.

F. The AHLB would establish other goals and criteria as needed.

<u>Long-term Recommendations:</u>

1. **Objective: Over the long term, the AHLB must be engaged in an active campaign of soliciting available lands throughout the county for the development of affordable housing.**

   A. The following jurisdictions and private and nonprofit entities are potential sources for donated or discounted land that may become available to the AHLB.
      a. Local Governments
      b. Cities
      c. County Agencies
      d. School Districts
      e. Special Tax Districts – VTA, Water District, Sanitation, Open Space etc.,
      f. State & Federal agencies
      g. Foundations
      h. Nonprofits
      i. Large, local companies
      j. Abandoned, foreclosed, derelict or distressed properties
      k. Private citizens

1. **Objective: Over the long term, the AHLB must acquire a source(s) of ongoing funding for the purpose of buying and administering lands.**

   A. The following potential sources of funding that may become available to the AHLB.
      a. CDBG & Home Funds
      b. Housing Trust and other Foundations
      c. Other HUD programs
      d. State HCD and CHFA programs
      e. Pension Funds
      f. Lenders Looking for CRA credits
      g. Fannie Mae, Freddie Mac
      h. Local Governments
      i. City Redevelopment Agencies 20% set aside funds
      j. In-lieu fees from development
      k. inclusionary zoning assets
      l. passage of a local tax for land acquisition
      m. job creation linkage fees

GOVERNMENT SURPLUS LAND SUBCOMMITTEE RECOMMENDATIONS:

<u>**Short-term Recommendations**</u>

1. Objective: Develop strategies for overcoming the barriers to using government owned surplus lands for affordable housing.

A. The Board of Supervisors should adopt a resolution declaring a "State of Affordable Housing Emergency" and urging the following actions:
   a. The County's intent to use all vacant or surplus lands owned by the County for the purpose of developing affordable housing;
   b. All local, state and federal jurisdictions including special tax districts in the county to join with Santa Clara County making their own surplus lands available for the production of affordable housing;
   c. The County will hire a consultant to compile an inventory of all vacant or surplus land owned by local, state and federal governments in the county, including special tax districts that also own surplus land in the county;
   d. The County will establish a new process for evaluating and then declaring which County owned lands are considered surplus or excess land, thus, making such lands available for affordable housing development;
   e. The County strongly reaffirms its intention to follow through on its own stated objectives in the SCC General Plans' Housing Element;
   f. Our state delegation to sponsor legislation requiring local jurisdictions to include in their Housing Elements a section, describing in detail all vacant and "surplus lands" owned by the jurisdiction, including their intentions for future use and timeline. The group would like to see legislation making Santa Clara County a pilot project.
   g. "Surplus Lands are vacant or under utilized lands or structures that have not had clearly defined uses the past 5 years and do not have defined uses over the next 5 years. Surplus lands also include "air rights" where mixed-use developments are suitable for affordable housing projects".

B. The County should develop a countywide Affordable Housing Land Bank, outside of County government, to hold & manage donated or purchased land for the singular purpose of developing affordable housing.
   1. The County Land Bank would seek initial funding from local jurisdictions, RDA's, the Housing Trust and private and philanthropic sources.
   2. All local jurisdictions and the state would make contributions to the "County Land Bank" for the single purpose of building permanent affordable housing developments.
   3. The County Land Bank would also be empowered to purchase government surplus lands for affordable housing developments.
   4. The Land Bank would also be empowered to purchase private lands or residential buildings for affordable housing developments or rehabilitation.
   5. The County should require that the Land Bank will work in partnership with the SCC Housing Trust, the SCC Housing Authority or a local non-profit development corporation.

6. The County should urge jurisdictions to deposit "surplus lands" in the County Land Bank for a specified period of time. If the surplus lands are not utilized by the jurisdiction within the specified time, the Land Bank can either sell the property with the proceeds going towards affordable housing, or advance the development of the property into affordable housing.
7. The Land Bank should hold annual public hearings on the disposition of jurisdictions surplus lands and there intended usage, filing a report each year with the Board of Supervisors.

PUBLIC EMPLOYEES ASSISTANCE SUBCOMMITTEE RECOMMENDATIONS:

<u>Short Term Recommendations</u>

The following objectives can be achieved in a relatively short period of time and will give the County the necessary information for crafting a program that meets the needs of all public employees.

Objective: The County must acquire meaningful data and information regarding the impact the housing crisis is having on the ability of public jurisdictions and institutions to recruit and retain public employees.

- The County should collect data on local economic trends, salary levels, turnover rates, job vacancy rates, housing costs, caseloads and anecdotal information to aid in identifying solutions.
- The County should find out what public employees really want or need by conducting surveys and focus group discussions.
- The County should compare and evaluate information collected with other similar information collected from other areas.
- The County should seek partnerships with other local jurisdictions and agencies to contract for the research and evaluation of the problem

Objective: The County should establish a countywide Housing Education Assistance Program for all public employees.

- The Program will provide information and educational services regarding:
  - Home buying process
  - Rental process
  - How to take advantage of existing programs
  - Using transportation to maximize living decisions
- The program will explore other incentives that jurisdictions are using to attract and retain quality employees.
- The program should develop a marketing program to inform potential public employees as to why Santa Clara County is such a great place to live despite the high cost of housing
- The County should partner with other interested local agencies for support and assistance

- The County should develop a countywide Housing Services & Information web site for public employees to access housing information and services.

<u>Medium Term Recommendations</u>

Once a needs assessment is completed and information is evaluated and organized in a meaningful way, the County can implement the following objectives.

Objective: The County should establish and/or partner with existing organizations in implementing a countywide Housing Assistance Program for public employees.

- **The program will provide home purchase financial assistance including:**
  - Down payment assistance
  - Monthly mortgage payment assistance
  - Closing cost assistance
  - Service to help home buyers take advantage of all available programs
  - Seek support and financial assistance from PERS & STRS
- **The program will provide rental assistance including:**
  - Monthly rental assistance
  - Reduced move-in costs – security deposit assistance
  - Information service to locate affordable units
  - Service to match roommates
  - Seek support and financial assistance from PERS & STRS

Objective: The County should convene a countywide Housing Advisory Commission made up of elected officials and citizens whose purpose would be to develop regional solutions to the housing crisis. The HAC would be charged to:

- Create partnerships with other groups and jurisdictions that are working to solve the public employee housing crisis and consolidate efforts at solving the problem;
- Work with our state and federal delegations and appropriate agencies to provide tax incentives for public employees who live in high cost areas;
- Work with our state and federal delegations and appropriate agencies to provide tax incentives for property owners and developers to provide affordable housing opportunities for public employees;
- Partner with local jurisdictions to effect land use policies that result in affordable housing units being created;
- Work to change building policies in the county to encourage the formation of more rental and affordable for-purchase units;
- Work to improve the transportation infrastructure so public employees can get to and from work easily, no matter where they live;
- Explore the feasibility of building employee housing outside of the county and then provide efficient transportation specifically for employees;

- Explore the feasibility of increasing the number of manufactured home parks in the county;
- Develop an ongoing education campaign to build political and community support for the development of affordable housing.

<u>Long Term Recommendations</u>

Over the long term the County should implement the following objectives towards the development of affordable housing options for public employees.

Objective: The County should establish a Housing Department. One of its many purposes would be to advance the development of affordable housing opportunities on County surplus land or on unincorporated lands for County public employees. The County Housing Department would be charged to:

- Acquire existing residential structures and convert them to County employee housing;
- Explore the availability of housing at Moffett Field;
- Build "transitional housing" or "commute units" for public employees;
- Develop a financing methodology similar to a Credit Union or employee funded casualty assistance fund;
- Provide incentives for builders to create more affordable housing units specifically for public employees;
- Encourage building affordable rental or for-purchase housing on County or local agencies owned land.

Objective: The County should develop new resources and/or funding sources for the purpose of developing affordable housing opportunities. Potential new resources or funding could include but not be limited to the following:

- Surplus Government Land for building affordable housing units;
- Units/Land acquired through Inclusionary Zoning, Density Bonuses;
- Special Tax districts;
- Bond Financing;
- Housing development/Commercial development fees;
- Local taxes;
- Local foundations;
- Pension Funds;
- Additional state and federal assistance.

SPECIAL NEEDS HOUSING SUBCOMMITTEE RECOMMENDATIONS:

Short Term Recommendations:

1) **Objective: The County will take a proactive, local leadership role becoming the primary advocate for developing very low and extremely low-income housing throughout the county for special needs clients. The County should:**

   - Become a facilitator of developments for special needs housing by bringing together county resources, cities, developers and service providers;
   - Work towards changing local land use policies to include more special needs housing components;
   - Advocate linking local land use approvals and funding assistance with tradeoffs benefiting affordable housing developments with appropriate services for special needs populations;
   - Advocate attaching to core business functions of the local economy (in lieu fees, exaction's, etc.,) the financing of affordable housing and/or housing services for special needs populations;
   - Advocate that all government surplus lands (or proceeds from the sale of) be dedicated to the development of very low and extremely low-income housing;
   - Provide resource development and grant writing assistance to County agencies and housing and service providers to facilitate the development of more low-income housing;
   - Work to ensure Community Development Block Grant funds are allocated to meet County low-income housing objectives;
   - Evaluate potential revenue sources that could be used for the development of more low-income housing and explore ways to establish a permanent source of funding.

2) **Objective: The County will take a proactive leadership role at the state and federal levels of government for developing very low and extremely low-income housing throughout the county for special needs clients.**

   - Advocate for more resources and incentives in high cost areas to encourage the development of very low and extremely low-income housing;
   - Work with various local funding sources, as well as state and federal agencies on developing flexible conditions and requirements on the use of funds for Special Needs Housing;
   - Work with various local funding sources, as well as state and federal agencies on developing consistent reporting requirements on the use of funds for Special Needs Housing;
   - Request our state delegation to lead a large-scale effort to review and reform state licensing requirements and code.

3) **Objective: The Board of Supervisors will create within County government an Affordable Housing Unit to coordinate and support new and existing County housing service efforts, acquire new resources, gather and manage housing data and insure all departments are working together using resources efficiently. The County should:**

- Task the housing unit to coordinate the special needs housing efforts undertaken by the separate agencies and departments;
- Develop the means for acquiring and managing critical data relative to the housing needs of special needs populations throughout Santa Clara County;
- Develop a standardized intake system among County agencies to better determine the housing needs of County clients and facilitate effective housing placement;
- Support the development and dissemination of an information data-base on available units or beds for special needs individuals;
- Make County housing information easily available to the service operators, developers to assist them in acquiring funding;
- Make County information available to cities and the community at large to demonstrate the severity of the problems faced by special needs populations.

<u>**Mid-term Recommendations:**</u>

1) **Objective: The County and Cities will establish a countywide Housing Advisory Commission (HAC) as a regional forum for discussing and acting on the entire spectrum of housing issues. The HAC should:**

- Establish countywide inter-jurisdictional housing agreements for the creation of special needs housing development and/or services;
- Establish inter-County relationships relative to special needs housing and services issues;
- Establish a countywide Land Bank, comprised of surplus land and financial contributions of all local jurisdictions, to be administered by the HAC or other non profit agency, for the single purpose of building and rehabilitating low, very low and extremely low income housing;
- Work with cities on siting appropriate special needs housing projects on surplus government owned lands, or on County unincorporated land;
- Work with cities on expediting development of special needs housing projects by seeking waivers or variances on LAFCO rules, transportation services rules, density rules etc.;

- ➢ Develop countywide housing goals for special needs populations based on needs assessments and inventory data, and advocate for regional support to meet those goals;
- ➢ Develop a countywide Housing Action Plan to comprehensively address the housing needs of all Santa Clara County residents, and enlist regional support for the implementation of this plan.

1) Objective: The County will seek "best practices" in Special Needs Housing management.

- ➢ To insure County agencies and clients are getting the best housing services possible, the County should explore ways to encourage and reward successful programs.
- ➢ The County should explore different community based special needs housing models to find innovative designs that would be effective in Santa Clara County.

Long Term Recommendations:

1) Objective: The County will establish a Special Needs Housing Assistance program for special needs clients.

- ➢ The County Special Needs Housing Assistance program should provide funds that service providers and special needs individuals could utilize in the short term:
  - For assistance in between housing changes;
  - For down payment assistance:
  - For emergency rental assistance;
- ➢ The County Special Needs Housing Assistance program should provide service operators and special needs individuals with rental and housing information services, including;
  - available assistance programs in the County and at the state and federal levels;
  - information on available units for special needs individuals;
  - rental readiness training;
  - Life skills training.

4) Objective: The County will establish a Special Needs Housing Development program for issuing permits to build very low and extremely low income housing with services. The Special Needs Housing Development program should:

- Issue permits for appropriate Special Needs Housing projects on County owned land, or on County unincorporated land;

- Utilize all surplus County lands (or proceeds from the sale of) for the development of very low and extremely low-income housing with services for special needs individuals and families;
- Become an insurer or guarantor of financing from public or private sources for appropriate Special Needs Housing projects;
- Establish a revolving loan fund that nonprofit developers could utilize to secure land while additional financing is pursued.
- Establish a rental housing assistance fund that developers can utilize to buy down rents and help finance the development of projects for special needs clients.
- Provide "catalyst financing" to assist Special Needs Housing developers at critical points in the project.
- Leverage "service contracts" to help finance Special Needs Housing projects.

REGIONAL HOUSING ACTION PLAN SUBCOMMITTEE STRATEGY RECOMMENDATIONS:

Finance

1. County should spearhead a County-wide effort to secure a permanent source of local revenue for affordable housing. The RHAP Committee discussed a myriad of possible revenue streams and by consensus offers the following as suggested sources:

- Use the County's Redevelopment settlement with the City of San José.
- Support an increase in the percentage of redevelopment tax-increment is directed toward affordable housing (from 20% to 50%) and direct any settlements with cities toward a Countywide housing pool.
- Create a Countywide sales-tax revenue pool for affordable housing.
- Support legislation that will create Housing Redevelopment zones where increases in property tax-increment is funneled toward affordable housing.

While such a revenue source should be used to subsidize development of housing along the continuum of the County's housing need, the Committee further recommends that a portion be directed toward a fund that can support infrastructure improvements in cities to incentivize development of affordable housing and higher density housing. *[Timeframe: Short/Medium-term; Obstacles Addressed: Financial Constraints, Decreased State/Federal Housing Assistance, Intensification of Use, Lack of Infrastructure, Cost of City Services/Fiscalization of Land Use]*

2. The County should spearhead the development of a local structure to spread tax allocations County-wide (sales tax revenues on a per-capita basis for example). *[Timeframe: Medium/Long-term; Obstacles Addressed: Financial Constraints, Cost of City Services/Fiscalization of Land Use, Housing/Jobs Imbalance]*

3. The County should help establish a non-profit land trust that can purchase land/use public parcels. Thus, take land acquisition costs out of the equation for the development and preservation of affordable housing.
[Timeframe: Short/Medium-term; Obstacles Addressed: Speculation, Financial Constraints]

Regional Leadership/Expanded County Role

1. The County should establish a Department of Housing to both consolidate and expand the County's role in the development of affordable housing Countywide.
   - To maximize the impact of enhanced County activity in housing, the County should establish a County Commission on Housing that would include representatives from all local jurisdictions. The Commission would not only oversee the functions of a Housing Department, it would foster a collective dialogue on issues of housing and provide a vehicle for regional action. Among the activities such an inter-Governmental Commission should consider is educating other elected officials on the importance of affordable housing development in their cities, spearheading regional planning processes that will mitigate the housing/jobs imbalance, and commenting on the housing elements of individual cities to the State HCD.

[Timeframe: Short-term; Obstacles Addressed: Lack of a Coordinated Strategy, Density/Zoning, Lack of Political Will]

2. The County should take the lead in the development of affordable housing on publicly owned land (County, State, City, VTA -owned parcels. etc.) and should change land use policies on the land under its jurisdiction to incentivize the development of affordable housing and higher density housing. Recognizing this is a dramatic departure from current practice, the County should lead by example.
[Timeframe: Short/Medium-term; Obstacles Addressed: Growth Controls, Lack of a Coordinated Strategy]

3. The County should invest significant resources in a Communications Strategy that will enhance community support for the development of affordable housing and greater public investment in housing as part of the infrastructure (press relations, community outreach, development of collaterals that will engage different constituencies in addressing the housing crisis, etc.).
[Timeframe: Short-term; Obstacles Addressed: Lack of Political Will, NIMBYism]

Other Key Recommendations:

- In view of the fact that rent burden has increased on middle- and low-income families, the County and local cities should study how they can provide rent relief. The County should take a leadership role in this effort and actively advance the implementation of the identified strategies.

[Timeframe: Short-term; Obstacles Addressed: Speculation, Lack of Political Will]

- The County should sponsor a design competition for architects to craft new forms of housing (for example: work with private industry to come up with new types of worker housing). Awards could include grants, or publishing a book of good ideas.
[Timeframe: Short-term; Obstacle Addressed: Limited Varieties of New Housing]

- Create community processes/structures that will involve local residents and elected leaders in neighborhood planning efforts to include affordable housing.
[Timeframe: Medium-term; Obstacle Addressed: Intensification of Use, NIMBYism]

- The County should support and strengthen efforts to create more living wage jobs.
[Timeframe: Short/Medium-term; Obstacles Addressed: Housing/Jobs Imbalance, Speculation]

- The VTA should purchase land and reuse surplus parcels for housing especially high density and affordable units.
[Timeframe: Short-term; Obstacles Addressed: Transportation, Lack of Political Will]

Legislation

1. The County should take a lead role in advocating for reform of the property tax allocation structure created by Proposition 13. The current system is widely perceived to have created disincentives toward the development of more housing by cities.
[Timeframe: Long-term; Obstacles Addressed: Cost of City Services/Fiscalization of Land Use]

2. The County should take a leadership role in expanding Federal housing assistance by rallying community support for the National Housing Trust Legislation and actively organizing for similar support from other Bay Area communities. Furthermore, the County should spearhead this effort by preparing an analysis of existing federal programs and how they work or do not work here based on the cost of housing and developable land in our region.
[Timeframe: Short-Medium term; Obstacles Addressed: Decreased State and Federal Housing Assistance, Financial Constraints, Lack of Political Will]

3. The County should take a leadership role in expanding State housing assistance by rallying community support for greater levels of funding for housing and to fairly compensate regions with higher costs of living. In addition to analyzing the efficacy of Federal programs given the disparate costs here, the County should also prepare an analysis of existing state programs.
[Timeframe: Short-Medium term; Obstacles Addressed: Decreased State and Federal Housing Assistance, Financial Constraints]

Other Key Recommendations:

- The County should support statewide legislation that will help enforce Housing Elements developed by Cities. While consensus was not reached by the RHAP

Committee on the form of sanctions that could be levied against cities, withhold funding from cities out of compliance was prioritized as a key tool.
[Timeframe: Short-Medium term; Obstacle Addressed: Weak Regulatory Guidelines]

- The County should take a lead role in a Bay Area-wide lobbying effort for State legislation correcting problems with Construction Defect Litigation.
[Timeframe: Short-Medium term; Obstacle Addressed: Construction Defect Litigation]

- The County should help introduce state legislation that will permit CEQA (California Environmental Quality Act) exemptions for affordable housing development.
[Timeframe: Long-term; Obstacles Addressed: Regulation, Growth Controls]

Zoning/Planning/Land Use

1. The County should lead efforts to increase density countywide using a multi-faceted strategy: Leading by example by creating an affordable housing exemption to density limits for housing development; Encouraging our local political leadership of to increase density and affordable housing opportunities through planning and zoning policy discussions and pushing for updates to General Plans; and creating incentives to higher density /affordable housing development through an infrastructure improvement component of a local housing fund.
[Timeframe: Medium/Long-term; Obstacles Addressed: Intensification of Use, Density/Zoning, Growth Controls, Land Use Policy]

2. The County should lead an effort to create incentives to build housing near transit (infrastructure improvements, cheaper financing, etc.).
[Timeframe: Medium-term; Obstacles Addressed: Transportation, Density/Zoning, Growth Controls]

3. At the Planning Department level: Fast track and prioritize affordable housing development and encourage cities to the same.
[Timeframe: Short-term; Obstacles Addressed: Regulation]

Other Key Recommendations:

- The County should support requirements for housing to be developed when any significant commercial/industrial/retain/office development is proposed. By providing leadership in a regional dialogue (an inter-governmental Housing Commission, for example) the County can help introduce such policy tools that may help mitigate the impact of rapid job growth and expand the conversation to the responsibilities of local employers to develop housing.
[Timeframe: Medium/Long-term; Obstacle Addressed: Housing/Jobs Imbalance]

- The County should advocate and create incentives for mixed-use development in infill and new communities (e.g. mid Coyote Valley).
[Timeframe: Medium-term; Obstacle Addressed: Land Use Policy]

- The County should encourage cites to allow/incentivize secondary ("granny") units in existing residential areas
[Timeframe: Medium-term; Obstacles Addressed: Limited Varieties of New Housing, Density/Zoning]

- The County should create incentives for residential development in non-residential areas (rezoning).
[Timeframe: Medium/Long-term; Obstacle Addressed: Intensification of Use]

SANTA CLARA COUNTY HOUSING TASK FORCE:

SECTION IV

A VISION

There's no longer any doubt that Santa Clara County is in the midst of a housing crisis. Nearly every day, we see or hear yet another gloomy story in the media about housing shortages and high costs. In the 1980's, we first began hearing about homelessness, something that had previously occurred during the Great Depression, or in "other places". But here? In this prosperous place?

After a while, we became inured to the stories. Maybe we told ourselves that homeless people were alcoholics, drug addicts, or, worse, mentally ill. In any case, we certainly couldn't solve this complex problem. Not alone. Not without a lot of money. And, besides, maybe "those people" didn't want our help.

Then, in the early 1990's, home prices started sharply escalating much more rapidly than before. Now it wasn't just other people with problems, but our own children. Home ownership, something we had begun to take for granted, was being priced out of reach. Silicon Valley employees purchased houses in the Central Valley – Stockton and Los Banos – and spent more than 4 hours per day commuting to and from work.

As the '90's progressed, the numbers of families – women and children – that found themselves homeless became the fastest growing part of this tragic population. At the same time, rents began to mirror home resale prices and skyrocketed. The prices of apartments rivaled those in Manhatten. Then we heard that people were "doubling up" in houses – two or three families living under one roof. We also began hearing about RV's in company parking lots, housing bus drivers, carpenters, and police officers.

The latest media stories are about people leaving the Valley in droves – looking for more affordable housing and less stress in maintaining their lifestyles. It seems that we have reached this question: how much worse does it have to get before we take meaningful action? But is the Santa Clara County government the appropriate organization to respond?

It's almost a secret that the County of Santa Clara is responsible for housing thousands of people every day. Whether through development projects built (at least in part) by the Housing Authority, or funded by sources flowing through the county; people housed through the Section 8 program or assisted with vouchers from the Social Services Agency; people in drug and alcohol residential treatment facilities; mentally disabled people in long-term care facilities; people in emergency shelters and transitional housing units aided by the Collaborative on Housing and

Homelessness, and through contracts with nonprofit service providers; people in the Health and Hospital system; or those incarcerated in county facilities, a great many people put their heads on pillows each night at least in part because of the efforts of Santa Clara County.

In fact, Santa Clara County is recognized around the state and the country as an innovative, effective, and caring provider of housing for its citizens. The Board of Supervisors has consistently addressed the problem, usually with precious few dollars or other resources. We have a solid tradition of the government, business, nonprofit, and community sectors already working together. But there is so much more that the county can do.

Better coordination of existing efforts would certainly be a good beginning. Perhaps even some infrastructure re-organization may be in order. But a dire situation requires bold action.

The problem can seem overwhelming; we may feel as though it cannot be solved. Cities often cite infrastructure costs as the reason not to build affordable housing. The so-called NIMBY (Not In My Back Yard) syndrome drains political will; the Federal government cuts taxes, and government spending; the state is burdened by the energy crisis. Each jurisdiction looks to the others to create a solution. But who is the government, if not we?

Housing activists in Washington, D.C., tell us that many on the Federal level are looking to Silicon Valley for solutions. After all, they say, we have the brainpower and the money. The recent success of the Housing Trust of Santa Clara County in raising $20 million is a testament to our abilities, resources, and concern. In addition, Santa Clara County is the "arrow head"; the problems have hit here first, but will soon affect the rest of the country.

There are many here in Santa Clara County who <u>do</u> feel that solutions exist, but they are complex, and cannot be reduced to "sound bites". Only by working together – the county; the cities; school, transportation, and water districts; the State and Federal governments – can we bring about needed changes in policy, planning, and finance. But who will take the lead in convening the process? Who will finally say, enough is enough? We think the time has never been more opportune for an historic effort that will make Santa Clara County a leader in solving the housing crisis, and give Silicon Valley a name in more than technology.

SANTA CLARA COUNTY HOUSING TASK FORCE:

SECTION V

A CALL TO ACTION

In his State of the County Address earlier this year, the Honorable James T. Beall, Chair of the Santa Clara County Board of Supervisors, called for the County to take bold action in solving the housing crisis. Here is what he said:

> Santa Clara County is in the grips of a housing crisis. With the passage of proposition 36,the rising number of special needs clients, and the lack of affordable housing for most residents, the time is right for the County to re-evaluate and perhaps redefine its role in housing. The need has never been greater and the time has never been better for bold action to significantly address the issue of affordable housing.

Supervisor Beall then called for an intensive community planning process to craft a Housing Action Plan. The broad goal of this effort is to identify policy recommendations for the Board of Supervisors to consider in addressing the housing crisis.

On May 17, more than 200 community leaders, nonprofit service providers, housing advocates, members of the faith community, and government officials came together to help create a vision for this important work. A great deal of discussion ensued, and the Santa Clara County Housing Task Force (SCCHTF) was born. We identified five major areas in which we could pursue potential actions and recommendations, as follows:

- the **Regional Blueprint Group**, co-chaired by Chris Block and Poncho Guevarra of the Housing Trust of Santa Clara County;
- the **Public Employees Group**, co-chaired by Roger Barnes, of the Santa Clara Unified School District and Kristy Sermersheim of SEIU Local 715;
- the **Government Surplus Land Group**, co-chaired by Alex Sanchez of the Housing Authority of Santa Clara County, and Bonnie Bamburg of Community Housing Developers, Inc.;
- the **Special Needs Group**, co-chaired by Will Lightbourne of the Social Services Agency of Santa Clara County, and Frank Motta of the Corporation for Supportive Housing; and,
- the **Land Trust Group**, chaired by Ray Villareal, the interim Housing Coordinator for Santa Clara County.

The groups were directed to meet several times over the course of the following 90 days, and to develop sets of recommendations for short-, mid-, and long-term objectives that would then be forwarded to the Board of Supervisors for their consideration.

The following principles were developed as a means to guide the work of each group:

- ✓ Define the problem/need.
- ✓ Identify and develop strategies using short, medium, and long-term goals.
- ✓ Consider resources and barriers, especially as they apply to Santa Clara County.
- ✓ Objectives must be focused and quantifiable.
- ✓ Recognize the County's role in housing production, creation, and preservation.
- ✓ Recognize the work of others and if possible, build upon that.
- ✓ Assign tasks and responsibilities.

SANTA CLARA COUNTY HOUSING TASK FORCE:

SECTION VI

A PROCESS

Paul Wysocki, Project Management Consultant, was engaged to guide the process, assist with internal and external communication, and ensure that timelines were respected. The five assigned working groups fell into 2 basic committees: the Regional Blueprint Group formed the Regional Housing Action Plan (RHAP) Committee, and generally addressed "Macro" and regional planning issues. Co-Chairs Chris Block and Poncho Guevarra of the Housing Trust of Santa Clara County oversaw this work.

The other four groups – Public Employees, Government Surplus Land, Special Needs, and Land Trust comprised an overall committee that was more specifically focused on particular issues. Ray Villareal, Interim Housing Coordinator for Santa Clara County, staffed these groups.

Each of these subcommittees met several times during the summer. Each of them followed the guiding principles as they developed their own sets of missions, problem statements, and short-, mid-, and long-term objectives. (Meeting minutes, group membership, and objectives are all contained in this report).

The subcommittee chairs also met during the summer as the Housing Task Force Steering Committee to help guide the unfolding process, as well as to consider how the objectives would be delivered to the Board of Supervisors. Their separate objectives are found in the conclusion of this report.

In addition, Wysocki and Chris Block met with the Director of the County Planning Department, Ann Draper, and her staff. The purpose was to discuss the Planning Department's work on the Housing Element Report, mandated by the state, and how that report would interact with the Housing Task Force, as well as with the Supportive Housing Initiative work, convened by Ray Villareal. A memo describing the work of all three efforts follows in this section.

This report, dated August 21, 2001, represents the status of the work done to date of the Task Force. While most of the objectives have been developed, much work remains. The RHAP is still engaged in formulating Action Steps for implementation of its objectives. In addition, some research remains to be completed. Some of the research topics include:

- A realistic look at actual need, based upon 2000 census and other data;
- County-wide Housing production figures, both historic & projected;
- Housing subsidy levels, both historic & projected;
- The "elasticity" of housing prices, as affected by supply and demand;
- A look at the "Rent Burden" faced by consumers (i.e., the percentage of gross income allocated to housing costs), especially in light of the recent spikes in rental rates.

This next phase of the process is the Comment Phase. After the Board of Supervisors has received this report, it will be circulated among elected officials, business leaders and the community for review. The entire Task Force will meet in a plenary session on Thursday, September 13 for discussion of the overall work. A briefing session will also be held for elected officials later in September.

Following the Comment Phase, a final report will be delivered to the Board of Supervisors during a Housing Workshop scheduled for Tuesday, October 16, 2001, at 1:30 PM.

SANTA CLARA COUNTY HOUSING TASK FORCE:

SECTION VII

THE FOUR WORK GROUPS

Santa Clara County Housing Task Force
Subcommittee Meeting Schedule

Subcommittee: **Government Surplus Land**
Location: SCC Housing Authority Conference Room
Time: 3:00 pm – 5:00 pm
Date: June 21
July 17 ** 3:30 pm - County Building, 7th Floor Conference Room
July 26
August 9
Co-Chairs: Alex Sanchez
Bonnie Bamburg

Subcommittee: Special Needs Housing
Location: **County Building - 11th Floor Conference Room**
Time: 1:30 pm – 4:30 pm
Date: June 19
July 11
July 31
August 7
Co-Chairs: Will Lightbourne
Frank Motta

Subcommittee: Public/Co. Service Employee Housing Assistance
Location: **11th Floor Conference Room**
Time: 2:00 pm – 4:00 pm
Date: June 14
July 5
July 19 ** County Building 10th Floor Conference Room
August 2
August 9
Co-Chairs: Roger Barnes
Kristy Sermersheim

Subcommittee: Community Land Trust
Location: County Building – Downstairs conference rooms (TBD)
Time: 7:00 pm – 9:00 pm
Date: June 7
June 19
July 12 ** 4:00 pm – 6:00 pm, Isaac Newton Auditorium
July 24
Chair: Ray Villarreal

SANTA CLARA COUNTY HOUSING TASK FORCE:

COMMUNITY LAND TRUST

Santa Clara County Housing Task Force
Community Land Trust Subcommittee

Final Report

August 8, 2001

Phyllis Ward, Affordable Housing Network
Naphtali Knox, Housing Consultant
Mary Reid, Neighborhood Housing Services, Silicon Valley

Staff: Ray Villarreal, SCC Housing Coordinator

Community Land Trust Subcommittee
Final Report
August 8, 2001

After consideration of the merits of the various Community Land Trust models, the Community Land Trust Subcommittee makes the following recommendations.

Short-term Recommendations:

1. **Objective: The Subcommittee recommends the Board of Supervisors sponsor the creation of a countywide, "Affordable Housing Land Bank".**

A) The County should immediately assign a small working group to find an appropriate partner to draw up the Articles of Incorporation, file with the state, draft bylaws, recruit a Board of Directors etc., and formally establish the **"Santa Clara County Affordable Housing Land Bank" (AHLB).**

B) The purpose of the AHLB would be to advance the development of affordable housing opportunities in Santa Clara County, with special emphasis on low, very low and extremely low-income housing.

C) The AHLB would be charged to accept, hold and administer land, facilities and funds contributed to the AHLB.

D) The AHLB would be charged to acquire and sell lands for the purpose of giving the organization the flexibility and means to be effective developing affordable housing opportunities.

E) The County should make the first contribution of appropriate surplus land to the AHLB and begin a public campaign to encourage other jurisdictions, corporations, foundations and private individuals to do the same.

F) The AHLB must establish broad community support for its efforts to develop affordable housing by establishing partnerships between the County, Cities, for profit and nonprofit developers, service providers and local philanthropic organizations.

<u>Mid-term Recommendations:</u>

1. **Objective: The AHLB Board of Directors should establish organizational goals and criteria for the affordable housing projects it will support.**

   A) Lands administered by the AHLB would be made available for development of affordable housing opportunities for low, very low, and extremely low income populations with emphasis placed on housing opportunities for the following:

      1) Public employees
      2) Non profit service workers
      3) Special Needs Populations
      4) Working Poor Families

   A) The AHLB would support those projects that offered opportunities for homeownership and rental housing assistance.

      1) Homeownership would be available to those who earn less than 80% of the area median income.
      2) Rental Assistance would be available to those who earn less than 50% of the area median income.

   C) The AHLB would give preference to those projects that promoted the community interests by adhering to smart growth principles.

   D) The AHLB would establish other goals and criteria as needed.

Long-term Recommendations:

1. **Objective: Over the long term, the AHLB must be engaged in an active campaign of soliciting available lands throughout the county for the development of affordable housing.**

A) The following jurisdictions and private and nonprofit entities are potential sources for donated or discounted land that may become available to the AHLB.

1. Local Governments
   a. Cities
   b. County Agencies
   c. School Districts
   d. Special Tax Districts – VTA, Water District, Sanitation, Open Space etc.,
1. State & Federal agencies
2. Foundations
3. Nonprofits
4. Large, local companies
5. Abandoned, foreclosed, derelict or distressed properties
6. Private citizens

1. **Objective: Over the long term, the AHLB must acquire a source(s) of ongoing funding for the purpose of buying and administering lands.**

A) The following potential sources of funding that may become available to the AHLB.

a. CDBG & Home Funds
b. Housing Trust and other Foundations
c. Other HUD programs
d. State HCD and CHFA programs
e. Pension Funds
f. Lenders Looking for CRA credits
g. Fannie Mae, Freddie Mac

h. Local Governments

1) City Redevelopment Agencies 20% set aside funds
2) In-lieu fees from development
3) inclusionary zoning assets
4) passage of a local tax for land acquisition
5) job creation linkage fees

Community Land Trust Presentation
July 12, 2001

1. Welcome & Introductions – Paul Wysocki

   We have invited two local experts on establishing and running Community Land trusts in the Bay Area. Both have extensive experience in the North Bay utilizing the CLT model to produce affordable ownership and rental Housing in a number of different jurisdictions.

   They are:

   David Jay Bonn - Executive Director, Northern California Community Land Trust

   Clark A. Blasdell, President and CEO, Suburban Alternatives Land Trust (SALT) Northbay Family Homes (Based in Novato)

2. Speaker #1 – David Jay Bonn to speak 20 – 30 minutes

3. Speaker #2 – Clark Blasdell to speak 20 – 30 minutes

4. Questions & Answers – Ray Villarreal to direct

5. Wrap up & Thank you – Paul Wysocki

SANTA CLARA COUNTY HOUSING TASK FORCE:

GOVERNMENT SURPLUS LAND

Santa Clara County Housing Task Force
Government Surplus Land Subcommittee
Final Report
August 9, 2001

Co-Chair-Alex Sanchez, Santa Clara County Housing Authority
Co-Chair- Bonnie Bamburg, First Community Housing

Mark Lazzarini,
Bill Arnopp, Silicon Valley Habitat for Humanity
John Moore, ACORN
Mike Eaton, City of San Jose – Housing Department
Chris Bloch, Housing Trust
Heidi Wolf-Reid, SCC Association of Realtors
Betty Feldheym, Interfaith Council
Julie Render, VTA
Mary Hughes,
Margaret Gregg, Santa Clara County Homeless Coordinator
Trish Crowder,
Patrick Maben-Hammon, Silicon Valley Manufacturing Group
Andrea Papanasmassiou, Mid Peninsula Housing

Staff: Ray Villarreal, SCC Housing Coordinator

Government Surplus Land Subcommittee
Final Report
August 9, 2001

Statement of the Problem

There are many causes for the housing crises in Santa Clara County and unfortunately, there are not any easy solutions. However, almost universally recognized as the key to working our way of it; is the availability of accessible, affordable land. Developers of low income, affordable housing agree that it is their limited ability to buy or control land that primarily restricts their ability to build.

The subcommittee believes that government at all levels and local public institutions must rethink their traditional reluctance to use public owned lands for long term affordable housing in the county. The lack of affordable housing is:

a) impacting government's ability to recruit and retain public employees and thereby impacting their ability to deliver effective services;

b) impacting the long term health and vitality of the local economy because service workers cannot afford to live here;

c) straining to the breaking point our overall county housing services capacity for very low and extremely low income special needs individuals and families.

We believe it is necessary and appropriate for the County, at this time, to take a leadership role bringing together local public institutions and jurisdictions to make government owned surplus land available for the development of affordable housing.

Statement of Purpose

The purpose of the Government Surplus Land Subcommittee is to recommend to the Board of Supervisors ways and means for County government and other local jurisdictions to make surplus land available for affordable housing development. To accomplish this, the Subcommittee focused on: 1) what are the barriers to making government owned surplus land available for affordable housing; 2) strategies for

overcoming the barriers; and 3) what kinds of surplus lands should be considered for affordable housing development.

Scope of Work

The Subcommittee agreed that the recommendations put forward in this report are intended for government at all levels with vacant or surplus land in Santa Clara County, including public institutions and special tax districts. For purposes of this report, we will refer to the above definition as "publicly owned lands."

Mission Statement

It is the mission of this Subcommittee to make short, medium, and long-term recommendations to the County Board of Supervisors to take a proactive leadership role in the efforts to make publicly owned surplus lands in Santa Clara County available for affordable housing development.

Barriers to Utilizing Publicly Owned Surplus Land for Affordable housing

The Subcommittee identified the following barriers.

A) The inaccessibility of accurate, updated, complete lists of surplus or vacant land inventories.

B) The inability of housing advocates to influence decision making on what available government owned lands are deemed surplus.

C) The inability of housing advocates to influence land use decisions concerning the disposition of government owned surplus land.

D) The lack of broad community commitment to use government owned land for affordable housing.

E) The lack of political commitment and/or direction by local jurisdictions to use government owned land for affordable housing.

F) The lack of a clear, common definition what constitutes publicly owned surplus land, as well as a process for determining when vacant or under utilized property becomes "surplus" and therefore available to be used for affordable housing purposes.

Short-term Recommendations

1. **Objective: Develop strategies for overcoming the barriers to using government owned surplus lands for affordable housing.**

A) The Board of Supervisors should adopt a resolution declaring a "State of Affordable Housing Emergency" and urging the following actions:

1. The County's intent to use all vacant or surplus lands owned by the County for the purpose of developing affordable housing;

2. All local, state and federal jurisdictions including special tax districts in the county to join with Santa Clara County making their own surplus lands available for the production of affordable housing;

3. The County will hire a consultant to compile an inventory of all vacant or surplus land owned by local, state and federal governments in the county, including special tax districts that also own surplus land in the county;

4. The County will establish a new process for evaluating and then declaring which County owned lands are considered surplus or excess land, thus, making such lands available for affordable housing development;

5. The County strongly reaffirms its intention to follow through on its own stated objectives in the SCC General Plans' Housing Element;

6. Our state delegation to sponsor legislation requiring local jurisdictions to include in their Housing Elements a section, describing in detail all vacant and "surplus lands" owned by the jurisdiction, including their intentions for

future use and timeline. The group would like to see legislation making Santa Clara County a pilot project.

7. "Surplus Lands are vacant or under utilized lands or structures that have not had clearly defined uses the past 5 years and do not have defined uses over the next 5 years. Surplus lands also include "air rights" where mixed-use developments are suitable for affordable housing projects".

A) The County should develop a countywide Affordable Housing Land Bank, outside of County government, to hold & manage donated or purchased land for the singular purpose of developing affordable housing.

1. The County Land Bank would seek initial funding from local jurisdictions, RDA's, the Housing Trust and private and philanthropic sources.

2. All local jurisdictions and the state would make contributions to the "County Land Bank" for the single purpose of building permanent affordable housing developments.

3. The County Land Bank would also be empowered to purchase government surplus lands for affordable housing developments.

4. The Land Bank would also be empowered to purchase private lands or residential buildings for affordable housing developments or rehabilitation.

5. The County should require that the Land Bank will work in partnership with the SCC Housing Trust, the SCC Housing Authority or a local non-profit development corporation.

6. The County should urge jurisdictions to deposit "surplus lands" in the County Land Bank for a specified period of time. If the surplus lands are not utilized by the jurisdiction within the specified time, the Land Bank can either

sell the property with the proceeds going towards affordable housing, or advance the development of the property into affordable housing.

7. The Land Bank should hold annual public hearings on the disposition of jurisdictions surplus lands and there intended usage, filing a report each year with the Board of Supervisors.

The Committee developed criteria for determining what are the most appropriate Publicly Owned Surplus Lands for affordable housing. They are as follows:

A) Access/Availability of existing infrastructure;

B) Opportunities for mixed use developments;

C) Partnership opportunities (for land, financing or resources) with other local jurisdictions and/or private owners;

D) Consider and address current policies relative to the sale, lease or gifting of government surplus property;

E) Consider political issues relative to affordable housing developments;

F) Analyze cost of on site improvements;

G) Consider lands that lend themselves to high-density developments a high priority.

Government Surplus Land Subcommittee

June 7, 2001

Meeting Minutes

Meeting began at 3:10 p.m.

Present: Co-Chair Alex Sanchez, Co-Chair Bonnie Bamburg, Heidi Wolf-Reid, Betty Feldheym, Julie Render, Mary Hughes, Bill Arnopp, John Moore, Margaret Gregg, Trish Crowder, Patrick Maben-Hammon, Mike Eaton, Andrea Papanasmassiou

Staff: Ray Villarreal, SCC Housing Coordinator

1. **Purpose of the Committee** – Co-Chair, Alex Sanchez opened the meeting by reading a letter from Supervisor Beall explaining the purpose of the Subcommittee is to develop specific short and long term strategies which the County can employ to address the housing crisis of persons with special needs.

2. **Work Plan** – The Subcommittee reviewed the work plan to produce a report for presentation to the full Housing Task Force in September. Those steps include:

   a. Examination of Current County/City Policies/State Law relative to the discharge of government surplus property
   b. Examination of current programs/reports on utilizing surplus government land
   c. Search County and other jurisdictions for available inventory
   d. Analyze Inventory and establish parameters/priorities
   e. Quantify potential units
   f. Report to the Board

1. **Guiding Principles** – The Subcommittee brainstormed on some guidelines to assist them as they proceed with this project.

   a. The group must agree on a common definition of "Surplus Property."
   b. The group would like County Counsel to be available to answer questions and help direct the committee.
   c. The group agreed they must recognize geo-technical limitations of some government owned property.
   d. The group will look for partnership opportunities between government surplus property and other jurisdictions and or private owners.
   e. The group should consider mixed uses of government surplus land.
   f. By consensus, the group agreed they could not evaluate all "government surplus property in the county. The group narrowed its' evaluation to include surplus property of the County, VTA, SCC Department of Education and the SCC Water District.

g. The group will develop a uniform process for evaluating government surplus, using the above jurisdictions as examples.

1. **Reports/Resources** – The Subcommittee will use the following reports and resources to assist in the project.

   a. Silicon Valley Manufacturing Group – Available Land Survey
   b. City of San Jose Housing Opportunity Study
   c. VTA – Report on transit oriented development
   d. County and Cities Consolidated Plans

1. **Assignments** – The following subcommittee members agreed to retrieve the following materials for consideration at our upcoming meetings.

   a. Lists of Vacant/Surplus properties:
      1) County owned properties – Ray
      2) County Department of Education – Mike Eaton
      3) VTA – Julie Render
      4) Water District – Bonnie Bamburg
   a. County Consolidated Plan – Margaret Gregg
   b. City of San Jose Report on state codes relative to sale or lease of government land – Mike Eaton.

6. **Meeting Adjourned at 4:30 p.m.**

7. **Next Meeting** – June 21, 2001 at 3:00 p.m., SCC Housing Authority Conference Room

Government Surplus Land Subcommittee
June 21, 2001

Meeting Minutes

Meeting began at 3:10 p.m.

Present: Heidi Wolf-Reid, Betty Feldheym, Bill Arnopp, Margaret Gregg, Trish Crowder, Mike Eaton, Andrea Papanasmassiou, Chris Bloch

Staff: Ray Villarreal, SCC Housing Coordinator

1. **Review of previous meeting minutes** - The Subcommittee reviewed the previous meeting minutes.

2. **Community Land Trust** - The Subcommittee discussed the merits of the Community Land Trust model.

3. **Reports** – Mike Eaton presented his report of the process the San Jose Redevelopment Agency must follow in discharging surplus or excess property.

4. Ray Villarreal presented the VTA list of surplus or excess property researched by Julie Render, of the VTA.

5. **Barriers to utilizing government surplus land for housing** – The subcommittee brainstormed on barriers to using surplus government owned land for affordable housing.
    - **a.** Easy availability of accurate, updated, complete lists of surplus or vacant land inventories;
    - **b.** Lack of community commitment to use government owned land for affordable housing;
    - **c.** Lack of political direction by local jurisdictions to use government owned land for affordable housing;
    - **d.** Lack of a common definition of "Surplus Land".

6. **Establishing Countywide policy recommendations on surplus land –**
    - **a.** The subcommittee discussed strategies to overcoming the barriers to using government owned surplus lands for affordable housing.
    - **b.** The Board of Supervisors should adopt a resolution to do the following:

1) The County should declare that all vacant or surplus lands owned by the County be used for the development of affordable housing to the extent possible given the size and nature of the land available;

2) The County should encourage all local jurisdictions and special tax districts in the
County to join with Santa Clara County in this effort to produce affordable housing;

3) The County should hire a consultant to compile an inventory of all vacant or surplus, local government and special tax district owned lands in the county;

4) The County should create a process for evaluating and then declaring which County owned lands are considered surplus or excess land, thus, making such lands available for affordable housing development;

5) The County should establish or sponsor a land trust or land bank outside of County government to hold & manage donated or purchased land for the purpose of affordable housing development;

6) The County should consider that the Land Trust work with the SCC Housing Trust, or a local non-profit development corporation;

7) The County should strongly reaffirm its intention to follow through on its own stated objectives in the SCC General Plans' Housing Element.

6. **Meeting Adjourned at 4:40 p.m.**

7. **Next Meeting** – July 17, 2001 at 3:00 p.m., Location to be determined.

Government Surplus Land Subcommittee

July 17, 2001

Meeting Minutes

Meeting began at 3:45 p.m.

Present: Heidi Wolf-Reid, Mike Eaton, Betty Feldheym,

Staff: Ray Villarreal, SCC Housing Coordinator
Nancy Fowler, County General Services Agency

1. **Review of previous meeting minutes** - The Subcommittee reviewed the previous meeting minutes.

1. **Surplus Government Property Reports**
   a) Ray Villarreal presented a GSA report (1998) on surplus property owned by the County. GSA reported that it currently was working on several projects having to do with the development of affordable housing, including; the County Fairgrounds property, Fair Oaks property (Sunnyvale) and Elmwood property (Milpitas).
   b) A memo provided by Alex Sanchez was provided detailing the efforts of San Jose in utilizing surplus government property for affordable housing.
   c) Mike Eaton provided a memo from the Affordable Housing Network detailing recommendations for the development of affordable housing on surplus government property.

1. **Strategies Discussion**
   a) The subcommittee recommended the County consider developing a countywide Affordable Housing Lands Bank.
      1) All local jurisdictions and the state would make contributions to the "County Land Bank" for the single purpose of building permanent affordable housing developments.
      2) The County Land Bank would also be empowered to purchase government surplus lands for affordable housing developments.
      3) The Bank would also be empowered to purchase private lands or residential buildings for affordable housing developments or rehabilitation.
      4) The County Land Bank would seek initial funding from local jurisdictions, RDA's, the Housing Trust and private and philanthropic sources.

1. **Staff Direction** – Staff was directed to organize previous meeting efforts into consistent strategy groupings discussion at our next meeting July 26, 2001.

2. Meeting Adjourned at 5:15 pm.

3. **Next Meeting** - Scheduled for July 26, 2001 - 3:00 pm at the Santa Clara County Housing Authority Conference Room.

Government Surplus Land Subcommittee

July 26, 2001
Meeting Minutes

Meeting began at 3:45 p.m.

Present: Alex Sanchez, Bonnie Bamburg, John Moore, Mike Eaton, Chris Bloch

Staff: Ray Villarreal, SCC Housing Coordinator
Paul Wysocki, Project Coordinator

1. **Meeting Minutes** - The Subcommittee reviewed the previous meeting minutes.

1. **Strategy Groupings Discussion –**

   A. Strategy Grouping 1)F). The group emphasized it was critical that they develop a clear definition of government surplus land, as well as developing a process for determining when vacant or under utilized property becomes "surplus" and therefore available to be used for affordable housing purposes.

   B. Strategy Grouping 2)A) should include the following definition of Surplus Land:
   Surplus Lands are vacant or under utilized lands or structures that have not had clearly defined uses the past 5 years and do not have defined uses over the next 5 years. Surplus lands also include "air rights" where mixed-use developments are suitable for affordable housing projects.

   C. Strategy Grouping 2) A) 1 should include requiring the consultant to compile all surplus state and federal lands in the County within the scope of his/her work.

   D. Strategy Grouping 2) A) should include a strategy to lobby our state delegation for legislation requiring local jurisdictions to include in their Housing Elements a section on describing in detail "surplus lands" owned by the jurisdiction. The group would like to see legislation making Santa Clara County a pilot project.

   E. Strategy Grouping 2) B). Should require jurisdictions to deposit "surplus lands" in the County Land Bank for a specified period of time. If the surplus lands are not utilized by the jurisdiction within the specified time, the Land Bank can either sell the property with the proceeds going towards affordable housing, or advance the development of the property into affordable housing.

F. Strategy Grouping 2) B) should require the Land Bank to conduct public hearings on the disposition of jurisdictions surplus lands and there intended usage.

1. **Issues regarding report writing:**

   A. The group discussed and recommends the Housing Task Force project coordinator hire a professional writer with housing related experience to work with the HTF, the steering committee and write the report.
   B. The group discussed and recommends the Steering Committee of the HTF develop recommendations pertaining to the structural implementation of the HTF final report.
   C. The group discussed and recommends the final HTF report "dispel the myths" regarding the County's supposed lack of a role in local affordable housing development and services.

1. **Staff Direction** – Staff was directed to incorporate the above changes into the Strategy Groupings working paper for review at the committees next meeting.

2. Meeting Adjourned at 5:15 pm.

3. **Next Meeting** - Scheduled for August 9, 2001 3:00 pm at the Santa Clara County Housing Authority Conference Room.

SANTA CLARA COUNTY HOUSING TASK FORCE:

PUBLIC EMPLOYEES HOUSING ASSISTANCE

Santa Clara County Housing Task Force
Public Employees Housing Assistance Subcommittee
Final Report
August 2, 2001

Chair – Roger Barnes, Santa Clara Unified School District
Marcel Pajuelo-Schwartz, Co. Santa Clara, Social Services Agency;
John Tripp, Foundation Trust Mortgage Securities;
Mike Eaton, City of San Jose Housing;
Mary Reed, Neighborhood Housing Services, Silicon Valley;
Gene Longinetti, Fremont Union High School District;
Linda Latasa, Los Gatos Union School District;
Dennis Mills, Alliance for Community Care;
Chuck Corr, San Jose Unified School District;
Tom Fink, ATU-Local 265
Cyndy Amado, Local 535 Member, SSA
Christine Baucus, ESA Human Resources
Jane Decker, Deputy County Executive

Staff: Ray Villarreal, SCC Housing Coordinator

Public Employees Housing Assistance Subcommittee
Final Report
August 2, 2001

Statement of the Problem

The housing crisis in Santa Clara County impacts all local public institutions and jurisdictions severely limiting our ability to recruit and retain high quality public employees. This greatly affects the quality of services provided by local governments including critical services like education, public health and safety. We believe it is necessary and appropriate for the County to take a leadership role bringing together local public institutions and jurisdictions to address in a meaningful way our common dilemma.

Statement of Purpose

The purpose of the Public Employees/Contract Service Workers Housing Services Subcommittee is to recommend ways for the County and other local agencies to recruit and retain public employees by helping them to solve the housing cost and supply crisis.

To accomplish this, the Committee is looking at housing assistance as a recruiting and retention tool and therefore recommends looking at housing assistance as a non-traditional County supplied service (for public employees only). And, therefore, not to be confused with or considered in discussions about housing for homeless, low-income or special needs clients of the County's traditional services. The problem of recruiting and retaining public employees begs for a solution of its own.

The intent of the Subcommittee's recommendations is that solutions do not cost the County, any of its agencies or taxpayers any money in the long run. All funds expended will be paid back to the originating fund at some time in the future.

Scope of Work
The Subcommittee agreed that the recommendations and proposed services put forward in this report are intended to be available to all public employees who currently work in Santa Clara County, as well as employees of community based organizations that contract with the County and provide health and human services. For purposes of this report, we will refer to the above definition as "public employees."

Mission Statement
It is the mission of this Subcommittee to make short, medium, and long-term recommendations to assist the County and other local agencies in recruiting and retaining high quality public employees by implementing a countywide housing assistance program for all public employees.

Short Term Recommendations
The following objectives can be achieved in a relatively short period of time and will give the County the necessary information for crafting a program that meets the needs of all public employees.

Objective: The County must acquire meaningful data and information regarding the impact the housing crisis is having on the ability of public jurisdictions and institutions to recruit and retain public employees.

- The County should collect data on local economic trends, salary levels, turnover rates, job vacancy rates, housing costs, caseloads and anecdotal information to aid in identifying solutions.
- The County should find out what public employees really want or need by conducting surveys and focus group discussions.
- The County should compare and evaluate information collected with other similar information collected from other areas.
- The County should seek partnerships with other local jurisdictions and agencies to contract for the research and evaluation of the problem

Objective: The County should establish a countywide Housing Education Assistance Program for all public employees.

- The Program will provide information and educational services regarding:
  - Home buying process
  - Rental process
  - How to take advantage of existing programs
  - Using transportation to maximize living decisions
- The program will explore other incentives that jurisdictions are using to attract and retain quality employees.
- The program should develop a marketing program to inform potential public employees as to why Santa Clara County is such a great place to live despite the high cost of housing
- The County should partner with other interested local agencies for support and assistance
- The County should develop a countywide Housing Services & Information web site for public employees to access housing information and services.

<u>Medium Term Recommendations</u>

Once a needs assessment is completed and information is evaluated and organized in a meaningful way, the County can implement the following objectives.

Objective: The County should establish and/or partner with existing organizations in implementing a countywide Housing Assistance Program for public employees.

- **The program will provide home purchase financial assistance including:**
  - Down payment assistance
  - Monthly mortgage payment assistance
  - Closing cost assistance
  - Service to help home buyers take advantage of all available programs
  - Seek support and financial assistance from PERS & STRS

- **The program will provide rental assistance including:**
  - Monthly rental assistance
  - Reduced move-in costs – security deposit assistance
  - Information service to locate affordable units
  - Service to match roommates
  - Seek support and financial assistance from PERS & STRS

Objective: The County should convene a countywide Housing Advisory Commission made up of elected officials and citizens whose purpose would be to develop regional solutions to the housing crisis. The HAC would be charged to:

- Create partnerships with other groups and jurisdictions that are working to solve the public employee housing crisis and consolidate efforts at solving the problem;
- Work with our state and federal delegations and appropriate agencies to provide tax incentives for public employees who live in high cost areas;
- Work with our state and federal delegations and appropriate agencies to provide tax incentives for property owners and developers to provide affordable housing opportunities for public employees;
- Partner with local jurisdictions to effect land use policies that result in affordable housing units being created;
- Work to change building policies in the county to encourage the formation of more rental and affordable for-purchase units;
- Work to improve the transportation infrastructure so public employees can get to and from work easily, no matter where they live;
- Explore the feasibility of building employee housing outside of the county and then provide efficient transportation specifically for employees;
- Explore the feasibility of increasing the number of manufactured home parks in the county;
- Develop an ongoing education campaign to build political and community support for the development of affordable housing.

Long Term Recommendations

Over the long term the County should implement the following objectives towards the development of affordable housing options for public employees.

Objective: The County should establish a Housing Department. One of its many purposes would be to advance the development of affordable housing opportunities on County surplus land or on unincorporated lands for County public employees. The County Housing Department would be charged to:

- Acquire existing residential structures and convert them to County employee housing;
- Explore the availability of housing at Moffett Field;
- Build "transitional housing" or "commute units" for public employees;
- Develop a financing methodology similar to a Credit Union or employee funded casualty assistance fund;
- Provide incentives for builders to create more affordable housing units specifically for public employees;
- Encourage building affordable rental or for-purchase housing on County or local agencies owned land.

Objective: The County should develop new resources and/or funding sources for the purpose of developing affordable housing opportunities. Potential new resources or funding could include but not be limited to the following:

- Surplus Government Land for building affordable housing units;
- Units/Land acquired through Inclusionary Zoning, Density Bonuses;
- Special Tax districts;
- Bond Financing;
- Housing development/Commercial development fees;
- Local taxes;
- Local foundations;
- Pension Funds;
- Additional state and federal assistance.

Public Employee Housing Assistance Subcommittee

May 31, 2001 Meeting

MINUTES

Meeting began at 2:40 p.m.

Present: Marcel Pajuelo-Schwartz, County of Santa Clara, Social Services Agency;
John Tripp, Foundation Trust Mortgage Securities;
Mike Eaton, City of San Jose Housing;
Mary Reed, Neighborhood Housing Services, Silicon Valley;
Gene Longinetti, Fremont Union High School District;
Linda Latasa, Los Gatos Union School District;
Dennis Mills, Alliance for Community Care;
Chuck Corr, San Jose Unified School District;
Roger Barnes, Santa Clara Unified School District

Staff: Jane Decker, Deputy County Executive, Acting Chairperson
Ray Villarreal, Housing Coordinator
Leslie Orta, County of Santa Clara, County Counsel

1. **Purpose of the Committee** – Acting Chairperson, Jane Decker, opened the meeting by explaining that the purpose of the Public Employee Housing Assistance Subcommittee is to develop specific strategies, both short-term and long-term, that the County could employ to address the housing problems of public service employees. These strategies or recommendations will be forwarded to the Board of Supervisors for approval.

2. **Work Plan** – The Subcommittee will follow a straightforward work plan to produce a report. Those steps include:

   Defining the Problem/Need
   Defining the Scope of the Work
   Identifying Stake Holders
   Identifying short term and long term Strategies to Address:
   Resources
   Barriers
   Examples of what other jurisdictions are doing
   Identified Products or Outcomes

   It was the consensus of the group to meet approximately every 2 – 3 weeks and develop a report by August 15, 2001

3. **Defining the Problem/Need** – The Subcommittee brainstormed and discussed symptoms of the housing problems of public employees and the resultant impacts on employees, institutions and agencies.

The Problem:

- ✓ The demand for housing in Santa Clara County far exceeds supply available.
- ✓ The high cost of housing in Santa Clara County, both rental and home ownership, is an extreme burden for the average public employee.

The Symptoms:

- ✓ More public employees are living further from their jobs and commuting long hours to get to work.
- ✓ Long commutes for all employees mean less time with their families and the inability to be involved in their local communities in a meaningful way.
- ✓ Long commutes are stressful for employees. Those public employees in customer service or other high stress jobs are particularly affected. Moral is low and job performance is affected.
- ✓ Long commutes for all employees generate severe congestion and smog.
- ✓ Long commutes for all employees hurt the local economy because of the loss in productivity and revenue.
- ✓ Public agencies are having a difficult time attracting and retaining skilled, quality employees.
- ✓ Public agencies are experiencing high rates of turnover and losing more experienced employees. Who also serve as mentors to new
- ✓ Public agencies are experiencing critical shortages of nurses, teachers, fire fighters, police officers and other critical service employees.
- ✓ Public agency's ability to effectively deal with catastrophes is compromised by shortages and employees living out of the area.

4. **Defining the Scope of Work**

The committee agreed that employees of nonprofit agencies, who contract directly with the County to provide critical social services, such as health and social services, should be included as public employees for purposes of the Committees' work.

5. **Strategies – A Brainstorming Session –** The County should consider the following:
   a. acquiring existing residential structures, i.e., apartments;
   b. looking into the availability of using housing at Moffett Field;
   c. developing educational material and resources about housing assistance opportunities for public/CBO employees;
   d. developing "transitional housing" or "commute units" for public/CBO employees;
   e. Developing additional transportation services to South County and to San Benito and Merced Counties;
   f. Looking into implementing the Rental Assistance Program of Tri-County Apartment Owners Association;
   g. Pursuing additional state legislation supporting public employee housing;
   h. Exploring the feasibility of tax exempt loans for rental down payment assistance for specific employee groups;
   i. Exploring the feasibility of home ownership, down payment assistance programs in Santa Clara County for public employees:
      1. City of San Jose, Homebuyer Program for Teachers
      2. Silicon Valley Neighborhood Services Program
      3. Shared Equity Program – in Santa Clara Unified School District
   j. Developing a Countywide Housing Web Site that makes provides information on available affordable housing projects/units, products/assistance, and services.

6. **Next Steps** – The Committee didn't finish the May 31 agenda, so will continue working on the pieces of the workplan on June 14.

7. **Next Meeting** – The Committee will meet again on June 14, 2001 at 2:00 p.m., 11th Floor Conference Rooms 1 & 2.

Meeting Adjourned at 4:30 p.m.

Public Employee/Contract Service Employee

Housing Assistance Subcommittee
July 5, 2001 Meeting
MINUTES

Meeting began at 2:15 p.m.

Present: Mike Eaton, City of San Jose Housing;
Mary Reed, Neighborhood Housing Services, Silicon Valley;
Gene Longinetti, Fremont Union High School District;
Chuck Corr, San Jose Unified School District;
Roger Barnes, Santa Clara Unified School District
Marcel Pajuelo-Schwartz, County of Santa Clara, Social Services Agency;
Staff: Jane Decker, Deputy County Executive, Acting Chairperson
Ray Villarreal, Housing Coordinator

1. **Review of Minutes from 6/14 Meeting** – Chairperson Roger Barnes opened the meeting by reviewing the minutes and actions taken from the previous Subcommittee meeting.

2. **Mission Statement** – By consensus the subcommittee directed staff to draft a Mission Statement for consideration and approval at their next meeting.

"The housing crisis in Santa Clara County impacts all local public institutions and jurisdictions severely limiting our ability to recruit and retain high quality public employees. This greatly affects the quality of services provided by local governments including critical services like public health, safety and education. We believe it is necessary and appropriate for the County to take a leadership role bringing together local public institutions and jurisdictions to address in a meaningful way our common dilemma."

"It is the mission of this Subcommittee to forward recommendations to the SCC Board of Supervisors implementing Countywide housing assistance programs and polices designed specifically to recruit and retain high quality public employees and contract service employees throughout Santa Clara County".

3. **Developing Recommendations** – The subcommittee began sifting through strategies and ideas developed in previous brainstorming sessions and organizing them into clear recommendations with short term and long term focus.

- ✓ **Recommendation #1 – Short term**: The County should coordinate a countywide Housing Services Education Program for all public employees and contract service employees in the county.

a. The County should seek the support from all local institutions and jurisdictions;

b. The County should seek support from California PERS and STERS;

c. Housing Services Education should include information and training in rental assistance programs and services and homebuyer assistance and services available throughout the county;

d. The County should develop a Housing Services web site that provides information on rental and affordable housing programs and assistance;

e. The County should seek the collaboration and support from all local nonprofits that are providing these services.

✓ **Recommendation #2 – mid-long term**: The County, in partnership with other local jurisdictions, should explore the feasibility of establishing countywide housing assistance programs for public/contract service employees.

1) Possible homeownership programs
   a) Down payment assistance
   b) Monthly mortgage assistance
   c) Credit enhancement
   d) Closing costs assistance
   e) Below Market Rate Housing Development
   f) Higher qualifying ratios
2) Rental Assistance programs
   a) Security Deposit Guarantee
   b) Credit Enhancements
   c) Below Market Rate Developments

✓ **Recommendation #3 – mid-long term:** The County should explore the feasibility of lobbying for the creation of state and federal tax incentives to induce property owners and developers to provide below market rate housing.

✓ **Recommendation #4 – mid-long term:** The County should explore other incentives to require property owners, developers and businesses to provide below market rate housing:

1) Inclusionary zoning and other land use incentives
2) Commercial development fees

1. **Direction to Staff** – Staff was directed to organize information into consistent groupings for development into focused recommendations at our next meeting.

2. **Next Meeting** – The next meeting of the Subcommittee will be July 19, 2001 at the County Building in the 7th Floor conference room.

Meeting Adjourned at 4:15 p.m.

Public Employee Housing Assistance Subcommittee

June 14, 2001 Meeting
MINUTES

Meeting began at 2:35 p.m.

Present: Mike Eaton, City of San Jose Housing;
Mary Reed, Neighborhood Housing Services, Silicon Valley;
Gene Longinetti, Fremont Union High School District;
Linda Latasa, Los Gatos Union School District;
Dennis Mills, Alliance for Community Care;
Chuck Corr, San Jose Unified School District;
Roger Barnes, Santa Clara Unified School District
Tom Fink, ATU-Local 265
Cyndy Amado, Local 535 Member, SSA
Christine Baucus, ESA Human Resources

Staff: Jane Decker, Deputy County Executive, Acting Chairperson
Ray Villarreal, Housing Coordinator

1. **Introduction of Chair** – Acting Chairperson, Jane Decker, opened the meeting by announcing Roger Barnes had agreed to chair the Subcommittee.

2. **Review Minutes** – Chairman Barnes reviewed the minutes and actions taken from the previous Subcommittee meeting.

3. **Subcommittee Experience/Resources**: The subcommittee discussed the various resources and experience members can bring to the table to employ on behalf of the subcommittee's efforts.

- Teacher Monthly Mortgage Assistance Program –Fremont Union High School District;
- Teacher Down Payment Assistance Program-Fremont Union High School District;
- Experience in forming partnerships with cities (Cupertino, Sunnyvale, San Jose) – San Jose Unified School District;
- Neighborhood Housing Services Silicon Valley
- City of San Jose – Teacher Homebuyer Program
- City of San Jose – Considering city employee housing assistance
- ATU Local 265 – working with VTA to provide employee rental payment assistance

4. Stakeholders – The Subcommittee brainstormed and identified key stakeholders, including those that would benefit from housing assistance and those that have resources to provide.

Beneficiaries:

- ✓ Public Employees;
- ✓ Nonprofit employees contracted with County to provide health and human services;
- ✓ All Local Governments – benefit by keeping and recruiting quality employees
- ✓ Recipients of nonprofit services
- ✓ Development Community

Resource Providers – Land & Financing:

- ✓ Local Governments
  - ♦ Higher Densities
  - ♦ Mixed Use
  - ♦ Inclusionary Zoning – Set aside affordable units for public employees
  - ♦ Research Cupertino Inclusionary Zoning Ordinance (Corr)
  - ♦ Create Special Tax(s) District for Housing
  - ♦ Tax commercial/industrial developments to be used for affordable housing projects – "Deal with jobs/housing imbalance"
- ✓ School Districts – provide bond financing and surplus land
- ✓ State Agencies – provide bonds, homeownership programs, development funds
- ✓ Special Tax Districts (i.e., VTA, Water District, Sanitation District etc.,)
- ✓ Developers
- ✓ Federal Government – HUD, Fannie Mae Programs
- ✓ Pension Funds – PERS, STERS
- ✓ Taxpayers
- ✓ Housing Trust
- ✓ Foundations

5. Determining Needs - The subcommittee determined the greatest needs of the County are:

- Available Land
- Financing
- Information campaign to mitigate "NIMBYism" and educate public on affordable housing benefits
- Cooperation between agencies
- Adequate services to support housing development
- Legal clarification of Fair Housing Laws
- DATA – including local economic studies, salary levels, turnover rates, vacancy rates, housing costs, caseloads, anecdotal information
- Define what public employees really want and need – (City of Sunnyvale did a survey of their employees)

6. Next Meeting

- July 5, 2001 at County Building
- The subcommittee determined their future meetings to be as follows: July 5, July 19, August 2, August 9 (if needed)

Meeting Adjourned at 4:15 p.m.

Public Employee/Contract Service Employee

Housing Assistance Subcommittee

July 19, 2001 Meeting

MINUTES

Meeting began at 2:15 p.m.

Present: Mike Eaton, City of San Jose Housing;
Gene Longinetti, Fremont Union High School District;
Chuck Corr, San Jose Unified School District;
Roger Barnes, Santa Clara Unified School District
Dennis Mill, Alliance for Community Care
Paul Wysocki, Overall Project Coordinator

Staff:
Ray Villarreal, Housing Coordinator

1. Review of Minutes from 7/05 Meeting – Chairperson Roger Barnes opened the meeting by reviewing the minutes and actions taken from the previous Subcommittee meeting.

2. Message from Project Coordinator – Overall project coordinator Paul Wysocki spoke to the subcommittee and discussed the project status, the status of the other subcommittees and a timeline for future developments.

3. Mission Statement – By consensus the subcommittee approved the attached Statement of Purpose and Mission Statement for inclusion in their final report

4. Review of Strategy Groupings – The subcommittee reviewed and discussed strategy groupings as developed by staff from previous subcommittee discussions and brainstorming sessions. Committee members will forward any additional thoughts, or new ideas on the strategy groups for inclusion in the final draft to be presented to the subcommittee at the August 2, 2001 meeting.

5. Next Meeting – The next meeting of the Subcommittee will be August 2, 2001 at 2:00 pm in the County Building in the 11th Floor conference room.

6. Meeting Adjourned at 4:05 p.m.

Public Employee/Contract Service Employee
Housing Assistance Subcommittee
August 2, 2001 Meeting

MINUTES

Meeting began at 2:15 p.m.

Present: Mike Eaton, City of San Jose Housing;
Gene Longinetti, Fremont Union High School District;
Chuck Corr, San Jose Unified School District;
Roger Barnes, Santa Clara Unified School District
Marcel Pajuelo-Schwartz
Jane Decker, Deputy County Executive

Staff: Ray Villarreal, Housing Coordinator

1. **Review of Minutes from 7/19/01 Meeting** – Chairperson Roger Barnes opened the meeting by reviewing the minutes and actions taken from the previous Subcommittee meeting.

2. **Review of Strategy Groupings** – The subcommittee reviewed and discussed strategy groupings as developed by staff from previous subcommittee discussions and brainstorming sessions. Committee members approved the attached report for presentation to the Housing Task Force.

3. **Next Meeting** – None scheduled at this time.

4. **Meeting Adjourned at 4:05 p.m.**

SANTA CLARA COUNTY HOUSING TASK FORCE:

SPECIAL NEEDS HOUSING

Santa Clara County Housing Task Force
Special Needs Housing Subcommittee
Final Report
August 7, 2001

Co-Chair-Will Lightbourne, Santa Clara County Social Services Agency
Co-Chair- Frank Motta, Corporation for Supportive Housing

Sheri Burns, Silicon Valley Independent Living Center
Barbara Serna
Consuelo Collard, Santa Clara County Social Services Agency
Diana Kalcic, Santa Clara County Social Services Agency
Bob Campbell, Project Match
Sharon Miller, St. Josephs Cathedral
Mike Weinstein
Jeffrey Hare, Attorney at Law
Sharon Rea, Santa Clara County Public Guardians Office
Edith Sona, Santa Clara County Department of Drugs and Alcohol
Dennis Mills, Alliance for Community Care
Yolanda Engiles, Christian Housing Alliance Ministry
Izi Chan, Santa Clara County Foster Care Service
Kristie Kesel, Housing For Independent People
Denise Scovel, Innvision
Melina Jovanovic, Immigrant Action Network
Lisa Merlin,
Corky Gutierrez, Santa Clara County Mental Health Department
Sandy Perry, Christian Housing Alliance Ministry
Rebecca Elliot, Innvision
Bonnie Bamburg, First Community Housing
Mark Lazzarini
Dan Wu, Catholic Charities
Sandy Decker, Los Gatos City Council
Rex Painter, American Red Cross

Staff: Ray Villarreal, SCC Housing Coordinator

Special Needs Housing Subcommittee
Final Report
August 7, 2001

Problem Statement

Santa Clara County is in the midst of a severe housing crisis of unprecedented proportions. The housing shortage and consequent high cost of housing affect all of us, but those particularly vulnerable are the very low and extremely low-income special needs populations, most of whom are served by County agencies.

"The housing problems faced by special needs populations are complex. Many inter-related factors contribute to the crisis including; a lack of resources at the Federal and State levels, a lack of coordination between jurisdictions, developers and service providers, restrictive and sometimes contradictory regulatory requirements, and of course political considerations ("NIMBYism"). Costly to build and provide services for, and politically difficult to rally around; low income housing for special needs individuals and families is a difficult burden for any single jurisdiction or agency to tackle."

The latest housing cycle has exacerbated the crisis, driving rents literally beyond the means of special needs individuals and families living on meager or fixed incomes. Worse still, the high cost of housing, even substandard housing, is beyond the abilities of the County and service providers to make up the housing cost shortfall in assistance. Service providers, shelter operators and County housing staff report that overall countywide housing service capacity is dwarfed by the overwhelming demand. The convergence of rising housing costs, declining inventory and overwhelming demand has given rise to the dilemma of escalating impoverishment and homelessness of special needs persons and rising costs of providing necessary housing and social services.

The County, however, through the efforts of the Housing Task Force is now in a unique position to take a leadership role and bring together local jurisdictions, developers, and service providers throughout the county to address the housing crisis in unified and meaningful way.

Statement of Purpose

The purpose of the Special Needs Housing Subcommittee is to recommend ways for County government to take a proactive, leadership role in the community, supporting and advocating for the development of very low and extremely low-income housing combined with appropriate services for special needs populations.

Scope of Work

The Subcommittee agreed that the recommendations and proposed services put forward in this report are intended for all special needs individuals and families living in Santa Clara County as identified by the subcommittee (See Attachment 1).

Mission Statement

The Subcommittee envisions County government providing the necessary political leadership and resources to ensure adequate housing and services for special needs individuals and families is available throughout the county. The Subcommittee believes it is the County's role to advocate that special needs individuals and families can live productive, successful lives when permanent affordable housing with appropriate on-going services are available.

Short Term Recommendations:

1) **Objective: The County will take a proactive, local leadership role becoming the primary advocate for developing very low and extremely low-income housing throughout the county for special needs clients. The County should:**

- Become a facilitator of developments for special needs housing by bringing together county resources, cities, developers and service providers;

- Work towards changing local land use policies to include more special needs housing components;

- Advocate linking local land use approvals and funding assistance with tradeoffs benefiting affordable housing developments with appropriate services for special needs populations;

- Advocate attaching to core business functions of the local economy (in lieu fees, exaction's, etc.,) the financing of affordable housing and/or housing services for special needs populations;

- Advocate that all government surplus lands (or proceeds from the sale of) be dedicated to the development of very low and extremely low-income housing;

- Provide resource development and grant writing assistance to County agencies and housing and service providers to facilitate the development of more low-income housing;

- Work to ensure Community Development Block Grant funds are allocated to meet County low-income housing objectives;

- Evaluate potential revenue sources that could be used for the development of more low-income housing and explore ways to establish a permanent source of funding.

1) **Objective: The County will take a proactive leadership role at the state and federal levels of government for developing very low and extremely low-income housing throughout the county for special needs clients.**

- Advocate for more resources and incentives in high cost areas to encourage the development of very low and extremely low-income housing;

- Work with various local funding sources, as well as state and federal agencies on developing flexible conditions and requirements on the use of funds for Special Needs Housing;

- Work with various local funding sources, as well as state and federal agencies on developing consistent reporting requirements on the use of funds for Special Needs Housing;

- Request our state delegation to lead a large-scale effort to review and reform state licensing requirements and code.

1) Objective: The Board of Supervisors will create within County government an Affordable Housing Unit to coordinate and support new and existing County housing service efforts, acquire new resources, gather and manage housing data and insure all departments are working together using resources efficiently. The County should:

    - Task the housing unit to coordinate the special needs housing efforts undertaken by the separate agencies and departments;

    - Develop the means for acquiring and managing critical data relative to the housing needs of special needs populations throughout Santa Clara County;

    - Develop a standardized intake system among County agencies to better determine the housing needs of County clients and facilitate effective housing placement;

    - Support the development and dissemination of an information data base on available units or beds for special needs individuals;

- Make County housing information easily available to the service operators, developers to assist them in acquiring funding;

- Make County information available to cities and the community at large to demonstrate the severity of the problems faced by special needs populations.

Mid-term Recommendations:

1) **Objective: The County and Cities will establish a countywide Housing Advisory Commission (HAC) as a regional forum for discussing and acting on the entire spectrum of housing issues. The HAC should:**

- Establish countywide inter-jurisdictional housing agreements for the creation of special needs housing development and/or services;

- Establish inter-County relationships relative to special needs housing and services issues;

- Establish a countywide Land Bank, comprised of surplus land and financial contributions of all local jurisdictions, to be administered by the HAC or other non profit agency, for the single purpose of building and rehabilitating low, very low and extremely low income housing;

- Work with cities on siting appropriate special needs housing projects on surplus government owned lands, or on County unincorporated land;

- Work with cities on expediting development of special needs housing projects by seeking waivers or variances on LAFCO rules, transportation services rules, density rules etc.;

- Develop countywide housing goals for special needs populations based on needs assessments and inventory data, and advocate for regional support to meet those goals;

- Develop a countywide Housing Action Plan to comprehensively address the housing needs of all Santa Clara County residents, and enlist regional support for the implementation of this plan.

1) Objective: The County will seek "best practices" in Special Needs Housing management.

- To insure County agencies and clients are getting the best housing services possible, the County should explore ways to encourage and reward successful programs.

- The County should explore different community based special needs housing models to find innovative designs that would be effective in Santa Clara County.

<u>Long Term Recommendations:</u>

1) Objective: The County will establish a Special Needs Housing Assistance program for special needs clients.

- The County Special Needs Housing Assistance program should provide funds that service providers and special needs individuals could utilize in the short term:
    a) For assistance in between housing changes;
    b) For down payment assistance:
    c) For emergency rental assistance;

- The County Special Needs Housing Assistance program should provide service operators and special needs individuals with rental and housing information services, including;
    a) available assistance programs in the County and at the state and federal levels;
    b) information on available units for special needs individuals;
    c) rental readiness training;
    d) Life skills training.

1) **Objective: The County will establish a Special Needs Housing Development program for issuing permits to build very low and extremely low income housing with services. The Special Needs Housing Development program should:**

- Issue permits for appropriate Special Needs Housing projects on County owned land, or on County unincorporated land;

- Utilize all surplus County lands (or proceeds from the sale of) for the development of very low and extremely low-income housing with services for special needs individuals and families;

- Become an insurer or guarantor of financing from public or private sources for appropriate Special Needs Housing projects;

- Establish a revolving loan fund that nonprofit developers could utilize to secure land while additional financing is pursued.

- Establish a rental housing assistance fund that developers can utilize to buy down rents and help finance the development of projects for special needs clients.

- Provide "catalyst financing" to assist Special Needs Housing developers at critical points in the project.

- Leverage "service contracts" to help finance Special Needs Housing projects.

Special Needs Housing Subcommittee

June 6, 2001

Meeting Minutes

Meeting began at 1:40 p.m.

Present: Co-Chair Will Lightbourne, Co-Chair Frank Motta, Sheri Burns, Barbara Serna, Consuelo Collard, Diana Kalcic, Bob Campbell, Sharon Miller, Mike Weinstein, Jeffrey Hare, Sharon Rea, Edith Sona, Dennis Mills, Yolanda Engiles, Izi Chan, Kristie Kesel,

Staff: Ray Villarreal, SCC Housing Coordinator

1. **Purpose of the Committee** – Co-Chair, Will Lightbourne opened the meeting by reading a letter from Supervisor Beall explaining the purpose of the Special Needs Housing Subcommittee is to develop specific short and long term strategies which the County can employ to address the housing crisis of persons with special needs.

2. **Work Plan** – The Subcommittee reviewed a straightforward work plan to produce a report for presentation to the full Housing Task Force in September. Those steps include:

Defining the Problem

a. Conducting a preliminary needs assessment
b. Identifying and examining barriers to providing special needs housing
c. Reviewing current reports, or examples of what other jurisdictions are doing
d. Determining short term and long term strategies/recommendations
e. Producing a final Report

3. **Special Needs Populations Defined** – The Subcommittee brainstormed on who comprise special needs populations and their problems (Please see attachment for list).

4. **Defining the Need** – The Subcommittee next addressed the housing needs of the special needs populations.

a. There is a need to "decongest" the system. How do we make the system flow?
b. There is a need for more special needs housing:
   1) low income housing – client pays full rents
   2) permanent subsidized housing – partial rents
   3) permanent supportive housing
c. There is a need for the County to better manage and direct its resources towards special needs housing.

d. There is a need for better *and* focused data on the scope of the problems faced by the special needs populations.
e. There is a need for better *and* focused advocacy at the federal and state level, as well as locally.
f. There is a need for land to build special needs housing.
g. Special Needs Housing development must be sensitive to the unique needs of different special needs populations.

5. **Strategies** – The Subcommittee discussed strategies for addressing identified needs.

a. The County should make its' surplus land (or proceeds from the sale) available to nonprofit developers to develop low income housing, including special needs housing with services. If County resources are being used there is an obligation that special needs housing be given 1st priority.
b. The County should develop a system for acquiring, managing and making available special needs populations' data, as well as special needs housing data. The County could become a "Clearinghouse" and disseminator of vital data.
c. The County should consider requesting our state delegation to get behind a large-scale effort to review and reform state licensing requirements and code.
   1) Are licensing issues getting in the way of providing additional housing opportunities?
   2) Is there a better model, a rational standard for licensing?
d. The County should take a local leadership role, advocating for special needs housing.

6. **Additional Resources to Consider** -The Subcommittee agreed to consider the following resources for additional ideas:

a. SJ Mayors Task Force on Homelessness
b. Housing Choices – Report on Developmentally Disabled Needs in SCC
c. Corporation for Supportive Housing - analysis of costs of housing special needs persons vs. housing in an institutional setting
d. SCC Supportive Housing Initiative

7. **Additional Participants** – The Subcommittee requested staff to invite local nonprofit developers to attend next meeting for discussions regarding special needs housing development.

8. **Next Meeting** – June 19, 2001 at 1:30 p.m., 11th Floor Conference Room.

9. **Meeting Adjourned at 4:00 p.m.**

Special Needs Housing Subcommittee

June 19, 2001
Meeting Minutes

Meeting began at 1:40 p.m.

Present: Co-Chair Will Lightbourne, Co-Chair Frank Motta, Consuelo Collard, Diana Kalcic, Bob Campbell, Edith Sona, Dennis Mills, Kristie Kesel, Denise Scovel, Melina Jovanovic, Lisa Merlin, Corky Gutierrez

Staff: Ray Villarreal, SCC Housing Coordinator

1. Review June 6th Minutes – The meeting opened with a review and discussion of the June 6th minutes. Discussion ensued over the definition of special needs housing types.

a. Special Needs Housing was defined as the following:
   1) safe and stable over the long term;
   2) with options ranging from independent living to some connectivity to services;
   3) Affordable to those earning less than 30% of area median income.

b. Key issues relative to Special Needs Housing were identified as:
   1) Broad and diverse populations with varying needs;
   2) Broad and diverse housing types are needed to accommodate the populations including funds to keep what housing is available affordable.

2. Barriers to Providing Special Needs Housing – The Subcommittee brainstormed on what barriers exist to providing additional special needs housing.

a. Land
b. Financing
c. Means to retain affordable housing for special needs populations
d. Lack of coordination between County agencies
e. Lack of coordination between Service providers and County agencies
f. Lack of commitment by County to increase affordable housing options for special needs populations
g. Lack of coordination/communication between cities and counties
h. Lack of coordination/communication between service providers and developers
i. Lack of community support – NIMBYism
j. Lack of state/federal and County communication and coordination
k. Formulaic bias at the State and Federal levels of funds distribution
l. Projects in SCC require a variety of funding sources and each has conditions that may or may not be compatible

m. Lack of readiness of typical SNH clients
n. Language and cultural barriers to providing services to all in need
o. Perception of "Silicon Valley" as the "Land of Only the Wealthy"
p. Lack of ownership and commitment by the community to solve the housing crisis
q. Lack of public campaign to promote the benefits of special needs housing in the cities
r. Lack of cooperation between service providers
s. Lack of Section 8 Vouchers

3. Strategies – The Subcommittee continued its'discussion of strategies for addressing identified needs and barriers from the previous meeting.

a. "Since we can't do it on public funding alone, we must attach financing of affordable housing and/or housing services for special needs populations to core business functions of the local economy."
b. The County and Cities should establish countywide inter-jurisdictional housing agreements for the creation of special needs housing development and/or services.
c. The County and Cities should establish a Countywide Housing Advisory Commission as a regional forum for discussing and acting on entire spectrum of housing issues
d. The County should establish inter-County relationships relative to special needs housing issues.
e. The County should take a leading role, bringing together cities, developers and service providers, facilitating land use decisions that include special needs housing components. "We must link local, public approvals of land use with tradeoffs benefiting affordable housing development and/or services for special needs populations".
f. The County should establish a rental/housing assistance fund that service providers can utilize in the short term to assist disabled or semi-disabled persons in between housing changes. Over the long term the funds would be utilized to "gap" finance housing services of special needs individuals.

4. **Next Meeting** – The Subcommittee requested staff to invite local nonprofit developers to attend next meeting for discussions regarding special needs housing development.

5. **Next Meeting** – July 11, 2001 at 1:30 p.m., 11th Floor Conference Room.

6. **Meeting Adjourned at 4:20 p.m.**

Special Needs Housing Subcommittee

July 11, 2001
Meeting Minutes

Meeting began at 1:40 p.m.

Present: Co-Chair Will Lightbourne, Co-Chair Frank Motta, Bob Campbell, Edith Sona, Kristie Kesel, Lisa Merlin, Corky Gutierrez, Jeffrey Hare, Yolanda Engiles, Izi Chan, Rebecca Elliot, Bonnie Bamburg, Mark Lazzarini, Dan Wu, Sandy Decker, Sandy Perry, Sharon Miller,

Staff: Ray Villarreal, SCC Housing Coordinator

1. **Review June 19th Minutes** – The meeting opened with a review and discussion of the June 19th minutes.

2. **Barriers to Providing Special Needs Housing** – The Subcommittee had an open ended question and answer session with several representatives from nonprofit housing development corporations.

Identified Barriers to development:

a. Finding available, suitable (near services) land and being able to pull together financing quickly enough to purchase it.
b. Subsidies for Special Needs Housing are significant and require weaving together multiple funding sources from multiple agencies with multiple conditions and requirements on how those funds can and cannot be used. Often times those requirements are at odds or contradictory.
c. Permitting process and requirements is difficult for SNH developers to comply with.
d. Politically difficult for cities to deflect NIMBY pressures and justify exorbitant subsidies required for developing very low and extremely low-income housing.

Identified Strategies

a. The County should consider the feasibility of issuing permits for appropriate Special Needs Housing projects on County owned land, or on County unincorporated land.
b. The County should partner with and work with cities on siting appropriate Special Needs Housing projects on County/City owned lands, or on County unincorporated land.
c. The County should partner with and work with cities on expediting development of Special Needs Housing projects (on County/City owned land, or on County unincorporated land) by seeking waivers or variances on LAFCO rules, transportation services rules, density rules etc.

d. The County should work with various funding sources, including state and federal agencies on developing flexible conditions and requirements on the use of funds for Special Needs Housing.
e. The County should work with various funding sources, including state and federal agencies on developing consistent reporting requirements on the use of funds for Special Needs Housing.
f. The County should consider the feasibility of becoming an insurer or guarantor of financing from public or private sources for appropriate Special Needs Housing projects.
g. The County should establish a rental housing assistance fund that service providers can utilize for down payment assistance and developers can utilize to buy down rents and help finance the development of projects for special needs clients.
h. The County should explore the feasibility of providing "catalyst financing" to assist Special Needs Housing developers at critical points in the project.
i. The County should consider leveraging "service contracts" to help finance Special Needs Housing projects.

Identified County Role

a. The County should become a recognized, proactive force countywide for Special Needs Housing development, directing surplus lands, resources and funds to the extent possible towards Special Needs Housing development.
b. The County should empower the Housing Coordinator to facilitate Special Needs Housing development partnerships between the County, cities, developers, service providers and funding sources, always pushing the development process forward to completion.
c. The role of the Housing Coordinator is as follows:
    1) To serve as the County advocate for special needs housing;
    2) To establish partnerships with cities, nonprofit developers, service providers and funding sources;
    3) To manipulate resources and funding for the development of special needs housing;
    4) To utilize appropriate means available to preserve existing Special Needs Housing.
d. The County should establish a Countywide Housing Advisory Commission to work with the Housing Coordinator to develop quantifiable development goals.

3. Review of Existing Reports – The Subcommittee reviewed the "Recommendations" section of the Supportive Housing Initiative. It was the consensus of the group to support the recommendations without further comment.

4. Staff Direction – The subcommittee directed staff to organize the information developed from the brainstorming sessions into consistent groupings around common objectives.

This draft will be reviewed and reworked by the subcommittee at our next meeting and form the basis for the Subcommittee's report to the Housing Task Force.

5. **Next Meeting** - July 31, 2001 at 1:30 p.m., 11th Floor Conference Room.

6. **Meeting Adjourned at 4:20 p.m.**

Attachment #1

Special Needs Housing Subcommittee

Definition of Special Needs Population

a. Homeless individuals and families
b. Elderly including:
   1) physically and financially abused
   2) mentally ill
   3) frail and disabled
   4) homeless
c. Abuse Victims
   1) children
   2) adults, families
d. Mentally Ill persons
   1) adults
   2) families with children
e. Developmentally Disabled
f. Physically Disabled
   1) Victims of Traumatic Brain/Spinal Injury
   2) Other physical disabilities and/or injuries
g. Persons with Health Disabilities
   1) Persons with HIV/AIDS
   2) Victims of Organic Brain Syndrome (dementia, alzheimer's)
   3) Other health or medical related disabilities and/or injuries
h. Foster Care families
   1) foster parents
   2) Families/relatives trying to reunify with children
   3) Aged out foster care young adults
i. Criminal Justice clients

j. State Hospital clients

k. Substance Abusers

l. CalWorks clients

m. Persons with Extremely Low Incomes (ELI) living at or below the federal poverty level.

SANTA CLARA COUNTY HOUSING TASK FORCE:

SECTION VIII

REGIONAL HOUSING ACTION PLAN COMMITTEE

County of Santa Clara Housing Task Force

Regional Housing Action Plan Committee Summary Report

Wednesday, May 30 & Friday, June 1, 2001

Participants: [5/30]: Alyson L. Abramowitz, Chris Block, Bob Brownstein, Candy Capogrossi, Tracey Chew, Steve Glickman, Poncho Guevara, Art Henriques, Bill McWood, Dunia Noel, Christy Paul, Maria Romero-Aranda, Paul Stewart, Ray Villarreal, Gertrude Welch, Billie & Saul Wachter, Heidi Wolf-Reid. [6/1]: Chris Block, Larry Boales, Bob Dougherty, Poncho Guevara, Ron Johnson, Kevin Malone, John Ordoñez, Louie Rocha, Ben Spero, Greg Tomkins.

Goals of County Housing Task Force:

- Craft a Comprehensive Countywide Plan to determine what the needs are, what new resources are necessary, and how these resources can be identified, generated, and obtained.
- Identify existing initiatives underway in the region
- Recognize and integrate the current housing activities of County Departments as well as those of the Housing Trust and the County Executive's Office.
- Components will focus on the housing needs of low-income, special needs populations and County workforce.
- Consider the creation of an Affordable Housing Land Trust.
- Identify surplus County property for affordable housing development.

Guiding Principles for the County Housing Task Force:

- Define the problem/need
- Identify and develop strategies using short, medium, and long-term goals
- Consider resources and barriers, especially as they apply to Santa Clara County
- Objectives must be focused and quantifiable
- Recognize the County's role in housing production, creation, and preservation
- Recognize the work of others and build upon that

Role of the Regional Housing Action Plan Committee: *Committee members identified how we define success from this process*

- Define and recommend a Countywide, *comprehensive action plan* to be presented to the County for ratification
- Define a *bold vision for housing* that looks at housing issue in all of its complexity that is tempered, but not limited, by what we perceive we can accomplish.
- The plan will be justified based on a *defensible analysis* of need and resources
- The plan will include clearly defined *strategies* (short, intermediate and long-term) and who is responsible for implementing each strategy.

- Establish a *framework for long-term involvement*, supporting the development of a supportive constituency and enabling the County to take a leadership role
- Create a *checklist* with evaluation criteria that defines success

Strategies: *Committee members identified a preliminary set of outcomes for strategies*
- Will include both short-term, high-impact, achievable components to make an immediate difference to get people housed (24 months)
- Will include long-term objectives that will allow us to envision comprehensive solutions and address the complexity of the issues (5-7 years)
- Must be action-oriented
- Need a serious reality test to determine which are most effective
- Can bolster the County's role in housing including things that the County can do to encourage cities to take action
- Must include a middle-class component addressing the broad continuum of housing needs.

The Process: *The Committee discussed the scope of the work needed to complete the process. There will be three phases.*
- First, an efficient research phase will compile and present information that will lay a foundation for understanding the issues related to the housing crisis. There are a significant number of existing reports and data sets that examine the housing situation in various ways. Four **workgroups** will review the relevant content of those reports and identify which pieces are most useful in a determination of needs and solutions. **All workgroup meetings will take place at the offices of Housing Trust: 111 W. St. John Street, 7th Floor, San Jose.**
- Using that information as a baseline, the second phase will involve developing, analyzing and prioritizing strategies to be included in the action plan. That second phase will begin with a "retreat-style" general meeting on July 18th from 3-8:30PM at the Housing Authority. This work will continue until the next general meeting on August 15th.
- Phase three will synthesize the first two into the final report to the Board of Supervisors.

The following is a description of the focus of each of the four workgroups in phase one.

Included are the issues identified for inquiry, composition and meeting schedule:

A) The Need: An Overview
Focus: Present efficiently the scope of the crisis and the real housing need (look at Census 2000 data and existing reports)
Research Issues: Demographics; housing costs (rental rates, home prices); vacancy rates; job growth; housing production levels; definition of a sufficient number of units; definition of quality housing; overcrowding (families per unit); school enrollment; immigration patterns; community impact of less home ownership; similar trends in other regions; TANF enrollment; gentrification.
Who: Ron Johnson, Candy Capogrossi, Tracey Chew, Dunia Noel, Ray Villarreal, Gertrude Welch
When: Thursday, June 28, 6:30PM; Tuesday, July 10, 6:30PM; Monday, July 16, 6:30PM; [if necessary: Thursday, July 26, 6:30PM; Tuesday, August 7, 6:30PM]

B) Interrelationship: Regional Issues
Focus: Describe the interrelationship of housing to other regional issues: (i.e. land use, transportation, wages)
Research Issues: Zoning; Tax policy/fiscalization of land use; jobs/housing imbalance; transportation; wage and income trends; traffic congestion/location of housing relative to jobs; school capacity; environmental impact; infrastructure (water, sewers).
Who: Steve Glickman, Art Henriquez, Kevin Malone, Bill McWood, Dunia Noel, Ben Spero, Paul Stewart.
When: Thursday, June 28, 4PM; Tuesday, July 10, 4PM; Monday, July 16, 4PM; [if necessary: Thursday, July 26, 4PM; Tuesday, August 7, 4PM]

C) Housing: Broadly Defined
Focus: Understand supply/demand imbalance and barriers to housing development: (i.e. fiscalization of land use, financial constraints, etc.)
Research Issues: Financing constraints; growth controls; regulatory numbers from state (state guidelines for assistance); NIMBYism; impact of intensification of use (density, municipal services); development costs; jobs/housing imbalance; tax structure/fiscalization of land use; return on housing investment; entropy; lack of infrastructure (water, sewers, energy); coordination between agencies; lack of incentives to keep housing affordable; limited varieties of new housing.
Who: Alyson L. Abramowitz, Larry Boales, Bob Dougherty, Steve Glickman, Art Henriquez, Ben Spero, Greg Tomkins, Saul & Billie Wachter, Heidi Wolf-Reid
When: Thursday, June 28, 6:30PM; Thursday, July 12, 6:30PM; Monday, July 16, 6:30PM; [if necessary: Thursday, July 26, 6:30PM; Thursday, August 9, 6:30PM]

D) Affordable Housing
Focus: Understand the specific issues related to affordable housing.
Research Issues: Middle-income/1st time homebuyers; special needs; lower-income; undocumented; seniors; transient (students, weekly workforce); homeless; emergency; alternative housing (shared, multi-generation family).
Who: Alyson L. Abramowitz, Ron Johnson, John Ordoñez, Louie Rocha, Maria Romero-Aranda,
When: Thursday, June 28, 4PM; Thursday, July 12, 4PM; Monday, July 16, 4PM; [if necessary: Thursday, July 26, 4PM; Thursday, August 9, 4PM]

Process Considerations: *The Committee was asked to discuss their thoughts, concerns and ideas about the process to address any identifiable pitfalls and point us in a constructive direction as we move forward.*

- A large body of knowledge currently exists and needs to be analyzed.
- This will be a County report, sent to the Board of Supervisors for adoption and, therefore, we will need to coordinate closely with Supervisor Beall's office.
- The final report must not be either a "problems report" or a "list of solutions"
- It is easier to identify problems that viable solutions
- Previous processes have lacked:
- A clear vision in terms of final outcomes and products.
- A connection to the political /institutional resources necessary to implement them

- Analytical thinking, which is undermined by "list-making"
- A real response to the costs and resources needed to address housing
- Housing lacks an adequate constituency to create the political will that moves elected leaders and reluctant staff to make housing a resource priority.
- Addressing the housing crisis involves factors external to local control (i.e. job growth, tax system)
- Long-time advocates feel the frustration of few successes and lots of effort
- Who else needs to be around the table: Cities (elected officials, city managers, planning department and CDBG staff), County policymakers and staff, builders/developers, finance experts, trade associations and community members.
- Hold day & evening meetings when possible
- Ask for written comments

__Next Steps:__ *Committee members committed to help secure copies of reports and data, which will be compiled by staff in anticipation of the workgroups. That information will be disseminated at next general meeting on* ***Wednesday, June 27 at 6:30PM*** *at the Housing Authority (505 W. Julian St. San Jose). Workgroups will begin meeting the following day,* ***Thursday, June 28th*** *at the Housing Trust offices (111 W. St John Street, 7th Floor, San Jose)*

SANTA CLARA COUNTY HOUSING TASK FORCE:

REGIONAL HOUSING ACTION PLAN COMMITTEE:

RESEARCH PHASE

County of Santa Clara Housing Task Force

Regional Housing Action Plan Committee

Research Phase Working Groups

Documents reviewed for Working Group Packets [June 2001]:

1. The Right to Housing, Institute for Policy Studies Working Group on Housing
2. Looking to a Higher Authority: Can the State Help Solve Our Housing Problems? Santa Clara County Planning Office
3. Housing LA
4. Growth Projections for Santa Clara County 2000-2020, ABAG
5. Conditions and Trends in Santa Clara County, ABAG
6. Santa Clara County Collaborative on Affordable Housing and Homeless Issues 5-Year Plan (Draft)
7. Building Sustainable Communities: Housing Solutions for Silicon Valley, Silicon Valley Manufacturing Group and Greenbelt Alliance
8. Silicon Valley Projections 2000, Silicon Valley Manufacturing Group
9. Not Safe At Home, The Doc4Kids Project, Boston Medical Center
10. Obsess: Why the Bay Area Can't Stop Talking and Thinking About Real Estate, by Bonnie Wach
11. Housing in California, Controller's Quarterly
12. Raising the Roof: California Housing Development Projections and Constraints 1997-2020, California Department of Housing and Community Development, May 2000
13. Draft Compact for a Sustainable Bay Area, Bay Area Alliance
14. Joint Venture's 2000 Index of Silicon Valley
15. Joint Venture's 2001 Index of Silicon Valley
16. Bridging Borders in Silicon Valley: Summit on Immigrant Needs and Contributions, Santa Clara County Office on Human Relations
17. In Short Supply: Recommendations of the Los Angeles Housing Crisis Task Force, May 2000
18. Everyone's Valley: Inclusion and Affordable Housing in Silicon Valley, Working Partnerships, May 2001
19. Santa Clara County Consolidated Plan 2000-2005, May 2000
20. City of San Jose Consolidated Plan, 2001 Annual Action Plan
21. ABAG Projections on Housing Need
22. Valley Transportation Plan 2020
23. Locked Out: California's Affordable Housing Crisis California Budget Project May 2000
24. Census 2000 data (what is available)
25. Further Concerns Regarding the Low-Income Housing Crisis in California by Radha Bhattacharya, Dept. of Economics, California State University, Fullerton April 2001
26. Stilled Locked Out, California Budget Project, March 2001
27. San Jose Mercury News, June 26, 2001
28. Santa Clara County Collaborative on Affordable Housing and Homeless Issues Gaps Analysis
29. Other sources as cited

SANTA CLARA COUNTY HOUSING TASK FORCE:

HOUSING NEED

prepared by:
Susan Silveira
Springboard Consulting

Housing Need

The State Picture

Renters Face the Greatest Affordability Challenges

Over four out of ten (43 percent) of all California households are renters, and renters face the greatest affordability challenges. In 1997, nearly a quarter of the renter households in the state's metropolitan areas (1 million out of 4.2 million households) spent more than half of their incomes on rent. A total of 2 million renter households paid more than the recommended 30 percent of their incomes toward shelter. All indications suggest that the situation has grown worse over the past three years.[1]

After accounting for federal, State, and local housing assistance, 3.1 million California households *still* paid more than 30 percent of their incomes for housing in 1995.[2] Nearly two-thirds (65 percent) of low-income renters paid more than half their income for housing in 1997 and 86 percent spent over the recommended 30 percent of their income on housing.[3] Altogether, 2.4 million low-income California households overpaid for housing in 1995.[4]

The number of Californians in need of affordable housing far outstrips the supply of low cost units. In 1997, the number of low-income renter households in the state's metropolitan areas exceeded low cost rental units by 2.1-to-1, a gap of 684,000 units.[5]

Over the past decade, the cost of rental housing has risen faster than inflation in the state's two largest metropolitan areas and faster than the incomes of the average California family. Rental housing costs increased 14 percent in Los Angeles and 38 percent in San Francisco between 1989 and 1998, while the income of the median renter household increased by 9.6 percent and the median income of renter households with children increased 6.3 percent.[6]

Table 1: Many California Renters Face Significant Housing Cost Burdens

	Renters Paying Over 30% of Their Income Toward Housing		Renters Paying Over 50% of Their Income Toward Housing	
	Percentage	Number	Percentage	Number
Metropolitan California (1997)	47%	1,969,900	24%	1,001,100
Anaheim-Santa Ana (1994)	53%	178,200	24%	82,300
Los Angeles-Long Beach (1997)	51%	848,600	26%	434,100
Oakland (1998)	43%	148,100	22%	75,400
Riverside-San Bernardino (1994)	56%	166,000	29%	85,400
Sacramento (1996)	47%	101,000	21%	45,000
San Diego (1994)	55%	216,700	26%	103,000
San Francisco (1998)	42%	141,900	21%	73,000
San Jose (1998)	41%	90,600	20%	43,800

Source: US Department of Commerce, Bureau of the Census, and US Department of Housing and Urban Development, American Housing Surveys

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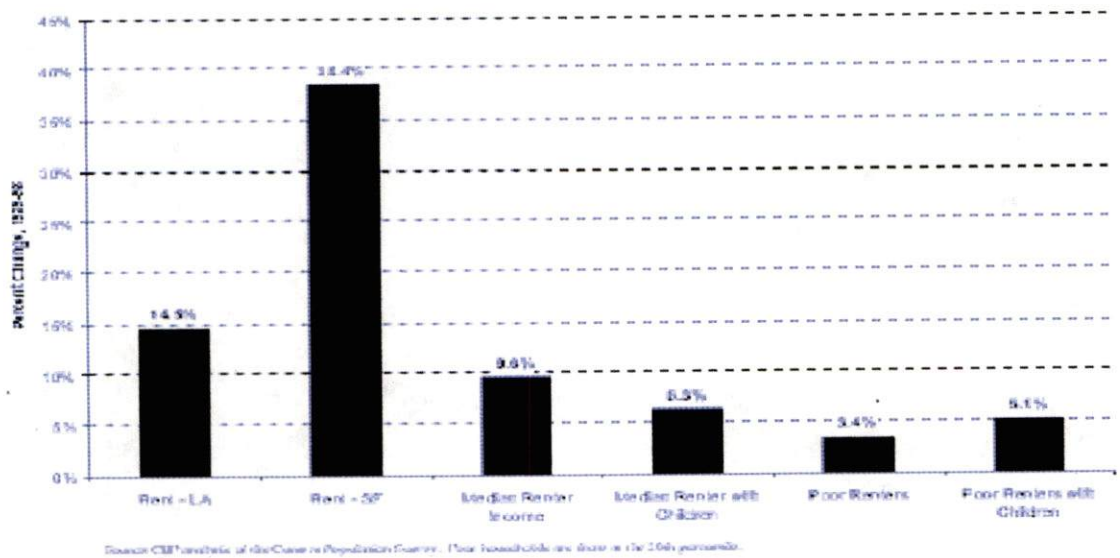
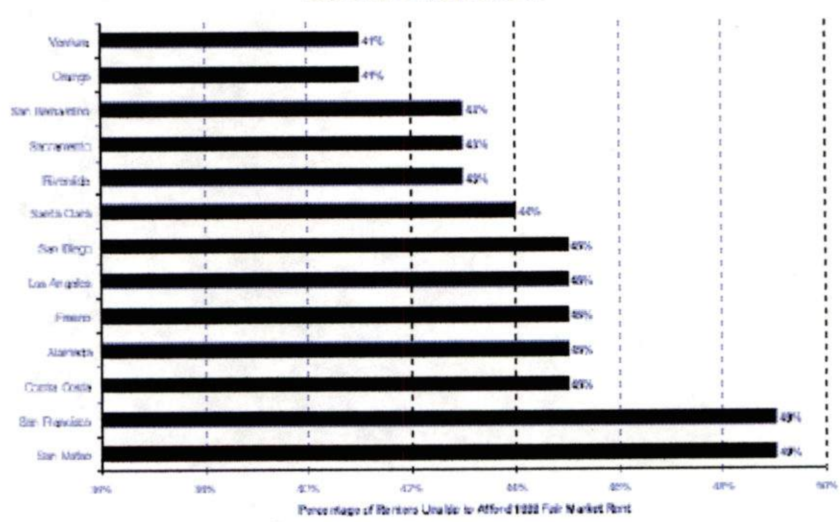
[1] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[2] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[3] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[4] Raising the Roof: California Housing Development Projections and Constraints 1997-2020, California Department of Housing and Community Development May 2000
[5] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[6] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

Rents Outpace Household Incomes



Statewide, 45 percent of California renters were unable to afford the FMR on a two-bedroom apartment in 1999. Even in areas where housing costs less, lower incomes make rents unaffordable. In the rural counties that constitute the state's most affordable housing markets, where the FMR for a two bedroom apartment is $483 per month, a full-time worker would need to earn $9.28 per hour to afford the rent — 161 percent of California's minimum wage.[7]

Many California Renters are Unable to Afford a Two Bedroom Apartment



[7] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

High Housing Costs Have Pushed Homeownership Out of Reach for Many California Families

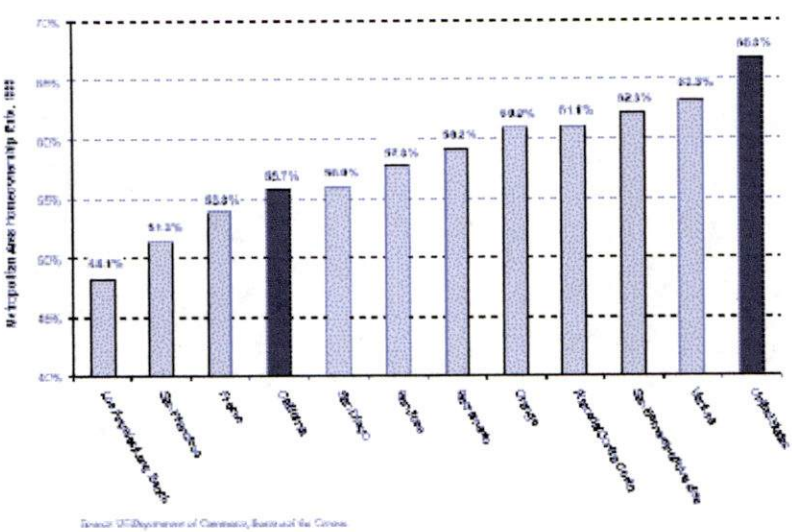
Despite a booming economy, California's homeownership rate is the second lowest in the nation. Only 55.7 percent of California households owned their own homes in 1999, compared to 66.8 percent for the nation as a whole.[8]

The state's homeownership rate is low because fewer Californians can afford to buy a home. Nationally, 55 percent of households could afford to purchase the median priced home in 1999, as compared to 37 percent of California households. Only 27 percent of the region's households can afford the median priced home in the Bay Area, and even fewer (23 percent) can afford the median priced home in Monterey County. The median California household earns less than two-thirds the income needed to purchase the median priced home.[9]

Housing Affordability in California is Well Below the National Average

[8] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[9] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

California's Homeownership Rates Lag Those of the Nation



California's low-income homeowners experience significant housing cost burdens. Over half (54 percent) of the low-income homeowners in the state's metropolitan areas spent over half of their income for housing in 1997.[10]

California's high home prices make it difficult for renters to become homeowners. The income needed to purchase the median priced home is more than twice the income of the state's median renter household ($27,401 in 1998). Fewer than one out of twenty new homes sold in 1999 were affordable to households with incomes at or below the median for California renter households.[11]

Overcrowding Worsens as Housing Costs Rise

According to Census estimates, 1.2 million households lived in overcrowded conditions in 1990. Rates of overcrowding for very-low income households range from six to fourteen times higher than for other households, depending on the metropolitan area.[12]

The prevalence of overcrowding nearly doubled between 1980 and 1990, and has worsened in the last decade. In 1997, 13 percent of renter households in the state's metropolitan areas lived in overcrowded conditions.[13]

The single most significant factor associated with overcrowding is the presence of children in a household. In 1995, 40 percent of the state's children lived in renter households that were overcrowded and one of out six lived in severely overcrowded households. Not surprisingly, large families are especially likely to live in overcrowded housing.[14]

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[10] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

[11] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

[12] Raising the Roof: California Housing Development Projections and Constraints 1997-2020, California Department of Housing and Community Development May 2000

[13] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

[14] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

Lack of Housing Limits Families' Ability to Leave Welfare for Work

A geographic mismatch between high employment growth areas and affordable housing limit welfare recipients' access to jobs. The wages typically earned by those transitioning from welfare to work are insufficient to offset increased housing costs in areas where employment opportunities are better.

Current levels of cash assistance severely limit families' housing options. Based on current Fair Market Rents, families relying on CalWORKs, the state's cash assistance program for poor families, pay over 60 percent of their grant toward housing in all California counties. California's welfare recipients are also less likely to receive federal housing assistance than are welfare recipients in other states. In 1997, only 13 percent of families receiving AFDC received federal housing subsidies, compared to 23 percent for the nation as a whole. In fact, California ranks 49th among the 50 states, with only Michigan having a lower share of welfare recipients receiving housing assistance.

While Seniors are More Likely to Own their Own Homes, Senior Renters Face Significant Cost Burdens

While the housing cost burdens of seniors who own their own homes are modest in comparison to other Californians, a third of senior homeowners pay over 30 percent of their income for housing. Seniors who rent face significant cost burdens, with 65 percent paying in excess of 30 percent of their incomes for rent and 41 percent paying more than half of their incomes for rent. The high rent burden poses a significant problem for seniors since they are more likely than younger renters to be living on a fixed income. An elderly or disabled SSI/SSP recipient would spend over half of his or her income for a studio apartment in 39 of the state's 58 counties.

Substandard Housing

Approximately twelve percent of the State's housing stock is in need of rehabilitation. [15]

Homeless

Although inherently difficult to quantify, California's homeless population in 1997 was estimated at 360,000 persons, about 1.1 percent of the State's 1997 population.[16]

Units At Risk

As of 1998, more than 3,200 rental housing projects, encompassing 185,000 units were at risk of conversion throughout California.[17]

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[15] Raising the Roof: California Housing Development Projections and Constraints 1997-2020, California Department of Housing and Community Development May 200

[16] Raising the Roof: California Housing Development Projections and Constraints 1997-2020, California Department of Housing and Community Development May 200

HOUSING NEED

Santa Clara County

Lower Income Households

- Based on 1999 estimates, there are 149,915 adults and 220,754 children living below the federal poverty level in Santa Clara County.[18]

Disabled Persons

- There are 57,919 individuals with a work disability in Santa Clara County. Of these, 24,823 cannot work due to their disability.[19]
- There are 95,000 mentally ill persons in Santa Clara County, half are on public assistance[20]
- There are 40,863 persons receiving SSI in Santa Clara County. [21]

Elderly

- According to 1990 US Census data, 7% of those in Santa Clara County living below the poverty level are persons over the age of 65.[22] This suggests that, based on 1999 population estimates, there are 10,494 persons over the age of 65 living below the federal poverty level.[23]

Persons with HIV/AIDS

- There are 1,203 persons with AIDS living in Santa Clara County.[24]

Agricultural Workers

- There are 3,500-5,500 agricultural workers earning $11,960-$13,000 and only 300 beds at Ochoa provided by the Housing Authority of Santa Clara County.[25]

Homeless

- There were at least 20,000 episodes of homelessness by individuals and families in Santa Clara County over the last year.[26]

Veterans

- In the 1999 homeless survey, 19% of the respondents were veterans.[27]
- As of January 10, 2000, there are 83,935 veterans in Santa Clara County.[28]

Youth

- According to the most recent homeless survey, 60% of homeless children were under the age of 12, with 19% between the ages of 13-17.[29]

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[18] US Census Bureau, Santa Clara County QuickFacts

[19] Housing Needs Assessment for Persons with Disabilities: Final Report, Prepared for City of San Jose Department of Housing by Vernazza Wolfe Associates, Inc., December 1997, p. 8

[20] Hospital Conference of Santa Clara County, Community Health Needs Assessment for Santa Clara County, June 1996, p. 12

[21] SSI Recipients by State and County, The Office of Policy, Social Security Administration December 1999.

[22] 1990 US Census Data

[23] US Census Bureau, Santa Clara County QuickFacts

[24] Santa Clara County Consolidated Plan for 2000-2005 May 9, 2000 p 2-44

[25] Santa Clara County Consolidated Plan for 2000-2005 May 9, 2000 p 2-47, 48

[26] 1999 Santa Clara County Homeless Survey Jerome Burstein and Linda Woodsmall September 8, 2000

[27] 1999 Santa Clara County Homeless Survey Jerome Burstein and Linda Woodsmall September 8, 2000

[28] California Employment Development Department, Labor Market Information Division, Information Services Group.

[29] California, Employment Development Department, Labor Market Information Division, Information Services Group.

- The Emergency Housing Consortium estimates there are as many as 1500 homeless teenagers found in downtown San Jose during the course of one year.

Domestic Violence

- In 1999, the total percentage of homeless women who experienced domestic violence was 22.6%.[30]

Current Inventory of Low-Income Housing

Santa Clara County has approximately 26 emergency shelters, providing 1,020 beds year round, and 1,270 beds when the armories are opened during the winter. Nonetheless, 1,000 people are left sleeping on the street on a typical night.[31]

A recent survey conducted by First Community Housing revealed that there are 223 affordable housing complexes in Santa Clara County providing 22,084 units of affordable housing serving primarily individuals and families with incomes between 50-120% of the County's median income.[32]

According to the recent 2001 Index produced by Joint Venture, the overall development of new housing units fell by more than 50%, from 12,060 in fiscal year 1999 to 5,370 in fiscal year 2000. Of those units, 31% or 1,600 are affordable housing units. This index report does not indicate whether these housing units are for rental or ownership housing. However, there is an implication that these units may represent rental housing affordable to those making up to 60% of median income.[33]

There are 225 wheelchair-adapted units in the entire county.[34] While the precise need for these types of units is not known, the fact that close to 25,000[35] people in this county cannot work due to a physical disability suggests that more of these types of units are needed.

One of the tasks undertaken by the special needs housing advisory working group was to attempt to ascertain the number of clients currently receiving housing and housing assistance from County agencies. The chart on the next page reflects estimates, which are in some cases yearly or monthly averages. *It should be noted that agencies that contract for the provision of housing report that all contracted facilities are full to capacity on a daily basis.*

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[30] Ibid.

[31] Santa Clara County Collaborative on Affordable Housing and Homeless Issues' Five Year Plan (Draft) June 2001

[32] This number does not include board and care and other types of housing that are not apartment complexes.

[33] Joint Venture's 2001 Index of Silicon Valley prepared by Collaborative Economics, p.19, January 2000.

[34] Santa Clara County Consolidated Plan for 2000-2005 p. 2-38

[35] Housing Needs Assessment for Persons with Disabilities: Final Report, Prepared for City of San Jose Department of Housing by Vernazza Wolfe Associates, Inc., December 1997, p. 8

Clients Receiving Housing Assistance with Services*
from Santa Clara County Agencies

	Emergency Shelter	Transitional Housing	Permanent Supportive Housing	Permanent Housing
Mental Health				
Mentally Disabled	160	238	538 (includes 50 Shelter Plus Care Beds)	41
Alcohol & Drugs				
Men	10	97		
Women	5	54		
Families w/Children		59	50(Shelter Plus Care)	
Family Reunification		35♦		
-Children				
Family & Children's Services				
Persons Living with Developmental Disabilities	4		50	
Children w/ HIV			5	
Lower Income Households				
<50% of median (Family Unification Program)			187	
Youth				
Aged Out (18-25)		17	102	
Runaways	8			
Foster Care	312	727	1589	36
Domestic Violence				
Women		11		7
Women w/Children		4	5	17
Substance Abusers				
Women		62		
Recovery Clients		10	11	6
Mental Health				
Children w/ Medical Needs	21		40	
TOTALS:	505	1310	2527	107

* Reflects information obtained during the working group sessions in Dec. 1999 & Jan. 2001.

♦ The Department of Alcohol and Drugs contract for a total of 255 transitional beds. Of these, 193 have a length of stay up to 90 days and 62 beds have a 6-9 month length of stay.

Housing Authority

The Housing Authority of the County of Santa Clara provides low- income housing and low income housing assistance for the residents of Santa Clara County. The following chart shows the numbers of clients served through Section 8 assistance, Public Housing and housing created through the state tax credit program.

Housing & Housing Assistance Provided By The Housing Authority Of Santa Clara County

Program	**Type of Housing/Clients**	**Number Served**
Section 8 Programs:*		
Family Self-Sufficiency	Low-Income Families	450+
Welfare to Work	Families (100% TANF)	810 *
Shelter Plus Care	Homeless/Dually-Diagnosed	120
MainStream	Persons with Disabilities	163
After Care	Persons with Developmental Disabilities	75
Family Unification Program	Open Child Welfare Cases	136
Others	Low-Income Individuals/Families	9845
	TOTAL:	11,149
Other Housing Programs		**Number of Units**
Public Housing	Low Income Individuals/Families	560
Low Income Housing Tax Credit Program	Low Income Individuals/Families	1242

The Santa Clara County Collaborative on Affordable Housing and Homeless Issues prepares a yearly Continuum of Care Gaps Analysis for the McKinney Homeless Fund application. According to that document, here is the current inventory of housing as it relates to homeless housing for the purposes of this funding application.

Current Inventory[36]

	Individuals	Families	TOTAL
Emergency Shelter	809	410	1219
Transitional Housing	592	674	1266
Permanent Supportive Housing	438	368	806
TOTAL:	1839	1452	3291

* Section 8assistance is only viable for those special needs clients who can qualify for housing that costs less than 50% and in many cases less than 30% of median income.

* This number will increase to 1066 by June 2001.

[36] Santa Clara County Collaborative on Affordable Housing and Homeless Issues, Continuum of Care Gaps Analysis 2001

Low Income Housing Need

The Association of Bay Area Government provides projections of housing need based on an economic analysis of the area. Here are their current projections:

	Very Low	Low	Moderate	Above Moderate	Total
Santa Clara County[37]	11,424	5,173	15,659	25,735	57,991

The Santa Clara County Collaborative on Affordable Housing and Homeless Issues must also report information on the unmet housing need for the homeless in Santa Clara County for their McKinney Homeless funding application. Here are those current figures:

Unmet Homeless Housing Need[38]

	Individuals	Families w/Children	Total
Emergency Shelter	381	476	857
Transitional	841	1013	1854
Permanent Supportive Housing	504	1277	1781
TOTAL	1726	2766	4492

Housing Authority Waiting List

As of November 2000, there were 26,331 persons on the Section 8 waiting list for Santa Clara County. Of these, 3849 are elderly, 4741 are disabled and 4168 identify themselves as homeless.

There are 6000 persons on the public housing waiting list.

There are more than 41,000 persons on the waiting list for the Low Income Housing Tax Credit Program.

Mobile Home Residents

Over the past five years there has been a loss of 944 mobile home housing units in the Urban County.

Conversion Tenants

There are 7,726 units of low-income housing at risk of being converted to market rate housing.[39]

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[37] This is a countywide figure, including all cities in Santa Clara County.

[38] Santa Clara County Collaborative on Affordable Housing and Homeless Issues, Continuum of Care Gaps Analysis 2001

[39] Santa Clara County Consolidated Plan 2000-2005 May 2000 p.2-50

Rising Rents
Average rents increased 26% at turnover in 2000; median household income increased 2%.[40]

In one three month period in the year 2000 the rents for vacant apartments shot up by 19 percent in San Mateo County, 18 percent in Santa Clara County and 13 percent in San Francisco County, according to Real Facts, which collects information on apartment complexes with 50 units or more. The vacancy rate fell to 0.6 percent in Santa Clara County, the lowest rate region-wide since 1996.[41]

As of June 2000, average rents for one-bedroom were $1,967 in San Francisco, $ 1,973 in Palo Alto-Menlo Park, $1,415 in San Jose, and $ 1,550 in Santa Clara County. At that time, an affordable rent (30% 0f gross income) for a low-income household was $620.[42]

Housing Production
The number of new housing units approved by Silicon Valley cities fell by more than 50%, from 12,060 in 1999 to 5,370 in 2000.[43] From 1980 to 1998, Silicon Valley added approximately 154,900 new homes to its current housing supply of 579,329 units. Annual average production rates peaked in the late 1980s, with an average of 11,462 units being added every year from 1985-1990. Annual average housing production between 1995 and 1999 was only about 7,500 per year.[44]

To meet demand, California homebuilders would have to construct and average of 220,000 additional housing units each and every year through 2020. Since 1987, new single and multi-family home production has averaged just 141,000 units per year.[45]

Land
With appropriate reserves being maintained, Los Angeles, Orange and Santa Clara counties will lack sufficient vacant suburban land to accommodate projected household growth through 2010. [46]

The total land supply currently identified in Silicon Valley as having potential for housing production totals 10,600 acres. Based on current local policy and market conditions, this land supply could yield over 74,300 new homes. However, this falls well below projected demand, based on current employment growth projections. The gap between potential supply and projected demand could be greatly reduced by both

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[40] Joint Venture 2001 Index of Silicon Valley
[41] Ibid.
[42] Ibid.
[43] Joint Venture 2001 Index of Silicon Valley
[44] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999 and US Census Bureau, Census 2000
[45] Raising the Roof: California Housing Development Projections and Constraints 1997-2020, California Department of Housing and Community Development May 2000
[46] "Further Concerns Regarding the Low-Income Housing Crisis in California" by Radha Bhattacharya, Dept. of Economics, California State University, Fullerton April 2001

increasing land supply and the number of homes built per acre. The current projected supply of new homes in Silicon Valley only meets 50-66 percent of projected demand. Just by increasing the number of homes built per acre from the current projected average of seven to nine per vacant acre and from 12 to 25 homes per reuse acre, the region could meet 75-99 percent of demand.[47]

Approximately 40 percent of potential future housing development in Silicon Valley will be on land that is currently underutilized, rather than vacant.[48]

Half of the cities in the Silicon Valley already estimate that reuse sites will provide more opportunities for new home construction than vacant sites. These cities include San Jose, Milpitas, most of the large cities in northwest Santa Clara County (including Cupertino, Palo Alto and Sunnyvale), and all of the cities in southern San Mateo County. [49]

Planners in most Silicon Valley communities acknowledge that they have not done a comprehensive survey of potential reuse sites, and that the potential number of new homes that could be built on these types of sites will increase significantly beyond current estimates if cities take better advantage of reuse opportunities.[50]

Demand for Home Ownership

Among Bay Area counties, and based solely on projected demographic characteristics, the incremental demand for homeownership will be strongest in San Francisco, San Mateo and Santa Clara Counties. Region-wide, the incremental demand for homeownership units could exceed that of rental units by a 2.8-to-1 ratio. By 2010, given adequate production, the homeownership rate in Contra Costa County could top 70 percent. Even in San Francisco, where only on in three households is currently a homeowner, the incremental demand for homeownership will likely exceed the incremental demand for rental units. Region-wide, the demand for ownership housing in 2010 will exceed 1.7 million.[51]

Demand for Rental Housing

Among individual counties, the largest increments of new rental construction between 1997 and 2010 will be needed in Los Angeles (+216,000), San Diego (+125,000), Riverside (+76,000), San Bernandino (+73,000), Orange (+57,000), Sacramento (+40,000) and Santa Clara (+36,000.)[52]

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[47] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[48] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[49] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[50] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[51] Raising the Roof: California Housing Development Projections and Constraints 1997-2020, California Department of Housing and Community Development May 2000
[52] Raising the Roof: California Housing Development Projections and Constraints 1997-2020, California Department of Housing and Community Development May 2000

Jobs/Housing Imbalance
More than 70 percent of Silicon Valley's total employment growth from 1979-1999 has occurred in the job rich areas of northwest Santa Clara County (Cupertino, Los Altos, Los Altos Hills, Mountain View, Palo Alto, Santa Clara, Sunnyvale), north San Jose, and southern San Mateo County.[53]

The job-rich sub-region of northwest Santa Clara County produced 2 jobs for every new home built during the 1980s, but approximately 9 jobs for every new home built in the 1990s. Southern San Mateo County produced 0.7 jobs for every new home built in the 1980s, but an estimated 7 new jobs for every new home built in the 1990s.[54]

Over the next 20 years (2000-2020) between 66 and 72 percent of housing demand will be in San Jose/Milpitas and northwest Santa Clara County, the same areas projected to capture approximately 67 percent of Silicon Valley's total new job growth.[55]

While 2 jobs were created for every new home in Silicon Valley during the 1980s, approximately 3 jobs have been created for every new home in the region during the 1990s.[56] ABAG reports for 1995-2000 an average countywide ratio of new jobs to new housing units of 6 to 1, with the five highest being in Santa Clara, Milpitas, Mountain View, Palo Alto and Los Gatos. ABAG projections for 2000-2005 show an average countywide ratio of new jobs to new housing units of 2.5 to 1, with the five highest being in Milpitas, Los Gatos, Santa Clara, Palo Alto and Mountain View.[57]

Since 1992, jobs have grown four times faster than housing. To keep pace with job growth, the region would have to build an additional 160,000 units.[58] Other estimates indicate that Silicon Valley will need between 112,039 to 146,366 additional homes between 2000 and 2020.[59] The San Jose/Milpitas sub-region will generate 44-50 percent of total housing demand, followed by 16-28 percent in northwest Santa Clara County, and 13-15 percent in southern Alameda County. Southern Santa Clara County, southern San Mateo County, and southwest Santa Clara County account for approximately 18 percent of future housing demand.[60]

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[53] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[54] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[55] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[56] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[57] ABAG Projections 2000
[58] Joint Venture 2001 Index of Silicon Valley
[59] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[60] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999

Between 2000 and 2010, the rate of job growth in Silicon Valley is projected to substantially outpace the rate of growth in households (13 percent versus 8 percent).[61]

For the third year, Software added the most new jobs.[62]

Since 1992, the first year of the regional employment dataset, Silicon Valley has seen a net increase of more than 329,000 new jobs. The total number of jobs in the region is 1.35 million.[63]

By the year 2004, Santa Clara County will witness the creation of 32,000 new jobs in the traditionally low-wage food service and building maintenance industries and the retail sector.[64]

Overall employment in Silicon Valley grew by 48 percent between 1980 and 2000. This represents a total projected net increase of approximately 415,000 jobs, including replacement for the 22,000 jobs the region is estimated to have lost between 1990 and 1995. Over one-half of all jobs added in the region from 1979-1999 were created in the five- year period from 1995 to 2000. ABAG estimates and projections for employment in Silicon Valley indicate that the incredible job growth currently being experienced will taper off considerably in the decade ahead. Employment growth is expected to slow even more between 2010 and 2020, down from 6.2% growth between 2005-2010 to 4.0% for 2010-2015, and 4.2% for 2015-2020.[65]

Wages

Average wages in industry clusters continued sharp ascent with Software reaching $125,000 and Semiconductors $117,000.[66]

In 2000, the region's average wage increased 9% in real terms, from $60,800 to $66,400. This increase compares to a national increase of 2% to $36,200.[67] In 1999, the region's average wage increased 5.1 % in real terms, from $51,100 to $53,700. This compares to a national increase of 3.4% to $ 33,700.[68]

Average wages for industry clusters increased 20%; wages in other industries increased 1%.[69]

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[61] Silicon Valley Projections 2000, Silicon Valley Manufacturing Group

[62] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999

[63] Joint Venture's 2000 Index of Silicon Valley

[64] Everyone's Valley, Working Partnerships USA

[65] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999

[66] Ibid.

[67] Ibid.

[68] Joint Venture 2000 Index of Silicon Valley

[69] Joint Venture 2001 Index of Silicon Valley

A representative household at the bottom 20% of Silicon Valley's income distribution has less income now than in 1993. A representative household in the bottom 20% earns an estimated $40,000. [70] In the last two years (1998-99), households at the bottom 20% of the income distribution saw their income increase slightly, but their 1999 income remained below 1992 levels.[71]

Incomes for the top earning 20% of households rose an estimated 20% in inflation-adjusted terms since 1993 to $149,000.[72]

The economy of Silicon Valley resembles an hourglass with higher paying jobs offering generous benefits growing at one end, while low-wage jobs providing few benefits grow at a far more rapid rate at the other. The California Employment Development Department estimates that from 1997-2004, four of the ten fastest growing occupations in Santa Clara County offer workers annual incomes of less than $ 21,000.[73]

Overcrowding
Almost one of every ten rental housing units in Santa Clara County is overcrowded. In San Jose, at least 38,000 families are living in overcrowded conditions. [74]

Population Growth
ABAG population projections show that for the upcoming two decades the population growth of Silicon Valley is expected to slow down. Overall, the Valley's population is projected to increase by about 11 percent between 2000 and 2020, with 7.4 percent growth between 2000-2010, and 3.6 percent growth between 2010-2020. The cities expected to experience the most dramatic population increases between 2000 and 2020 are Morgan Hill (30 percent) and Gilroy (35 percent) in southern Santa Clara County, and Fremont and Union City in southern Alameda County.[75]

Immigrants
Santa Clara County is a majority minority county with more Asian or Latino immigrants than any other Bay Area county. Approximately 49% are white, 25% Latino, 23% Asian and 3% black. Similarly the City of San Jose, the 11th largest city in the United States, is a majority minority city and has more Vietnamese than any city outside of Vietnam. [76]

In the next two decades, Santa Clara County will gain more new residents (261,400) and more new jobs (231,000) than any other Bay Area county. San Jose will gain 129,300

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[70] Ibid.
[71] Joint Venture 2000 Index of Silicon Valley
[72] Joint Venture 2000 Index of Silicon Valley
[73] Ibid.
[74] Ibid.
[75] Ibid.
[76] Bridging Borders in Silicon Valley Summit on Immigrant Needs and Contributions, Santa Clara County Office of Human Relations December 6, 2000

new residents, reaching a population of 1,054,000. Over the next 40 years, it is predicted Santa Clara County will grow by 47%, reaching over 2.5 million residents.[77]

Except for a few higher-percentage areas like New York City and Miami, Santa Clara County ranks at the very top of areas within the United States that have a large percentage of immigrants. One-third or 33% of the county's population is foreign-born.[78]

Santa Clara County is an immigrant demographic microcosm of the United States: five of the top six sending countries to the United States are the top five sending countries to Santa Clara County. These are Mexico, the Philippines, India, Vietnam, and People's Republic of China. Similarly, these are the top five countries of origin of immigrant public assistance recipients in Santa Clara County, with Mexico and Vietnam constituting over 85% of recipients within the top five.[79]

When we examine the types of immigrant jobs in Santa Clara County, the county also reflects the Unites States immigrant occupational structure. In the areas of agriculture work in south county, low-paid service jobs throughout the county, and high-tech employment in north and west county, Santa Clara County's immigrant job structure represents a microcosm of the hourglass economy and a potent portent of immigrant employment trends nationally, given the low unemployment rate, the United States' aging population, and the need for younger workers to uphold the social security system. For example, in Silicon Valley technical workers from India, China, and Taiwan dominate the computer and Internet industries (where 36% of Asian immigrants are employed in professional or managerial jobs, versus 24% for all immigrants and 30%for the US-born), and workers from Mexico dominate agricultural and janitorial positions.[80]

About one in four of high-tech firms in the Valley were founded by immigrants. In 1996 these firms employed 67,000 workers and generated annual revenues of $27.9 billion. Since immigrants significantly make Silicon Valley's image of the "technological center of the world" and produce a lot of material wealth, there are many articles calling immigrants vital to the Valley.[81]

Strategies for Solutions

In November 1999, the Silicon Valley Manufacturing Group and Greenbelt Alliance joined forces to produce "Building Sustainable Communities: Housing Solutions for Silicon Valley". In that report they make the following recommendations:

1. Silicon Valley cities should systematically identify underutilized sites that can be redeveloped with new homes.

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[77] Bridging Borders in Silicon Valley Summit on Immigrant Needs and Contributions, Santa Clara County Office of Human Relations December 6, 2000

[78] Ibid.

[79] Bridging Borders in Silicon Valley Summit on Immigrant Needs and Contributions, Santa Clara County Office of Human Relations December 6, 2000

[80] Ibid.

[81] Bridging Borders in Silicon Valley Summit on Immigrant Needs and Contributions, Santa Clara County Office of Human Relations December 6, 2000

2. Even relatively small increases in the number of homes that can be built per acre will have a dramatic impact on the overall level of housing supply in Silicon Valley.
3. Supplemental Action Items:
   a. Cities should make an explicit commitment to good design and promote design principles that result in developments that both fit into their surroundings and support existing neighborhoods.
   b. Cities should educate citizens about community issues as part of a process for making choices about the future.
   c. Many of the barriers to creating more housing can only be removed if cities work together.

The Santa Clara County Office of Human Relations' Citizenship and Immigrant Services Program conducted a summit on immigrant issues and published a report with these findings and recommendations on housing. (pp.202-210)

Finding 1: There is an urgent and immediate need for low income housing for immigrants in Santa Clara County.

Recommendations:

- Policy changes are needed in Santa Clara County so that rental rates in existing housing do not exceed 30% of the total household income.
- Countywide rent control is necessary and should take effect with no regard to the year the building was erected.
- It is important to build more quality affordable housing where the rental rates are based upon household income and family size, like tax credit housing.
- The HUD prohibition of access to Section 8 housing on non-qualified immigrants should end.
- More affordable housing should be built for more low-income people making less than 50% of median income.

Finding 2: There is an immediate need for emergency transitional housing for immigrants in Santa Clara County. Emergency transitional housing as used here means 1,2, or 3 bedroom units that are made available for immigrants for a six to twelve month period of time until they become established in the count.

Recommendations:

- Santa Clara County should help seek at least 100 affordable rented or leased units of refugees and immigrants and contract with reputable resettlement agencies to help manage and run these transitional units.
- This type of housing can provide one-stop transitional services for recent arrivals, using existing service providers. These units could be used as a training area for clients.

Finding 3: Lower income immigrant households are finding it extremely difficult to purchase any housing due to lack of credit.

Recommendations:

- Santa Clara County should help facilitate an easy and affordable loan process for immigrants so that immigrants can purchase their first home.
- The County should facilitate programs to lower the interest rate for first time homebuyers.

City of Los Angeles: Their Crisis and Strategies for Addressing It

The City of Los Angeles is experiencing many of the same painful symptoms of a deepening affordable housing crisis as is found in Santa Clara County. Consider:

1. In 1999, the fair market rent for a two- bedroom apartment was $766. In order to expend only 30% of income on this apartment an hourly wage of $14.73 is required, more than twice the minimum wage and almost double the living wage of $8.76 in Los Angeles.
2. Over the past ten years the highest job growth has been in the low-wage earning sectors of service, wholesale and retail. Projections indicate this will continue to be the case.
3. The Section 8 waiting list opened up for the first time in ten years. About 153,000 families signed, 10% of all households in the City and nearly three times as many as holders of all Section 8 certificates and vouchers.
4. Only 39% of the City's households own their own home in contrast to the national average of 66 percent.
5. Between June 30, 1998 and July 1, 1999, the City's population increased by 65,000 persons but only 1,940 net new units were built.
6. Residential construction is constrained by a number of factors. Construction costs are high. There is little vacant land left in the City and the land that is available is hard to assemble into large enough parcels to make a development financially feasible.
7. In 1990, nearly 30 percent of the total housing stock of1.3 million units were overcrowded.
8. In the last decade, 12,500 units of housing were demolished.
9. Every year the Los Angeles Housing Department finances the construction or rehabilitation of 900 to 1000 affordable units, while 750 or more affordable older units are demolished and 500 or more units with federal or local subsidies raise their rents to market rate.
10. More than 35,000 units of affordable housing are at-risk of converting to market rate.
11. According to the Southern California Association of Non-Profit Housing, Los Angeles spends about $23 per person on affordable housing, none of it from the General Fund. In contrast, New York spends $89 per person, nearly four times as much as Los Angeles. Similarly, Chicago spends $76 per person, San Jose $71 per person and Seattle $66 per person. Between 1986 and 1996 New York City spent $4.2 billion in mostly city funds to construct or rehabilitate more than

140,000 housing units, more than all other major cities in the United States combined.

In response to this overwhelming affordable housing crisis the City of Los Angeles convened a task force in November 1999 to come up with recommendations. Six subcommittees were formed to examine funding, state of existing affordable housing, land use and planning, rental housing, basic research and economic development. Here is an outline of their recommendations.

FUNDING (29-40)

1 Calculate Subsidy Gap Yearly and Recommend Ways to Close the Gap
2 Create a Housing Trust Fund funded by:
   a. An inclusionary program for residential development
      - Adopt an inclusionary zoning ordinance
      - Adopt an in-lieu fee as part of the inclusionary zoning ordinance
      - Comply with the State's Mello Act coastal housing requirements
   a. Adopt a linkage fee for commercial development
   b. Redevelopment Agency's Business District Project Area tax revenues.
   c. Citywide property growth
   d. Increase and dedicate a portion of the transient occupancy tax
   e. Levy fees on water usage above a first-tier base amount.
   f. Secure stock options in exchange for Community Development Bank Investments in e-commerce ventures.
   g. Study additional fees on luxury items
      - Cable TV franchise fee
   h. Local general obligation bond for housing
   i. Parking users tax
   j. Increase the redevelopment housing set-aside (amend state law)
   k. Dedicate to housing production at least 75 percent of program income generated by repayment of earthquake and all other Los Angeles Hosuing Department and Redevelopment housing loans.
3. Complete and Evaluate the Targeted Neighborhood Initiative Before Committing New Funds
4. Improve the Condominium Conversion Fees Program
5. Dedicate future redevelopment revenues from Bunker Hill project area to affordable housing development.
6. Actively support a state general obligation bond for affordable rental housing.
7. Support a change in federal law to facilitate using Home funds for developments that utilize low-income housing tax credits
8. Revise the state statute of limitations for condominium construction defect litigation
9. Consolidate the housing functions of the Los Angeles Housing Department and the Community Redevelopment Agency.

STATE OF EXISTING AFFORDABLE HOUSING (43-48)

1. Develop a Preservation Strategy for All At-Risk Affordable Housing
2. Ensure Enforcement of the Rent Stabilization Ordinance in Pre-1979 Housing Where the Owner has Prepaid the HUD Mortgage
3. Create the Position of Affordable Housing Preservation Coordinator

LAND USE AND PLANNING (53-65)
1. Modify the City's Zoning Code to Promote Affordable Housing
2. Expedite Processing for Housing Development
3. Improve Public Access to Planning, Zoning and Building and Safety Information
4. Create Greater Affordable Incentives
5. Increase Home Ownership Opportunities by Permitting the Development of Accessory Units
6. Ensure the Safety of Renters by Creating Habitability Standards and a Legalization Process for Illegal Units
7. Establish a New Entity to Provide Ongoing External Leadership to Address the City's Housing Crisis
8. Educate the Public About the Need to Increase the Supply of Affordable Housing for all Income Groups
9. Integrate Affordable Housing in Major Projects Such as New Schools and Transit Development
10. Encourage Sustainable Development and Green Building Practices

RENTAL HOUSING (71-80)
1. Improve the Quality of Public Information at the Los Angeles Housing Department (LAHD) and Make it Easier for the Public to Access
2. Cross-Train LAHD staff
3. Develop a Citywide Relocation Policy and a Source of Funding to Assist Tenants Who Must Vacate Slum Properties
4. Preserve Existing Affordable Rental Housing Stock and Require Affordable Replacement Housing Under Certain Circumstances
5. Review Systematic Housing Code Enforcement and Complaint Driven Programs
6. Increase Incentives for Owner Investment in Affordable Housing
7. Explore the Creation of Mandatory Certification Program for Resident managers
8. Incorporate the Creation and Preservation of Accessible Rental Housing for the Disabled
9. Endorse Expansion of the State Low Income Tax Credit and Limit to Projects Providing Affordability to Poorest Tenants
10. Aggressively Lobby the Federal government for Additional Funding for Section 8 Subsidies
11. Create a City Attorney Position Designated to Work Full time with the LAHD to Pursue Civil Remedies to Enforce the City's Rent Stabilization Ordinance and Other Related Ordinances

BASIC RESEARCH (83-92)
1. Complete and Adopt the Citywide Housing Policy
2. Create a Research Unit

3. Research Zoning Barriers to the Development of Affordable Housing
4. Evaluate Policy Alternatives to Ensure Adoption of Effective Policies and Programs
5. Evaluate LAHD Design Guidelines for Consumer Satisfaction and Cost Effectiveness
6. Notify Affordable Housing Developers When Publicly Owned Sites Are Made Available for Purchase
7. Monitor Implementation of Cost Effective Environmental Programs for Healthy Homes and Sustainable Building that could be Adopted in LA
8. Evaluate the Performance of all City Funded Programs

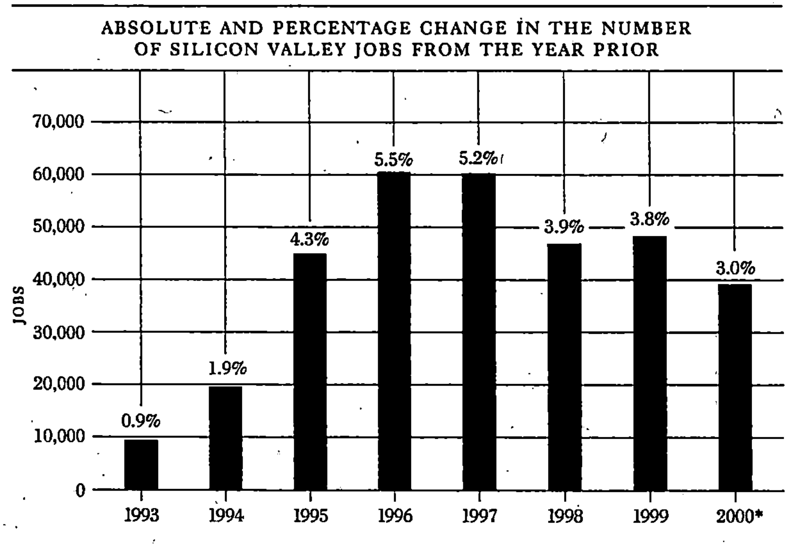
ECONOMIC DEVELOPMENT (95-97)

1. Help the Working Poor Increase Their Income
2. Educate the City's Workers
3. Launch a Citywide Information and Education Program

SANTA CLARA COUNTY HOUSING TASK FORCE:

HOUSING NEED:
SUPPLEMENTAL MATERIALS

Rate of Job Growth Slows



Source: Employment Development Department
*Estimate

WHY IS THIS IMPORTANT?

Annual net job gains or losses are a basic measure of economic health. This indicator is from a unique set of employment data for the Silicon Valley region (see Appendix B for definition of the region).

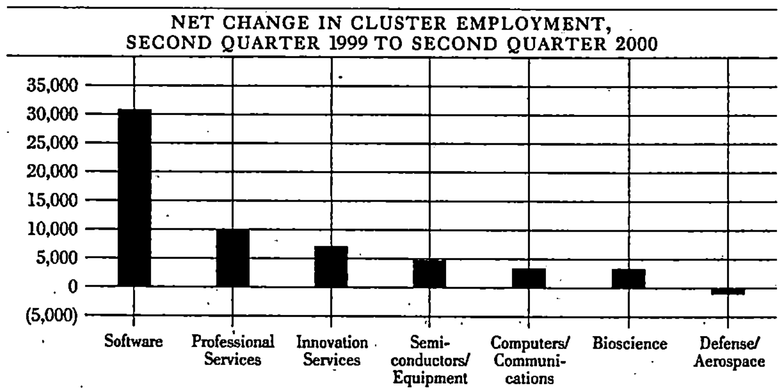
HOW ARE WE DOING?

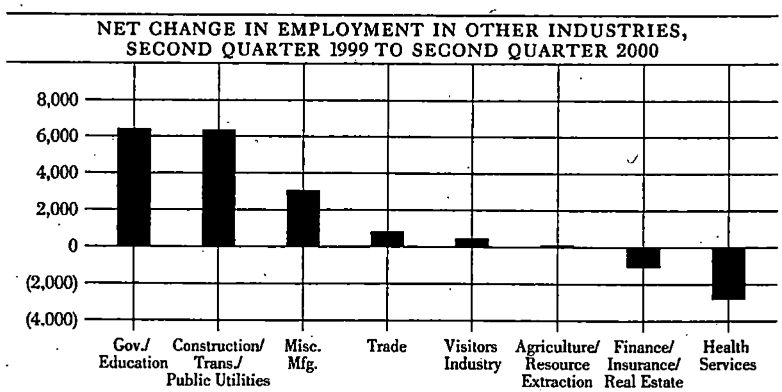
In 2000, Silicon Valley experienced an estimated net increase of 39,200 jobs, a 3.0% annual growth rate.

This rate represents slowed growth from the prior five years. At peak employment growth in 1996 and 1997, Silicon Valley added at least 60,000 jobs annually and grew faster than 5%.

Since 1992, the first year of the regional employment dataset, Silicon Valley has seen a net increase of more than 329,000 new jobs. The total number of jobs in the region is 1.35 million.

Software Adds the Most Jobs; Losses Reversed in Semiconductors and Bioscience





Source: Employment Development Department

WHY IS THIS IMPORTANT?

This indicator shows how employment in different clusters and other industries changed in the most recent annual period.

HOW ARE WE DOING?

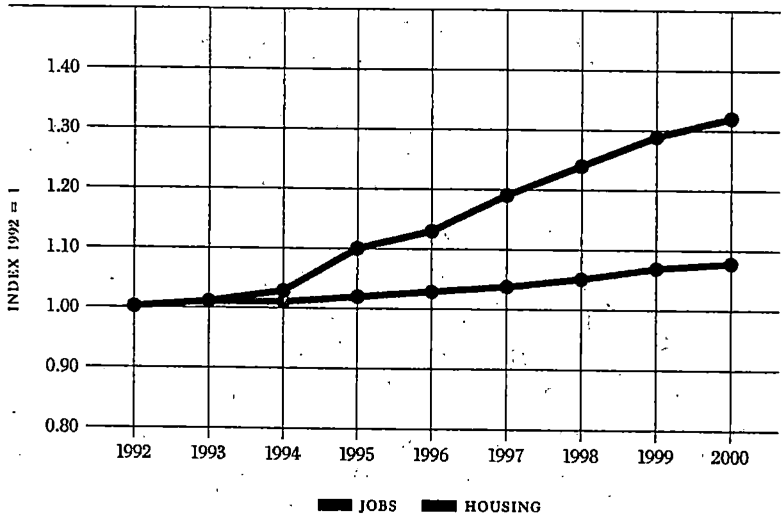
For the third consecutive year, the Software cluster added the largest number of new jobs — 30,700 — from the second quarter of 1999 to the second quarter of 2000. This increase was more than double the 12,600 jobs added in 1998–99. The second-largest growth was in professional services with 9,900 new jobs, followed by innovation services with 6,900.

Two clusters experienced job growth following declines in 1998–99. The Semiconductors/Equipment cluster added 4,900 jobs, compared with losses of 13,400 in 1998–99. Bioscience gained 3,100 jobs, compared with a loss of 1,250 jobs in 1998–99. The Defense and Aerospace cluster showed a net job loss, losing 760 jobs.

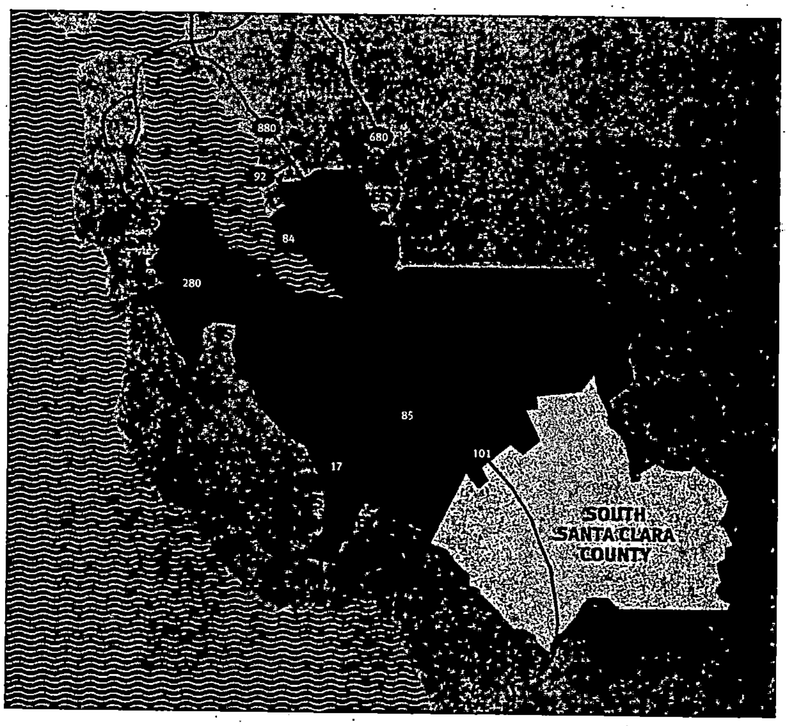
Of the other Silicon Valley industries, Government/Education showed the largest gains, adding 6,400 jobs. Another growth sector was Construction/Transportation/Public Utilities, adding 6,400 jobs. Miscellaneous Manufacturing gained 3,000 jobs in 1999–2000, after losing 5,700 jobs in 1998–99. Health Services and Finance/Insurance/Real Estate lost 2,800 and 1,000 jobs, respectively.

Jobs Increase Four Times Faster than Housing

RATE OF GROWTH IN JOBS AND HOUSING PRODUCTION



RATIO OF NEW JOBS TO NEW HOUSING STARTS BY SUBREGION



	OVERALL RATIO	JULY 1999 – JUNE 2000
NORTH SANTA CLARA COUNTY	2:1	16:1
SCOTTS VALLEY	2:1	8:1
CENTRAL SANTA CLARA COUNTY	1:1	5:1
SOUTH SAN MATEO COUNTY	1:1	6:1
SOUTHWEST ALAMEDA COUNTY	1:1	10:1
SOUTH SANTA CLARA COUNTY	0:1	3:1

Sources: Construction Industry Research Board, Employment Development Department, Department of Finance

WHY IS THIS IMPORTANT?

Building housing commensurate with job growth helps mitigate commute traffic, moderate housing price increases and ease workforce shortages.

HOW ARE WE DOING?

Between 1992 and 2000, Silicon Valley was much better at creating jobs than at creating housing. Silicon Valley produced 329,000 new jobs but only 60,500 new housing units (1 home for every 5.5 jobs). Within Silicon Valley, the overall ratio of jobs to housing varies widely by subregion. For example, North Santa Clara County has the largest number of jobs relative to housing (2:1). South Santa Clara County has significantly fewer jobs relative to its housing (0:1).

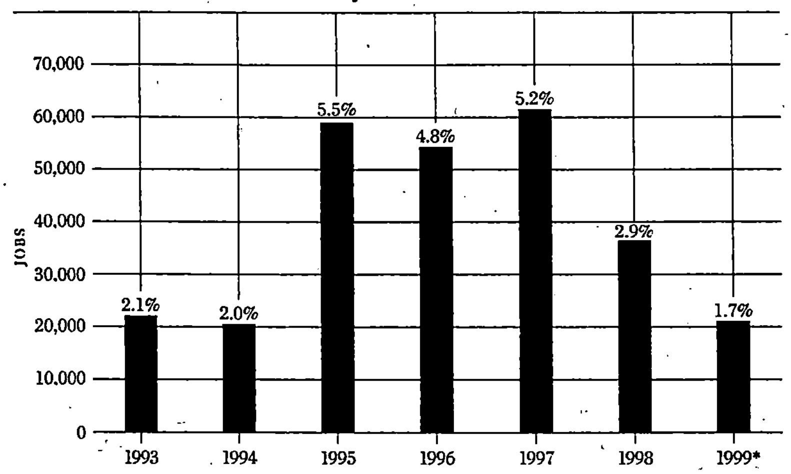
In the most recent year (July 1999 to June 2000), Silicon Valley produced an estimated 80,000 new jobs and 9,600 housing units. Already job-rich North Santa Clara County gained 16 new jobs for every one housing unit built. House-rich South Santa Clara County gained three new jobs for each housing unit.

Recent growth in jobs exceeded housing construction in all other subregions of the Valley as well: 6:1 in South San Mateo County; 5:1 in Central Santa Clara County; 10:1 in Southwest Alameda County; and 8:1 in Scotts Valley.

To keep pace with job growth, the region would have had to build 160,000 additional housing units since 1992.

Silicon Valley Job Growth Cools

ABSOLUTE AND PERCENTAGE CHANGE IN THE NUMBER OF SILICON VALLEY JOBS FROM THE YEAR PRIOR



Source: Employment Development Department
*Estimate

WHY IS THIS IMPORTANT?

Annual net job gains or losses are a basic measure of economic health. This indicator tracks employment from a unique set of employment data tailored to cover the Silicon Valley region (see Appendix B).

HOW ARE WE DOING?

In 1999, Silicon Valley realized a net increase of an estimated 21,200 jobs, a 1.7% annual growth rate.

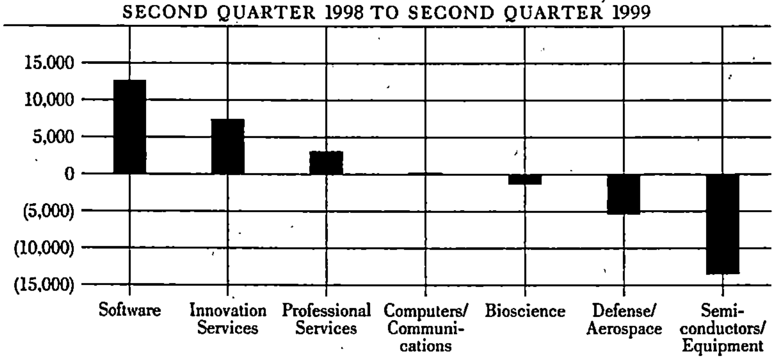
This represents a slowing from 1998's 2.9% growth rate (36,600 jobs) and a significant departure from three years of very rapid employment growth from 1995 to 1997. In 1995, 1996 and 1997 Silicon Valley's net employment grew 5.5%, 4.8% and 5.2% respectively, adding at least 54,000 jobs each year.

Since 1992, the first year of the regional employment dataset, Silicon Valley has seen a net increase of more than 275,000 new jobs. The total number of jobs in the region is 1.3 million.

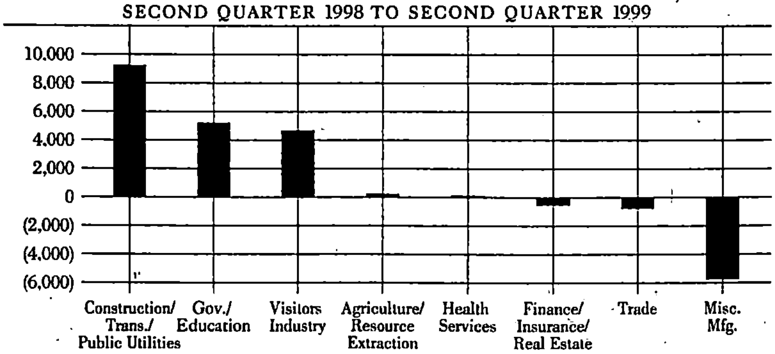
This dataset does not include self-employed people. Approximately 15% of tax returns from the combined Santa Clara and San Mateo County region report income from self-employment.

Software Jobs Grow, Computers Constant, Semiconductors Decline

NET CHANGE IN CLUSTER EMPLOYMENT, SECOND QUARTER 1998 TO SECOND QUARTER 1999



NET CHANGE IN EMPLOYMENT IN OTHER INDUSTRIES, SECOND QUARTER 1998 TO SECOND QUARTER 1999



Source: Employment Development Department

WHY IS THIS IMPORTANT?

This indicator shows how employment in different clusters changed in the most recent annual period. A cluster is a concentration of complementary industries that generates wealth by exporting from the region. The seven clusters tracked account for nearly 40% of all non-governmental employment in the region.

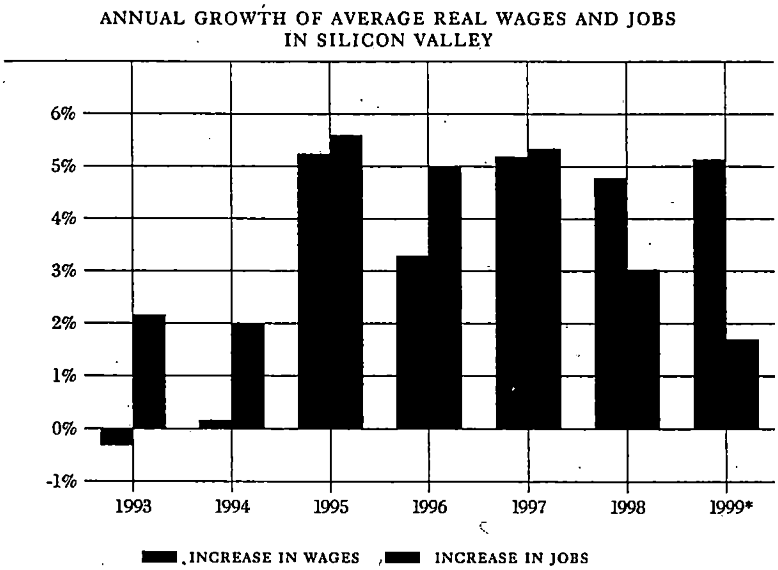
HOW ARE WE DOING?

Within the cluster industries, the biggest job gains remained in software, which added 12,600 jobs between the second quarter of 1998 and the second quarter of 1999. The second-largest growth was in innovation services with 7,400, followed by professional services with 3,100. The large computers/communications cluster (114,000 total jobs) held relatively constant adding 170 jobs.

Three clusters showed net job losses. Bioscience lost 1,250 jobs, defense/aerospace lost 5,300 jobs and semiconductors/semiconductor equipment lost 13,400 jobs. In last year's *Index*, bioscience and semiconductors/semiconductor equipment were among the top four industry job gainers.

Of the other Silicon Valley industries, construction/transportation/public utilities experienced the strongest growth, adding 9,200 jobs. Other strong performers were government/education (5,200) and local and visitor services (4,650). Miscellaneous manufacturing lost 5,700 jobs.

Overall Shift From Quantitative to Qualitative Economic Growth



Source: Employment Development Department
*Estimate

WHY IS THIS IMPORTANT?

Silicon Valley 2010 called for a shift from evaluating the success of the economy by quantitative growth—more jobs, more consumption of resources, more congestion—to qualitative growth—enhanced productivity, better use of resources and jobs with advancement potential open to more residents.

This indicator compares growth in average real wages to growth in new jobs for each year from 1993 to 1999. Average real wages is but one factor that defines job quality.

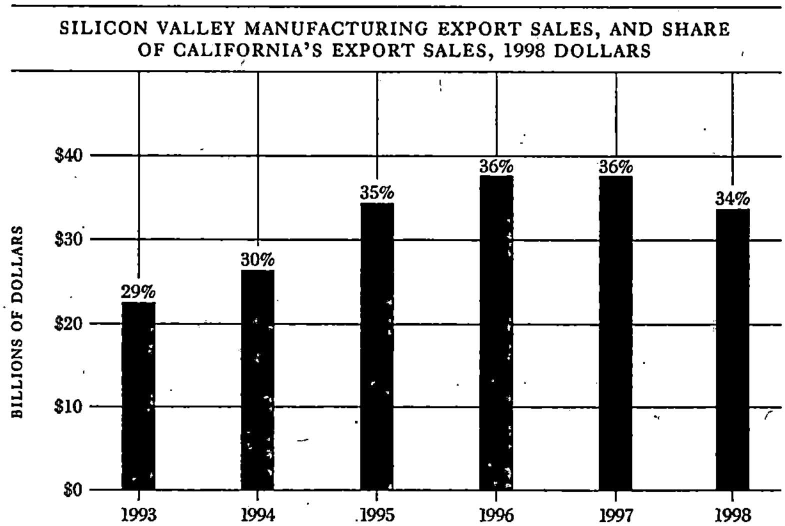
HOW ARE WE DOING?

In 1993–1994, the region added more than 40,000 jobs. Silicon Valley's average wages, however, stagnated during this period. Although the region was gaining new jobs, it was also losing jobs in well-paying sectors such semiconductors and defense.

Through the robust growth period of 1995 to 1997, job growth was paralleled by strong gains in the region's average real wage.

Although job growth slowed significantly in the past two years, average real wage growth has remained strong—4.8% in 1998 and 5.1% in 1999. This indicates qualitative economic growth at a time when quantitative growth has slowed.

Merchandise Exports Decline 11%; Region's Share of State Exports Also Shrinks, But Software and Service Exports Are Not Counted



Source: U.S. Department of Commerce, Exporter Location Series

WHY IS THIS IMPORTANT?

Exports generate wealth and jobs for a region and are an important indicator of global competitiveness. Serving growing global demand for high-tech goods is key to employment and sales growth for existing and new Silicon Valley firms.

HOW ARE WE DOING?

In 1998, merchandise exports from Silicon Valley-based firms declined 11% from $37.9 billion to $33.6 billion. Statewide, exports decreased 7%. Nationally, exports declined 1%.

Silicon Valley companies accounted for 34% of California's non-agricultural export sales in 1998, a decrease from 36% in 1997.

Part of this decline is attributable to softened demand for semiconductors and semiconductor equipment in Asia. In addition, much of the Valley's recent growth is being spurred by U.S. demand for Internet-related equipment and services.

Equally important, the decline reflects the fact that official government trade datasets do not include exports of services, including most software. Joint Venture considers this a significant flaw that will increasingly understate the Valley's global reach relative to more manufacturing-intensive regions.

Value Added per Employee Is High and Rising

WHY IS THIS IMPORTANT?

Value added is a proxy for productivity and reflects how much economic value companies create.

Increased value added is a prerequisite for increased wages. Innovation, process improvement and industry/product mix drive value added, which is derived by subtracting the costs of a company's materials, inputs and contracted services from the revenue earned from its products.

HOW ARE WE DOING?

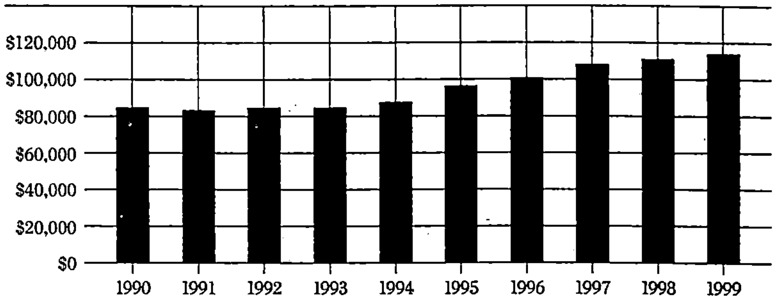
Overall value added per employee has increased steadily since 1994 at an average annual rate of 5%. Between 1998 and 1999 overall value added per employee increased 3% to $114,500.

Four clusters have value added per employee significantly above the average. Computers/communications had the highest value added, at $289,000 per employee. Semiconductors/equipment had the second-highest value added, at $240,800. Software had $166,900, and innovation services had $139,000.

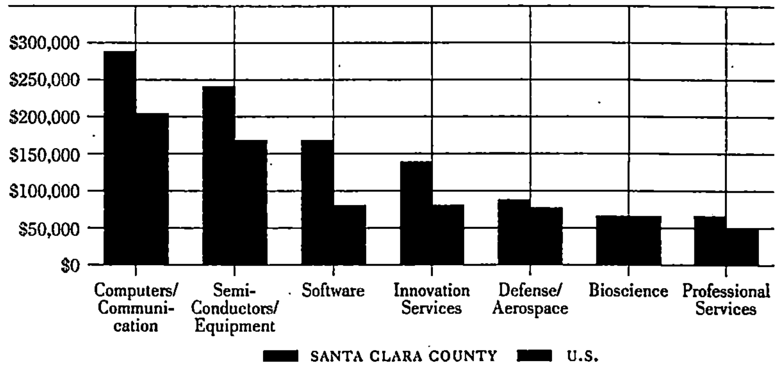
Except for bioscience, value added by Silicon Valley clusters is higher than the national average. This accounts for their exceptionally high wages.

Of the other more local-serving industry sectors, wholesale trade and finance/insurance/real estate had a higher value added per employee than the regional average—$134,200 and $131,200 respectively. All sectors add more value than their respective national average.

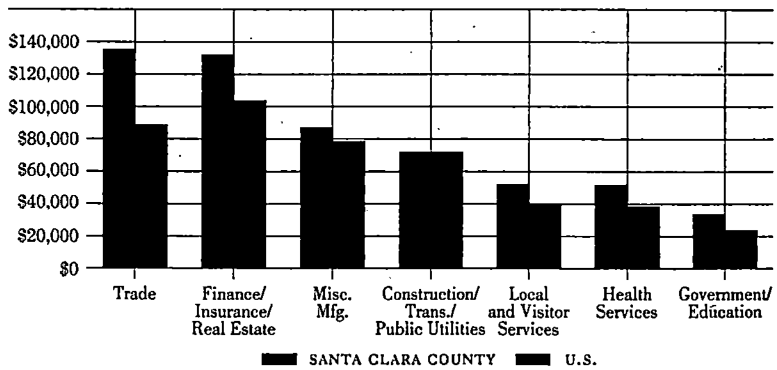
VALUE ADDED PER EMPLOYEE OVERALL



VALUE ADDED PER EMPLOYEE BY CLUSTER, 1999



VALUE ADDED PER EMPLOYEE BY OTHER INDUSTRY GROUPINGS, 1999



Sources: Regional Financial Associates, Collaborative Economics

One New Home for Every 19 New Jobs in South San Mateo Region

WHY IS THIS IMPORTANT?

Building housing commensurate with job growth helps mitigate commute traffic, moderate housing price increases and ease workforce shortages.

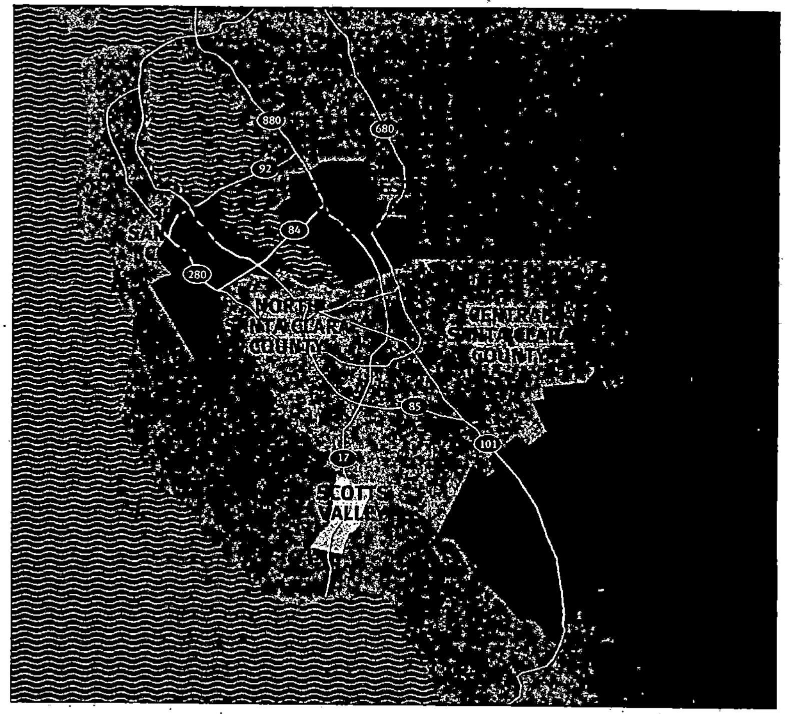
HOW ARE WE DOING?

In 1999, an estimated 7,831 housing units were built in Silicon Valley. This number is lower than the 11,105 units built in 1998. Multi-family housing was 49% of total starts.

In 1999, the ratio of new jobs to new housing was approximately 3 to 1, because of a slowing in job growth. Since 1992, the Silicon Valley region has added more than 275,000 jobs and created 54,600 housing units (5 jobs for every 1 housing unit.)

Part of what causes commute traffic is the structural imbalance in the creation of jobs and housing within Silicon Valley's six major subregions. Between June 1998 and June 1999, for example, the southern San Mateo County region produced 19 jobs for every one housing unit. Southwest Alameda County and South Santa Clara County produced four jobs and three jobs for every one housing unit. North and Central Santa Clara County generated two jobs for every one housing unit.

RATIO OF NEW JOBS TO NEW HOUSING STARTS BY SUB-REGION (JUNE 1998–JUNE 1999)



SOUTH SAN MATEO COUNTY 19:1

SOUTHWEST ALAMEDA COUNTY 4:1

SOUTH SANTA CLARA COUNTY 3:1

NORTH SANTA CLARA COUNTY 2:1
CENTRAL SANTA CLARA COUNTY 2:1

SCOTTS VALLEY 0:1

Sources: Construction Industry Research Board, Employment Development Department

20% OF SANTA CLARA COUNTY'S WORKFORCE LIVES OUTSIDE THE COUNTY, UP FROM 16% IN 1990

The number of workers commuting into Santa Clara County from surrounding counties increased from 144,000 in 1990 to 212,000 in 2000 — a 47% increase. The commuters' share of total employment in Santa Clara County increased from 16% in 1990 to 20% in 2000.

Though the absolute number of commuters increased markedly, the shifts in the home counties of the commuters were only slight. The largest share of commuters, 48%, live east of Silicon Valley — the same as in 1990. The share of commuters from the Peninsula and points north declined from 36% to 32% between 1990 and 2000. The share of commuters from the west increased from 12% to 15%. The share from San Benito and Monterey Counties increased from 4% to 5%.

ORIGIN AND NUMBER OF COMMUTERS INTO SANTA CLARA COUNTY

Source: Metropolitan Transportation Commission; Center for Urban Analysis

IMPLICATION

While Tri-Valley, Santa Cruz County and San Francisco have developed significant concentrations of technology jobs, the greatest concentration of such jobs still remains in Silicon Valley.

Because 80% of the workforce lives in Santa Clara County, education and training of our residents remain key to future success.

More Students Completing Courses for College Entrance

WHY IS THIS IMPORTANT?

Passing a breadth of core courses required for college entry is a measure of achievement, capacity and readiness. Completing some type of education beyond high school is increasingly important for participating in the high-wage sectors of the Silicon Valley economy. A Joint Venture survey of the region's fastest-growing companies found that 84% of positions require education or training beyond high school.

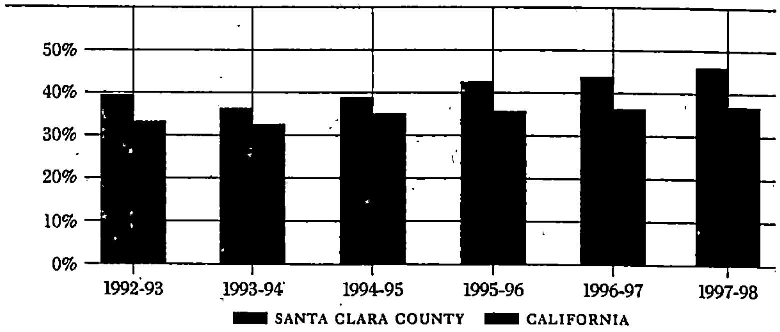
HOW ARE WE DOING?

The share of high school students who complete the courses required for entrance to the University of California (UC) or California State University (CSU) systems increased from 43% in 1997 to 47% in 1998. Silicon Valley compares very favorably with the state average of 33%.

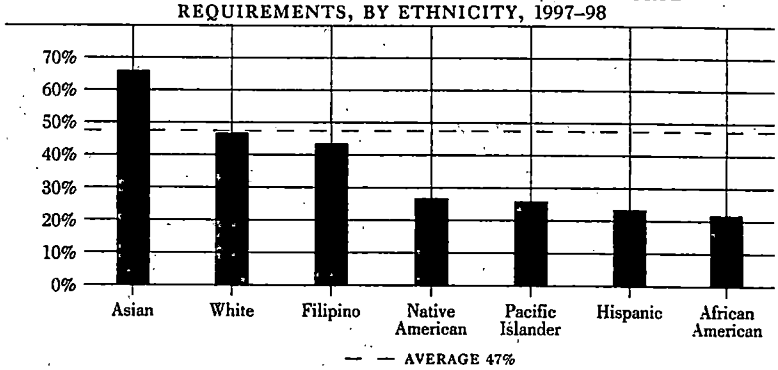
The number of students completing the requirements in Silicon Valley has steadily increased since 1994 when only 36% of students met the standard.

Performance, however, varies widely by ethnicity. Only 23% of Hispanic and 22% of African-American students completed these courses in 1998, compared with 66% of Asian students and 47% of white students.

PERCENT OF STUDENTS COMPLETING UC/CSU COURSE REQUIREMENTS



PERCENT OF STUDENTS COMPLETING UC/CSU COURSE REQUIREMENTS, BY ETHNICITY, 1997–98



Source: California Department of Education

TRANSPORTATION CHOICES | INCLUSIVE SOCIETY

GOAL 11: TRANSPORTATION CHOICES We overcome transportation barriers to employment and increase mobility by investing in an integrated, accessible regional transportation system and other alternatives to driving alone.

Transit Ridership Per Capita Shows No Change

WHY IS THIS IMPORTANT?

People want more choice in how they get to work, to school or to run errands. A greater percentage of workers using alternatives to driving alone indicates progress in increasing access to jobs and in improving the livability of our communities. Pedestrian- and transit-oriented development in neighborhoods and employment and shopping centers increases opportunities for walking, bicycling and using transit.

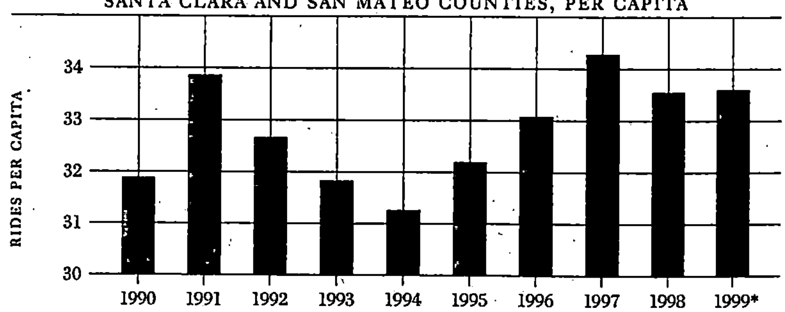
HOW ARE WE DOING?

Per capita ridership on public transportation did not change in 1999, remaining at 33.5 annual rides per person. Total ridership increased 2%, from 80.5 million in 1998 to more than 81 million in 1999, but population increased at a similar rate.

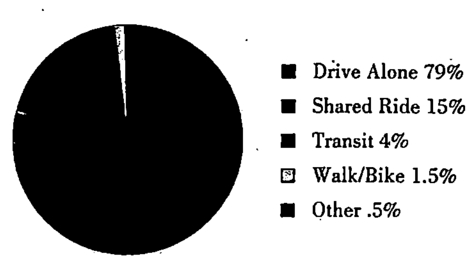
Ridership increased on light rail, Caltrain and VTA buses, but has decreased on SamTrans buses by 11% since 1994.

A 1999 survey of Valley commuters found that 79% drove to work alone, 15% shared a ride, 4% used transit and 1.5% walked or biked to work. The share of commuters using transit has increased from 2.8% in 1990. Carpooling also increased from 12.4% in 1990, facilitated by a nearly complete system of high occupancy vehicle (HOV) lanes.

NUMBER OF RIDES ON REGIONAL TRANSPORTATION SYSTEM, SANTA CLARA AND SAN MATEO COUNTIES, PER CAPITA



SHARE OF SILICON VALLEY COMMUTERS USING VARIOUS COMMUTE MODES, 1999



Sources: Valley Transportation Authority, SamTrans, Altamont Commuter Express, RIDES for Bay Area Commuters

*Estimate

Silicon Valley Wages Increase 9% Over 1999

WHY IS THIS IMPORTANT?

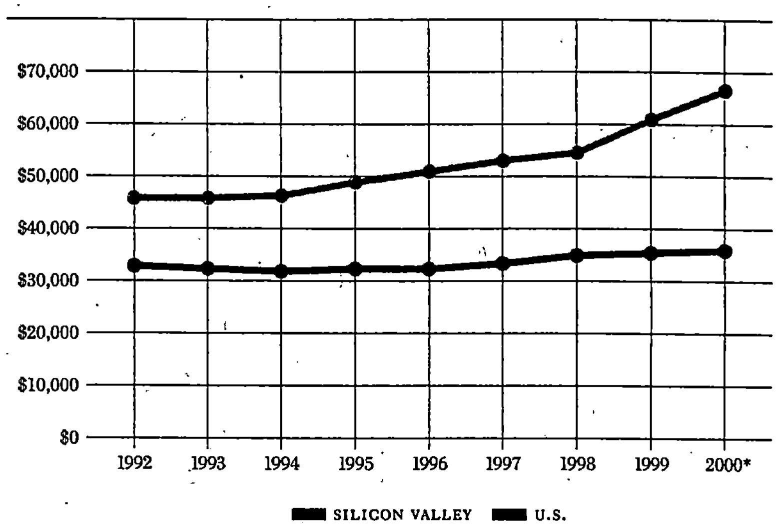
Growth of the average annual wage in inflation-adjusted terms is an indicator of job quality. It is as important a measure of Silicon Valley's economic vitality as job growth.

HOW ARE WE DOING?

The estimated average wage in Silicon Valley grew 9.2% in the year 2000, after accounting for inflation. The average wage increased $5,600, from $60,800 in 1999 to $66,400 in 2000. Nationally, the increase was 2%.

Silicon Valley's average wage is 84% above the nation's average wage of $36,100. The Valley's high productivity allows wages to increase faster than the rate of inflation; tight labor markets and high housing costs accelerate wage increases.

AVERAGE PER EMPLOYEE WAGE, 2000 DOLLARS



Sources: Employment Development Department, Bureau of Labor Statistics, Economy.com
*Estimate

Cluster Wages Grow 20% Overall; Average Software Wage Reaches $125,000

WHY IS THIS IMPORTANT?

Average annual wage increases in driving cluster industries are an indicator of the wealth-generating impact that outward-oriented industries have on Silicon Valley. Healthy cluster industries stimulate local-serving industries, as companies and the people they employ spend money on goods and services offered within the region.

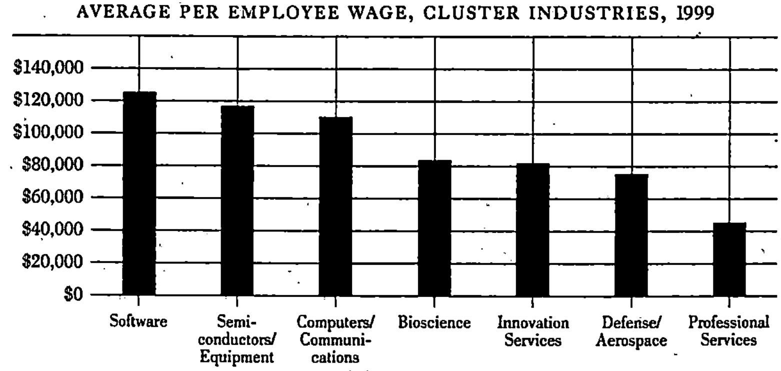
HOW ARE WE DOING?

Software continues to have the highest average annual wages, reaching $124,700 in 1999, an increase of 25% from the prior year. The second-highest average wages are found in the Semiconductors/Equipment cluster at $117,000, followed by Computers/Communications at $110,100. Wages in the Semiconductors/Equipment cluster experienced the largest absolute change of $27,000; the Computers/Communication cluster showed the largest percent increase from the previous year, 32%.

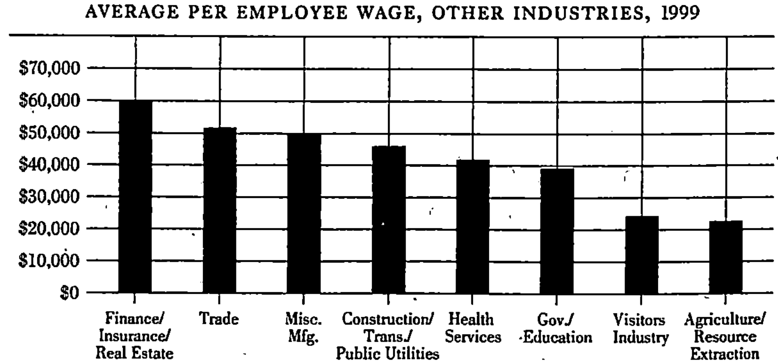
Overall, average wages in cluster industries increased 20%; wages in other industries increased 1%.

Among the other industries in Silicon Valley, Finance/Insurance/Real Estate remains the highest at $60,400. The largest-employing sector, Government/Education, has the third-lowest wages per employee at $39,300.

AVERAGE PER EMPLOYEE WAGE, CLUSTER INDUSTRIES, 1999



AVERAGE PER EMPLOYEE WAGE, OTHER INDUSTRIES, 1999



Source: Employment Development Department

Value Added per Employee Is Double National Average

WHY IS THIS IMPORTANT?

Value added is a proxy for productivity and reflects how much economic value companies create.

Increased value added is a prerequisite for increased wages. Innovation, process improvement and industry/product mix drive value added, which is derived by subtracting the costs of a company's materials, inputs and contracted services from the revenue earned from its products.

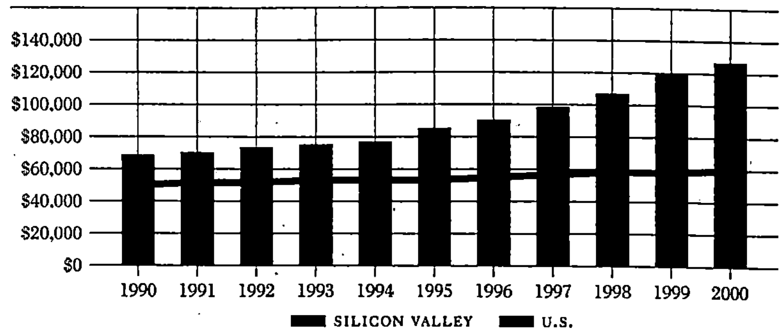
HOW ARE WE DOING?

Since 1994, Silicon Valley has experienced rapid increases in value added per employee, averaging 8.7% annually. Between 1999 and 2000, overall value added per employee increased 7% to $127,100. The national average is $60,800.

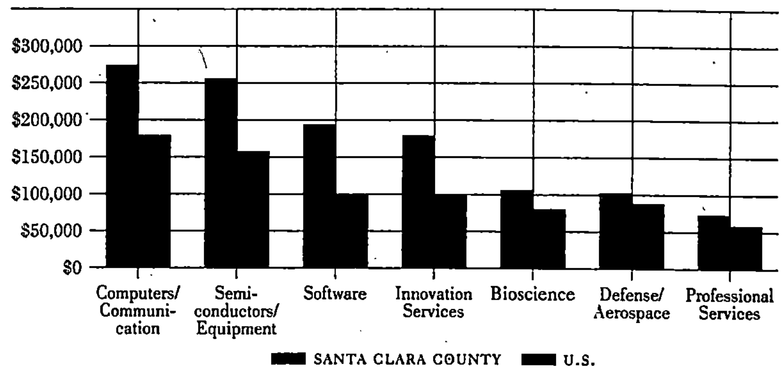
Four clusters have value added per employee significantly above the regional average. Computers/Communications had the highest value added at $274,400 per employee. Semiconductors/Equipment had the second-highest value added at $254,600. Software had $192,600, and Innovation Services had $180,200.

Value added by Silicon Valley clusters is higher than that of their national counterparts. This accounts for their exceptionally high wages.

VALUE ADDED PER EMPLOYEE OVERALL



VALUE ADDED PER EMPLOYEE BY CLUSTER, 2000

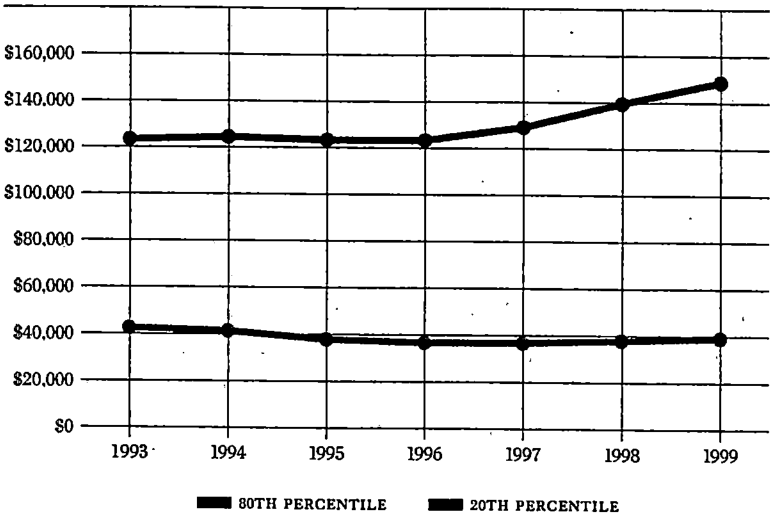


Source: Economy.com

GOAL 3: BROADENED PROSPERITY Our economic growth results in a higher standard of living for lower-income people.

Economic Success Is Not Raising Income for All

HOUSEHOLD INCOMES OF SANTA CLARA COUNTY RESIDENTS, ADJUSTED TO REPRESENT A HOUSEHOLD OF FOUR, 1999 DOLLARS



Source: Census Bureau

WHY IS THIS IMPORTANT?

This progress measure looks at change in household income at the top 20% and bottom 20% of the income distribution. Household income includes income from wages, investments, Social Security and welfare payments for all people in the household.

The indicator compares the income available to a representative four-person household at identical points in the distribution over different periods of time.

HOW ARE WE DOING?

Inflation-adjusted incomes of representative households at the lowest 20th percentile of the income distribution have been rising only since 1997. However, the 1999 income level, an estimated $40,000, is below the income level earned by the bottom 20% of households earlier in the 1990s.

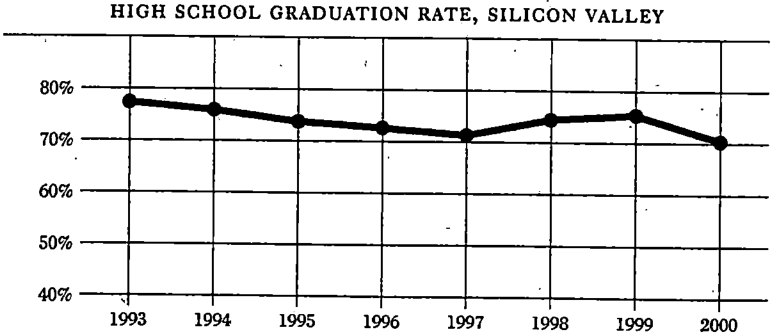
Nationally, household incomes at the 20th percentile rose 20% between 1993 and 1999. In Santa Clara County, these incomes declined an estimated 7% in inflation-adjusted terms. Inflation-adjusted income of households at the 80th percentile increased 20% to an estimated $149,000 in Silicon Valley.

INNOVATIVE ECONOMY

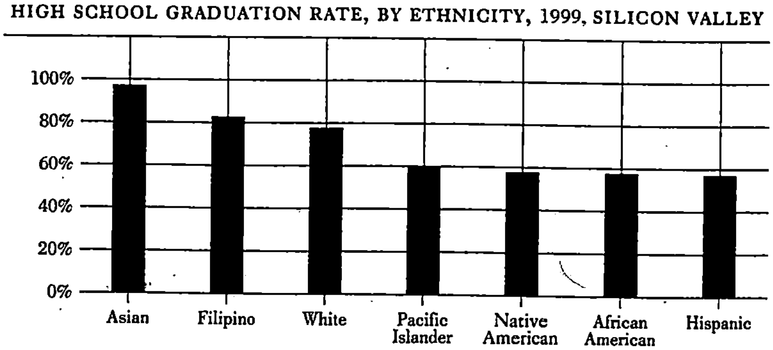
GOAL 4: ECONOMIC OPPORTUNITY All people, especially the disadvantaged, have access to training and jobs with advancement potenti

High School Graduation Rate Declines

HIGH SCHOOL GRADUATION RATE, SILICON VALLEY



HIGH SCHOOL GRADUATION RATE, BY ETHNICITY, 1999, SILICON VALLEY



Source: Alameda, Santa Clara, San Mateo County Offices of Education

WHY IS THIS IMPORTANT?

Accessing quality jobs requires not only graduating high school, but also additional education or training. The high school graduation rate is a risk indicator that warns of lost potential and future societal costs resulting from people being un- or underemployed.

A multicultural, highly skilled workforce has unique advantages for a globally competitive region. Providing a quality education for all ethnic groups should be a prime objective in Silicon Valley.

HOW ARE WE DOING?

In 2000, 70.3% of the students who enrolled as freshmen in public high schools in 1996 graduated as seniors. This is a decline from the 1999 rate of 75.3%. The Silicon Valley graduation rate was approximately two percentage points higher than the statewide average in 1999.

Graduation rates vary widely by ethnicity. Asian students achieved the highest graduation rate at 97% (1999 data). Eighty-two percent of Filipino students and 78% of White students graduated. The graduation rate among Hispanic students remained unchanged from 1998 levels at 57%.

Average Wage Increased 5% in 1999

WHY IS THIS IMPORTANT?

Growth of the average annual wage in inflation-adjusted terms is an indicator of job quality. It is as important a measure of Silicon Valley's economic vitality as job growth.

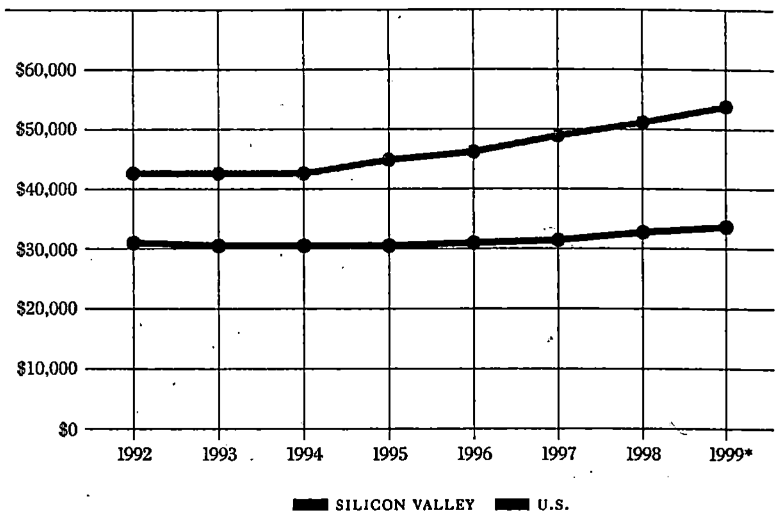
HOW ARE WE DOING?

In 1999 the average wage in Silicon Valley grew 5.1% after accounting for inflation, from $51,100 to $53,700. Nationally the increase was 3.4%.

Silicon Valley's average wage is more than 59% above the nation's ($33,700).

The Valley's high productivity allows wages to increase above the rate of inflation.

AVERAGE PER EMPLOYEE WAGE, 1999 DOLLARS



Sources: Employment Development Department, Bureau of Labor Statistics, Regional Financial Associates
*Estimate

Average Wage for Software Cluster Exceeds $95,000; Largest-Employing Sector—Local and Visitor Services—Remains Below $23,000

WHY IS THIS IMPORTANT?

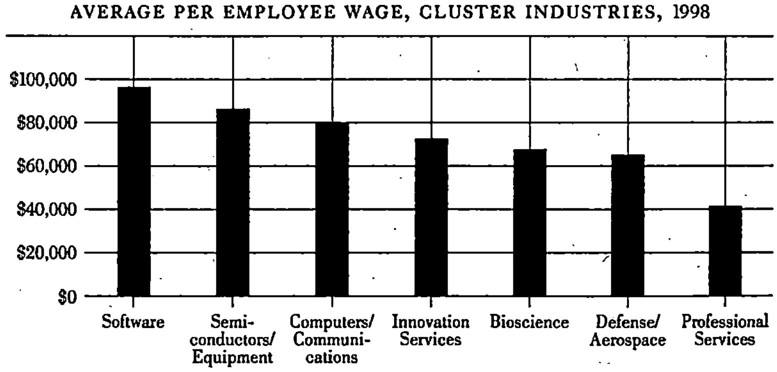
Average annual wage increases in driving cluster industries are an indicator of the wealth-generating impact that outward-oriented industries have on Silicon Valley. Healthy cluster industries can stimulate local-serving industries, as companies and the people they employ spend money on goods and services offered within the region.

HOW ARE WE DOING?

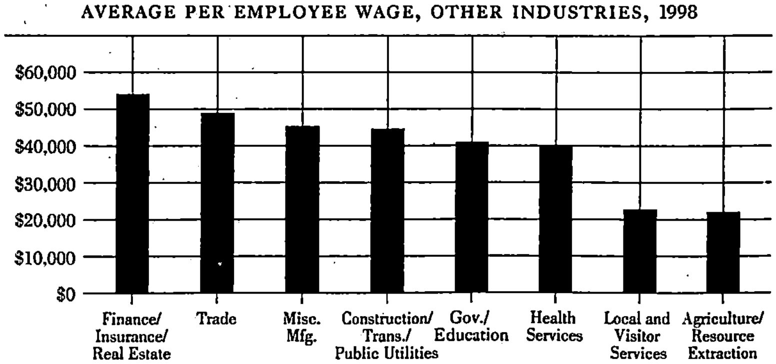
Of the cluster industries, software continues to have the highest average annual wages, reaching $95,800 in 1998. The second highest cluster is semiconductors/equipment at $86,300, followed by computer/communications at $80,200 and innovation services at $72,300. For the second year in a row, computer/communications demonstrated the largest absolute ($7,160) and relative (9.8%) increase from the previous year.

Among the other industries in Silicon Valley, finance/insurance/real estate remains the highest at $54,000. The largest employing sector, local and visitor services, has an average annual wage of $22,900.

AVERAGE PER EMPLOYEE WAGE, CLUSTER INDUSTRIES, 1998



AVERAGE PER EMPLOYEE WAGE, OTHER INDUSTRIES, 1998



Source: Employment Development Department

Special Analysis: Silicon Valley's Digital Divide

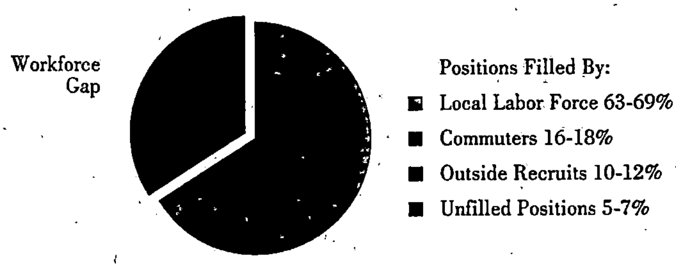
By tracking a broad base of indicators that spans the economy, society and environment, the *Index* identifies emerging issues facing the region. The *2000 Index* reveals a growing Digital Divide in Silicon Valley.

WHAT IS THE DIGITAL DIVIDE?

The Digital Divide is about more than connecting to the Internet; it is about connecting to opportunity in the new digital economy. Silicon Valley's Digital Divide is the gap between different communities in workforce, education, the economy and technology.

WORKFORCE GAP: Our current supply of skilled labor does not meet the needs of the high-technology companies that fuel our region's economy. Joint Venture's Workforce Study, which was released in the spring of 1999, identified a workforce gap of 31 to 37% of the high-tech industry demand for workers in Silicon Valley. The cost of this workforce gap to high-tech industry is approximately $3–4 billion in incremental hiring and opportunity costs.

WORKFORCE DEMAND OF HIGH-TECH INDUSTRY CLUSTERS

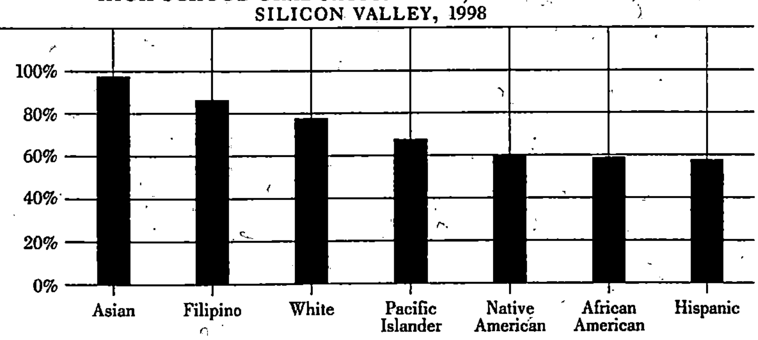


Sources: A.T. Kearney Workforce Initiative Survey, Santa Clara Valley Transportation Authority, Association of Bay Area Governments, Employment Development Department

EDUCATION GAP: On every measure of educational attainment in this year's *Index*, wide variation exists by ethnicity. This is a particularly critical challenge for Silicon Valley, because low education attainment afflicts our fastest-growing population, Hispanics, most extensively.

- Fifty-seven percent of Hispanic students graduate high school, compared with 86% of white students and 97% of Asian students.
- On average, 29% of ninth- and tenth-grade students were enrolled in Intermediate Algebra in 1999, up from 26% in 1998. Only 19% of Hispanics were enrolled.
- On average, 47% of high-school students completed the course requirements for UC/CSU entrance in 1998. Only 23% of Hispanic students met this requirement.
- Hispanics earn only 6% of engineering degrees awarded by local universities.

HIGH SCHOOL GRADUATION RATE, BY ETHNICITY, SILICON VALLEY, 1998



Sources: Alameda, Santa Clara and San Mateo County Offices of Education

ECONOMIC GAP: In addition to gaps in our supply of skilled labor and educational preparation, the region faces wide income disparity among different groups. There has been a widening income gap during the 1990s in Silicon Valley. While incomes of the lowest 20% of households have increased slightly the last two years, those incomes are still below 1992 levels (see page 18).

TECHNOLOGY GAP: Access to technology varies by race and income.

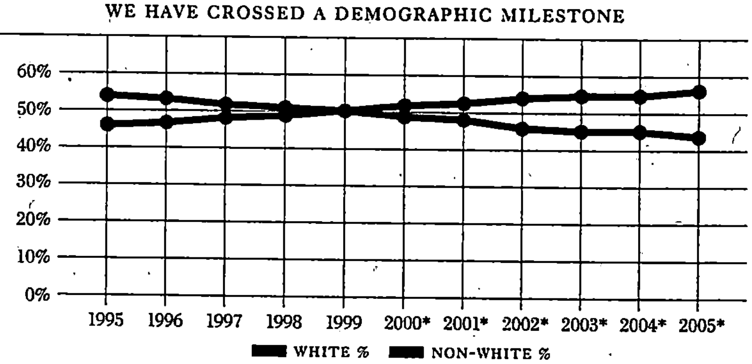
- In the San Francisco Bay Area, 46% of people with household incomes less than $40,000 access the Internet compared to 81% with household incomes more than $80,000 (Bay Area Council, 1999).
- Thirty-seven percent of Hispanics in the Bay Area use a computer on a frequent basis compared to 59% of non-Hispanic Whites (Public Policy Institute of California, 1999).

BOTH THE NEW ECONOMY AND CHANGING DEMOGRAPHICS AFFECT THE DIGITAL DIVIDE

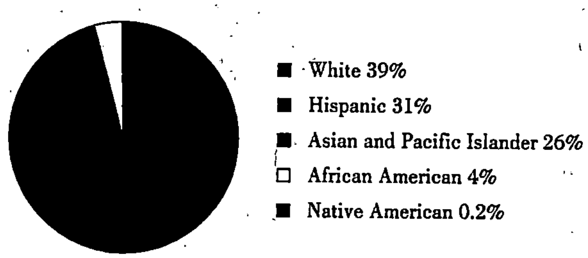
These gaps widen as the New Economy creates new skills demands at the same time that the demographics of the Valley continue to change. As our population becomes more diverse, special efforts are required to ensure that the Digital Divide does not continue to widen.

As we enter the year 2000, we cross an important demographic milestone: no racial/ethnic group is a statistical majority. Anglos represent 49% of the combined population of Santa Clara and San Mateo counties and only 39% of the school-aged population. Population projections point to increased diversity of our region as we advance toward 2010.

WE HAVE CROSSED A DEMOGRAPHIC MILESTONE



1999 SCHOOL-AGED DEMOGRAPHICS REFLECT THE NEW SILICON VALLEY



Source: Department of Finance
*Projection

IMPLICATIONS FOR SILICON VALLEY

Joint Venture believes that Silicon Valley's continued economic and social vitality is dependent on our ability to prepare more people in the region for the demands of the new workforce, whether in high tech or other fields. This is the challenge that will be the focus of Joint Venture's work as we explore ways to enable all people in Silicon Valley to succeed in the new Digital Economy.

TABLE 1: Jobs Paying Less than $30,000 per year in Santa Clara County, 1999

Job Description	Mean Annual Wage	No. of People Working
Jobs paying less than $15,000 per year		
Fast Food Cooks	$13,830	4,510
Dining Room, Cafeteria Attendants	$14,640	5,720
Dishwashers	$14,700	5,620
Waiters and Waitresses	$14,750	9,530
Total		**25,380**
Jobs paying $15,001 to $20,000 per year		
Restaurant Host and Hostesses	$15,590	2,990
Combined Food Preparation & Serving Workers	$15,650	22,170
Counter Attendants (cafeteria, coffee shop, concession)	$15,870	5,190
Bartenders	$16,460	2,230
Food Preparation Workers	$17,240	4,500
Maids and Housekeeping Cleaners	$17,820	4,750
Child Care Workers	$18,010	1,790
Cashiers	$18,500	19,420
Janitors and Cleaners (except housekeeping)	$18,600	20,310
Hand Packers and Packagers	$18,760	7,340
Restaurant Cooks	$18,880	4,670
Hand Laborers and Freight, Stock and Material Movers	$19,620	20,070
Teacher Assistants	$19,730	6,930
Teacher Assistants	$19,730	6,930
Counter and Rental Clerks	$19,750	2,250
Retail Salespersons	$20,290	22,790
Helpers-Production Workers	$20,990	2,960
Total		**157,290**
Jobs paying 20,001 to $25,000 per year		
Security Guards	$20,210	13,040
Preschool Teachers	$21,350	2,270
Nursing Aides, Orderlies and Attendants	$21,600	4,380
Tellers	$22,070	4,190
Landscaping and Groundskeeping Workers	$24,210	6,820
Stock Clerks and Order Fillers	$24,290	9,070
Receptionists and Information Clerks	$24,340	7,600
Total		**47,370**
Jobs paying $25,001 to $30,000 per year		
Child, Family and Social Workers	$25,050	1,000
Data Entry Keyers	$25,170	2,640
Shipping and Receiving Clerks	$25,100	8,250
Team Assemblers	$25,290	11,200
General Office Clerks	$25,300	15,820
Electrical & Electronic Equipment Assemblers	$26,140	18,790
Billing and Posting Clerks	$26,590	5,370
Inspectors, Testers, Sorters, Samplers & Weighers	$26,700	7,770
Light Truck Drivers, Delivery Services	$27,080	5,190
School Bus Drivers	$27,640	3,760
Industrial Truck and Tractor Operators	$27,970	2,320
Pharmacy Technicians	$28,920	820
Bill and Account Collectors	$29,180	2,620
Bus drivers, transit and intercity	$29,650	1,780
Total		**87,330**
Number of Jobs listed paying less than $30,000*		**317,370**
Total Number of Jobs paying less than $30,000		**365,480**
Total Number of Jobs in Santa Clara County		**936,300**
% of total paying less than $30,000		**39.03%**

*This figure is smaller than the county total of jobs paying less than $30,000 as it excludes jobs with 2000 or fewer workers. Total jobs paying less than $30,000 are included in the total. **Source:** BLS, OES Data 1999

failed to meet even the minimal needs of virtually everyone else. With monthly rental costs now averaging $1,900, the bidding wars that well paid workers wage for the limited supply of housing continues to have a devastating inflationary impact on the entire Silicon Valley housing market.

The evolution of the hourglass shaped economy isn't limited to Silicon Valley. The explosive growth of high-tech and information technology industries has spawned similar polarization in other communities nationwide. The New Economy does generate enormous wealth. However, absent widespread collective bargaining and other mediating institutions, new wealth is concentrated in core industries and critical occupations, potentially widening existing inequities.

Table 1 illustrates the number of workers in our region holding low-wage jobs and facing overwhelming housing costs. How many of these 311,000 workers and their families will require affordable housing? If we assume that there are 1.5 income earners for a family of four, then 20% would qualify for ELI, 79% would qualify for VLI, and 1% for LI. Even assuming there are two low wage incomes per household, 64% of the income earners listed in the table would qualify for VLI and 36% would qualify for LI*. However, many of these households would not have two full-time income earners with two children, given the difficulties and cost of arranging full-time childcare[6].

* In our estimations, each income earner provides half of the total household income. In the first calculation, with 1.5 earners, each earner makes 75% of a low-wage salary. In the second calculation, each salary provides half of the household income, and each household earner makes 100% of a low wage salary.

With demand rapidly escalating, restrictions on supply have also exerted enormous inflationary pressure on housing markets. Prohibitions on developing land that would otherwise be suitable for housing, such as San Jose's Urban Growth Boundary, may serve legitimate environmental objectives. However, by limiting land availability, they also contribute to the rise of housing prices.*

Neighborhood opposition to new housing development is another key factor in Silicon Valley's housing shortage. Though empirical evidence to support their worries fails to exist, homeowner concern that the introduction of affordable housing in their neighborhoods will diminish property values has bolstered opposition to needed development. This "not in my backyard" sentiment has been a major obstacle to the expansion of affordable housing in San Jose.

Additionally, California's public finance system works to discourage new housing development by denying cities the tax revenues necessary to pay for the basic services new residents require.

For example, the total amount of property taxes received by the City of San Jose for FY 99-00 totaled $66,684,000. These revenues constituted less than half of the police department's operating budget alone $175,092,408. Given these limitations, it's little surprise that municipalities often regard new housing less as an asset than as a source of new expense. On the other hand, sales taxes, which are generated through retail and industrial development, generate the bulk of the revenue that fills city coffers. A 1999 survey by the Public Policy Institute of California substantiated the effect of this logic, noting that the state's city managers placed far more value on generating new sales tax revenue than filling the need for affordable housing.**

By allowing fiscal policy to drive land use choices, city officials make decisions that appear financially prudent, but cause lasting damage to the community. Some state leaders now recognize the dangers of "fiscalizing" land use, but have had difficulty overcoming resistance by local officials to change.

"By allowing fiscal policy to drive land use choices, city officials make decisions that appear financially prudent, but cause lasting damage to the community."

TABLE 2: Ratio of jobs to housing

	Palo Alto	Santa Clara	Sunnyvale	San Jose
Population (1)	61,505	102,895	133,215	923,591
Number of jobs, 2000 (2)	106,690	135,370	131,140	410,990
Housing units (3)	26,097	39,326	54,437	287,506
Jobs to housing ratio	**4.1**	**3.4**	**2.4**	**1.4**

1 California Department of Finance projections; January, 2001.
2 Association of Bay Area Governments (ABAG) job projections.
3 California Department of Finance projections; January, 2001.

* The UGB encourages "smart-growth" strategies to address the jobs-housing imbalance and related stress on our infrastructure. One such strategy is to build housing along transit corridors.

** Despite the fiscal disincentives for housing construction, it is important to note that different cities in the region vary significantly in the extent to which they allow these pressures to limit their commitment to the production of affordable housing. As Table 2 demonstrates, San Jose stands out as the city with the greatest sense of regional responsibility towards responding to the valley's housing needs. Not only is San Jose's jobs/housing ratio much lower than those of other cities, it also produces a higher percentage of subsidized units. Thus, San Jose does less to cause housing price inflation and does more to mitigate the effects of high housing costs than its neighboring cities.

SANTA CLARA COUNTY HOUSING TASK FORCE:

HOUSING BROADLY DEFINED

prepared by:
Susan Silveira
Springboard Consulting

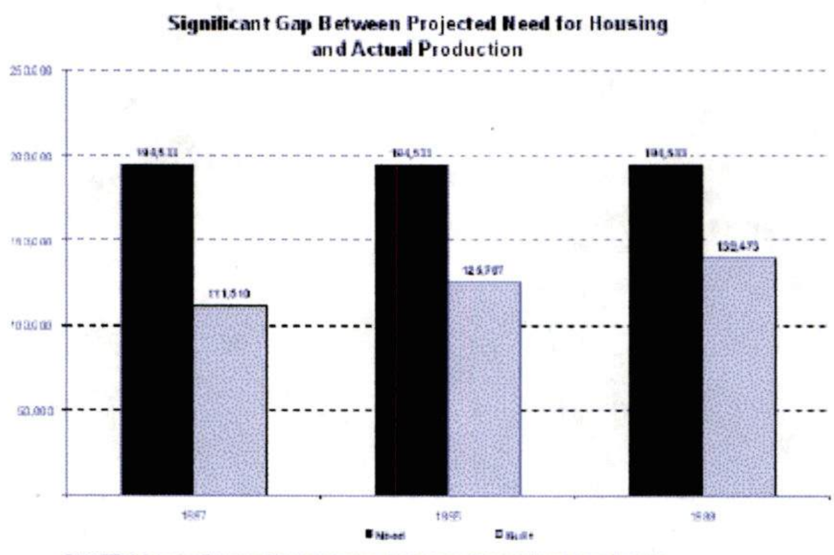
HOUSING: BROADLY DEFINED

The State Picture

Three Factors are at the Heart of California's Housing Crisis

1. Housing Production has Plummeted in the 1990s

During the 1990s, California added approximately half the number of housing units built in each of the two previous decades. Not only has housing production dropped, it has failed to keep pace with population and job growth. Between 1994 and 1998, California's population increased by 4.4 percent, while the supply of housing rose by just 1.6 percent. Production trends over the past three decades show a dramatic drop in housing construction during the 1990s. The state's Department of Housing and Community Development estimates that California needs to add 1.26 million units, consisting of 703,285 units of owner occupied housing and 561,180 units of rental housing, between 1997 and 2003 in order to meet projected demand.[1]



In contrast, just 376,896 units of housing were built in the state during the past three years. At current production levels, state officials estimate that California is experiencing a production deficit of approximately 100,000 units per year.[2]

Greatest Production Shortfall is for Multifamily Housing

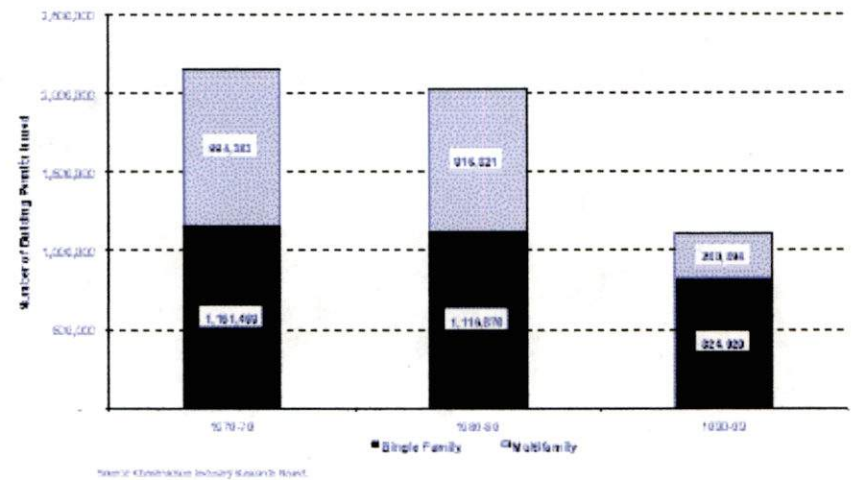
Multifamily housing accounts for the majority of the state's production gap, particularly housing that is affordable to lower income families. Not only did production decline during the 1990s, but also the balance between single and multifamily housing production shifted significantly toward single-family housing. During the 1980s, for example, California added an average of 91,682 units of multifamily housing per year, 45

[1] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

[2] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

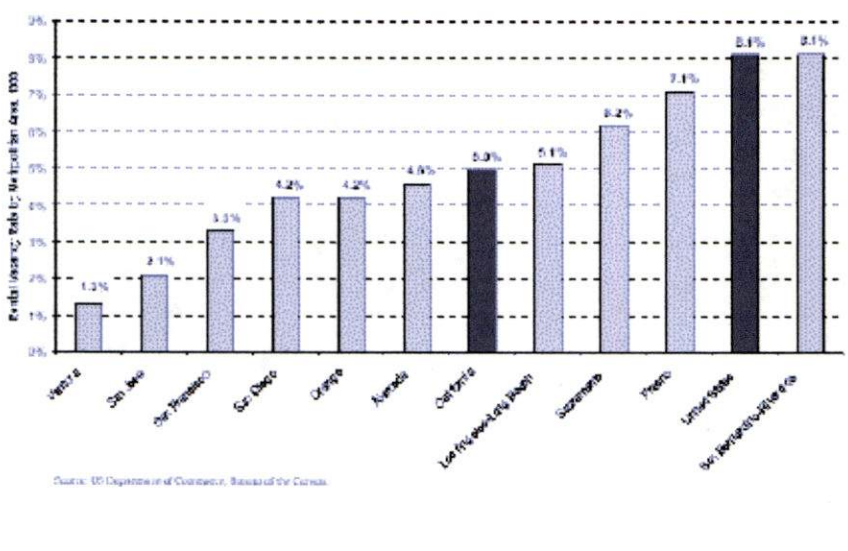
percent of the new housing built. Between 1990 and 1999, the state added an average of 28,089 units per year of multifamily housing, just 25 percent of total housing built during the decade and a 69 percent drop from the levels of the 1980s.[3]

Multifamily Housing a Much Smaller Share of Production During the 1990s



The failure of the supply of rental housing to keep pace with population growth has caused vacancy rates to drop and rents to rise. The imbalance between supply and demand has pushed rents higher, imposing a significant burden on low and middle-income renters. Rental unit vacancy rates in most of the state's major metropolitan areas are far below the national average.[4]

Most California Metropolitan Areas Have Lower Rental Vacancy Rates Than the US



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[3] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[4] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

2. **The Lack of Supply is Exacerbated by a Geographic Mismatch Between Jobs and Housing**

Job growth has exceeded housing growth in nearly every part of the state since the economic recovery began in earnest in 1994. The number of new jobs exceeded the number of new housing units in all but 12, primarily rural, California counties between 1994 and 1998. The state as a whole added 3.9 jobs for each new unit of housing, more than twice the 1.5-to-1 ratio recommended by housing policy experts. The ratio of new jobs to new housing exceeded 5-to-1 in Los Angeles, Santa Clara, San Mateo, San Francisco, and Inyo counties. The housing deficit is most severe in the Bay Area, which has led the state in economic growth. Within the nine-county Bay Area, for example, suburban Solano County is the only county where the ratio of job growth to housing growth was less than 1.5-to-1 between 1994 to 1998.[5]

Table 5: Job Growth Exceeds Housing Growth in All of the State's Large Counties 1994-98

County	Ratio of New Jobs to New Housing Units
San Francisco	15.8-to-1
San Mateo	10.8-to-1
Los Angeles	9.4-to-1
Santa Clara	8.6-to-1
San Diego	5.4-to-1
Alameda	5.4-to-1
Orange	4.7-to-1
California	3.9-to-1
Sacramento	3.2-to-1
San Bernardino	2.9-to-1
Riverside	2.4-to-1
Ventura	2.3-to-1
Contra Costa	2.2-to-1
Fresno	1.2-to-1

Source: CBP calculations based on Department of Finance and Employment Development Department data

3. **The Fiscalization of Land Use**

California's system of local government finance limits the amount of revenue generated by housing and encourages local communities to favor sales tax generating retail development over residential or other forms of commercial development. The importance of sales tax revenue in relation to other revenue sources is generally cited as the main force driving what has become known as the fiscalization of land use. The added cost of paying for facilities that were once shared across the entire community increases the cost of housing, pushing homeownership further out of the reach of young families and others of modest means.

Other Factors Adding To California's Housing Crisis Include:[6]

Housing Assistance at Federal Level Fails to Meet California's Needs

Federal support for housing has declined since the 1970s. California received fewer federal housing assistance dollars in 1999 for each individual living below the federal poverty level than all but one of the ten largest states. While the federal government spent, on average, $286 on housing assistance for each person in poverty, California received only $171 per person in poverty.

Demand for federally-support assistance is intense. A recent survey of twenty local housing authorities found 371,740 families were on waiting lists for Section 8 assistance, more than three times the 104,133 families receiving assistance. The survey found 93,632 families wait listed for 25,268 units of public housing.

A significant fraction of the state's federally subsidized housing units are reaching the expiration dates of their contracts to maintain affordability. In the past three years,

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[5] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

[6] Excerpts from Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

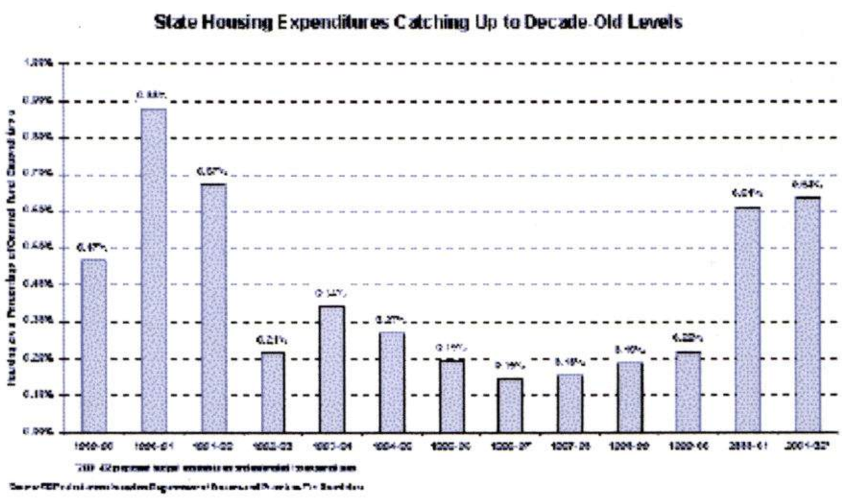
California has lost more than 15,000 affordable housing units to opt-outs and prepayments, a total of 11 percent of the federally assisted inventory, with most of the losses occurring in Los Angeles, Orange, San Diego, and Santa Clara Counties. The state Department of Housing and Community Development estimates that more than 180,000 units may be at risk of conversion from affordable to market rents over the next decade.

State Housing Spending Lags Need

Over the last decade, California has gone from being a leader of innovative state housing policy to a laggard. During the late 1980s, California implemented a series of innovative housing programs and provided substantial funding for its housing efforts. Among the state's signature initiatives were creation of the first state housing trust fund in 1985, creation of a state supplement to the federal low-income housing tax credit in 1987, and passage of three affordable housing bonds in 1988 and 1990.

State housing spending dropped substantially during 1990s from 0.7 percent of total spending in 1990-91 to 0.2 percent of total spending in 1999-00. During the early 1990s, bond proceeds supported a substantial investment in affordable housing. However, as these funds disappeared only minimal state support was allocated to take their place. While the 1999-00 budget include several modest initiatives, the absolute number of dollars allocated to housing and related programs is less than half that of a decade ago.

The 2000-01 Budget marked a reversal in that trend, with the largest ever allocation of state support for housing. Spending proposed in the Governor's 2001-02 Budget brings spending for housing back to its 1991-92 level, which is still significantly below 1990-91. Housing spending peaked in 1990-91 as the state spent funds authorized by a series of bond measures in the late 1980s.

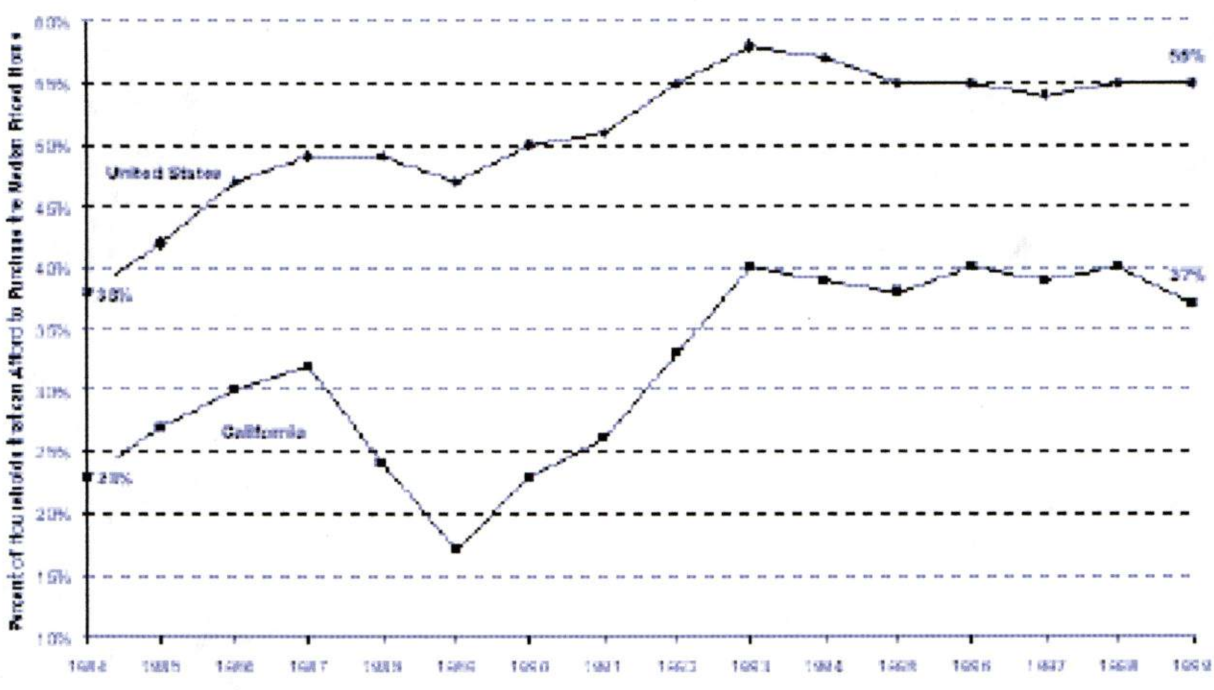


High Housing Costs Have Pushed Homeownership Out of Reach for Many California Families

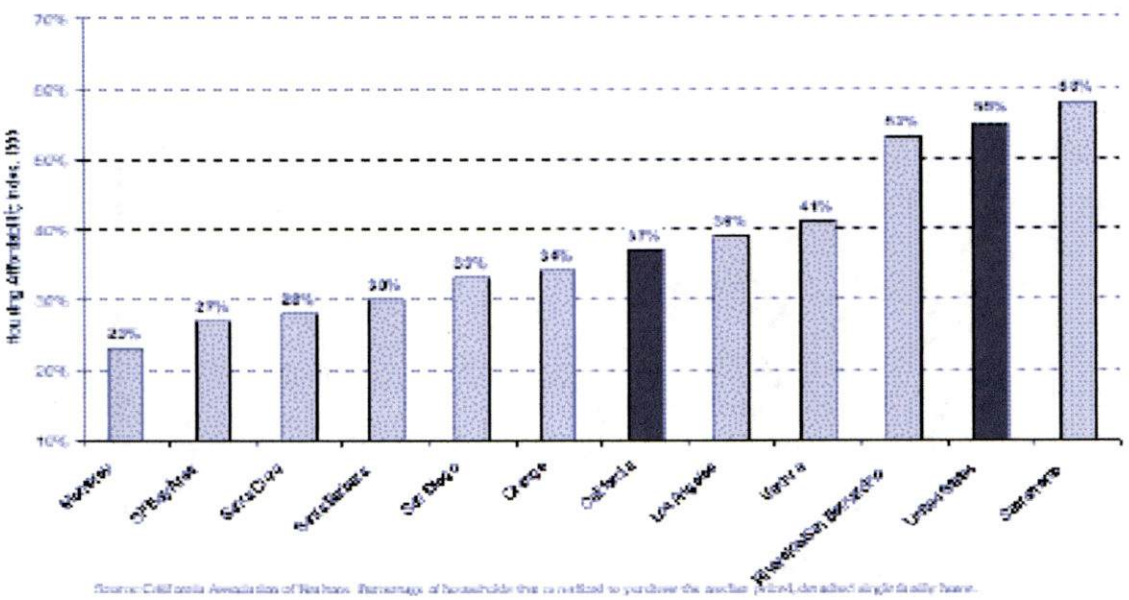
Despite a booming economy, California's homeownership rate is the second lowest in the nation. Only 55.7 percent of California households owned their own homes in 1999, compared to 66.8 percent for the nation as a whole.

The state's homeownership rate is low because fewer Californians can afford to buy a home. Nationally, 55 percent of households could afford to purchase the median priced home in 1999, as compared to 37 percent of California households. The median California household earns less than two-thirds the income needed to purchase the median priced home.

Housing Affordability in California is Well Below the National Average

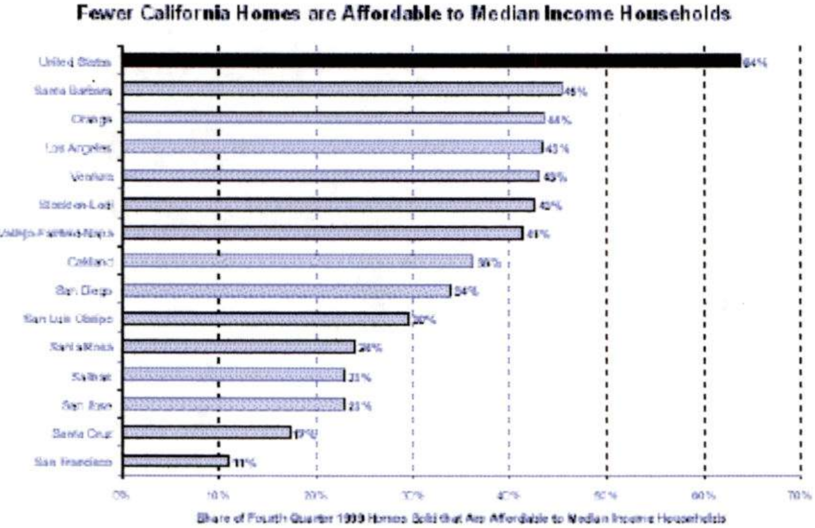


Housing Affordability Varies Widely Across California



The National Association of Home Builders found that eight of the nation's ten least affordable housing markets in the fourth quarter of 1999, and 14 of the top 25, were in California. Overall, these 14 markets accounted for more than two-thirds (72 percent) of the state's total population. The least affordable markets include virtually all of California's coastal metropolitan areas from Santa Rosa to San Diego. Surprisingly, the Stockton-Lodi metropolitan area also was included among the 25 least affordable metropolitan areas. The Merced, Chico, Sacramento, and Yolo metropolitan areas also ranked among the nation's 50 least affordable areas.

Fewer California Homes are Affordable to Median Income Households



California Spends Less on Housing than Other Major States

California's commitment to affordable housing is substantially less than many other states, in both absolute terms and as a share of total state spending.

- California is one of 33 states with housing trust funds. California's fund receives a $2 million per year allocation from the proceeds of oil lease payments on state tidelands, less than the initial $5 million allocation made in the mid-1980s.
- Overall, California allocated $109.6 million for housing programs in 1999-00, including $40 million in limited term assistance to the School Facilities Fees Assistance program and $33.5 million in Low Income and Farmworker Housing Tax Credits. Other states with much smaller populations spent significantly more:
    - **Florida.** With less than half the population of California, Florida allocated $149 million for housing programs for low and moderate income families in 1999-00. The primary source of support for Florida's housing programs comes from a documentary stamp tax levied on real estate transfers. This tax provides an ongoing source of support for Florida's housing trust fund, including $146 million in 1999-00.
    - **Massachusetts.** In 1998-99, Massachusetts allocated $187 million for housing. Major program initiatives include $31 million in state support for public housing authorities, $39 million for rental assistance programs, and $71 million for capital investments.
    - **Illinois.** Illinois supports its housing trust fund with a dedicated real estate transfer tax. The tax raised $21 million in 1998; a sum that exceeds California's support for similar programs targeted at low and moderate income families.
    - **Washington.** With a population one-sixth as large as California's, Washington state's housing spending is comparable to that of California. The centerpiece of the state's expenditures is a housing trust fund supported by a combination of dedicated revenues and appropriations from the state's capital budget. The fund provided $62 million in support for housing construction and preservation programs during the state's 1999-00 biennium, plus $5 million for homeless families and $8 million for farmworker housing.
    - **New Jersey.** New Jersey allocated $48 million in state support for housing programs in 1999-00. Of this amount, $29 million comes from a dedicated real estate transfer tax that provides an ongoing source of funding for the state's affordable housing programs.
    - **Oregon.** Oregon, with a population of 3.3 million, allocates interest earned on renters' security deposits to a trust fund used to support low income rental housing. In 1997-98, the fund received $4.5 million, approximately equal to California's multifamily housing spending in the current budget year.

Support Provided Through the Tax Code Favors Higher Income Households

The vast majority of public support for housing, at both the state and federal levels, comes in the form of tax deductions for mortgage interest and property taxes and preferential treatment of gains realized when a home is sold. By allowing taxpayers to deduct the interest they pay on the money borrowed to purchase a home and property taxes paid, the tax code reduces the after-tax cost of housing. Not only do these deductions provide substantial assistance for those who own their own homes, they provide more favorable treatment for investments in homeownership relative to other types of investments.

Regulatory constraints

Raising the Roof: California Housing Development Projections and Constraints 1997-2020, a report prepared by the California Department of Housing and Community Development in May 2000 makes these observations about regulatory constraints.

- Local Regulation is Key: California has ample supplies of environmentally appropriate land to accommodated projected housing growth. Whether developers and homebuilders will be allowed to access that land will depend on whether adequate amounts of it are designated for residential development, and how the development approvals process is administered in California's 535 governments.
- Nation's Most Complicated Development Process: California's development process involves more review steps, and more potential discretion in those steps, than that of any other state.
- Trends since the Early 1970s: Two trends have shaped the development review process in California since the early 1970s.The first is a trend away from long-term comprehensive planning approaches and toward short-term, impact assessment/development management approaches. The second is a trend toward increased local discretion in development decision-making.
- Local Process 'Anti-Housing': The effect of these changes was to make the local development review process in California anti-housing. CEQA provided an open-ended vehicle for individuals and groups opposed to growth-of which housing is the prevalent manifestation-to increase the risks and costs inherent in the approvals process, and to shift those increased risks and costs entirely to project sponsors. CEQA also established the current practice of reducing project densities, and thus indirectly total production, as a means of gaining project approval. Proposition 13 encouraged the practice now known as "fiscal zoning" by which cities encourage the development of revenue-rich land uses such as shopping centers, and discourage the development of service-intensive land uses like housing.

Santa Clara County

High Cost of Housing
Silicon Valley housing prices are among the highest in the United States. An average single-family home cost $617,000 as of May 2000, an increase of 87 percent from just five years ago when the average house cost $329,000.[7] The average price of a single family home increased by 31 percent between May 1999 and May 2000.[8]

According to recent data from the California Association of Realtors, the median price of a home in Santa Clara County in May 2001 was $532,500, almost one percent more than the median price of $528,000 from a year ago. Sales in Santa Clara County increased by .5% between April and May of this year but have dropped 38.9% over the past year. "After nearly a year and a half of double-digit increases, the median price of a home in the San Francisco Bay Area rose only 3.4 percent in May (2001) compared to a year ago," said Leslie Appleton-Young, C.A. R. 's (California Association of Realtors) vice-president and chief economist. "While there's still robust demand for entry and mid-level homes, the upper end of the market is definitely feeling the impact of the volatile tech economy in the Silicon Valley. That said, a median-priced home in the Silicon Valley is still over a half-million dollars."

The percent of households that can afford a median priced home in California fell from 36 percent to 30 percent between 1999 and 2000. In the Bay Area that percentage fell from 24 percent to 16 percent. Nation-wide, a little over 50 percent of households can afford to buy a median –priced house in their area.[9]

Housing Stock

Single-family homes make up almost two-thirds of the Silicon Valley's housing stock.[10]

Negative Impacts
A recent survey conducted by the Santa Clara County Planning Office reveals that one of the most negative impacts of high housing costs is the deterioration of the county's social infrastructure.[11] Not only are teachers, police officers and firefighters finding it difficult to afford living in this county, nurses, doctors, other health care providers, clergy, bus drivers, day care workers, retail sales clerks, restaurant staff, maintenance staff, nursing home staff, school crossing guards, government employees, school principals and many others are moving out of or unable to afford to move into this county.[12]

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[7] Silicon Valley Projections 2000, Silicon Valley Manufacturing Group
[8] Silicon Valley Projections 2000, Silicon Valley Manufacturing Group
[9] Silicon Valley Projections 2000, Silicon Valley Manufacturing Group
[10] Silicon Valley Projections 2000, Silicon Valley Manufacturing Group
[11] "Eroding Our Social Infrastructure" a background report prepared by the Santa Clara County Planning Office June 1, 2001
[12] "Eroding Our Social Infrastructure" a background report prepared by the Santa Clara County Planning Office June 1, 2001

It may be this steady erosion of our county's infrastructure that most threatens Santa Clara County's future, because it adversely affects virtually all of the fundamental systems that contribute to our quality of life. It affects the quality of our education system, our health care system, our emergency services, our transportation system, our local government services, and ultimately the health of our new economy.[13]

Fiscalization of Land Use
Revenues for Silicon Valley cities are catching up with population and employment growth, though revenue sources have shifted away from sales and property tax.[14]

What do experts predict about the housing market?

"It feels to me like the market has crested." Brad Inman, CEO, HomeGain quoted in San Francisco Magazine, November 2000

"As long as salaries go up and some home buyers can pay cash for homes, prices will go up" Ira Serkes, coauthor of How to Buy a House in California, quoted in San Francisco Magazine, November 2000

"Once jobs begin leaving, home prices will moderate." Leslie Appleton-Young, Chief Economist, California Association of Realtors, quoted in San Francisco magazine, November 2000

Density
Last year Silicon Valley cities approved new residential development at an average of 13 units per acre, compared with 10.3 units per acre in 1999.[15]

Land Use
In 2000, 24% of Silicon Valley and its perimeter were permanently protected open space-the same as in 1999.[16]

With appropriate reserves being maintained, Los Angeles, Orange and Santa Clara counties will lack sufficient vacant suburban land to accommodate projected household growth through 2010. [17]

The total land supply currently identified in Silicon Valley as having potential for housing production totals 10,600 acres. Based on current local policy and market conditions, this land supply could yield over 74,300 new homes. However, this falls well below projected demand, based on current employment growth projections. The gap between potential supply and projected demand could be greatly reduced by both

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[13] "Eroding Our Social Infrastructure" a background report prepared by the Santa Clara County Planning Office June 1, 2001
[14] Joint Venture's 2001 Index of Silicon Valley
[15] Joint Venture's 2001 Index of Silicon Valley
[16] Joint Venture's 2001 Index of Silicon Valley
[17] "Further Concerns Regarding the Low-Income Housing Crisis in California" by Radha Bhattacharya, Dept. of Economics, California State University, Fullerton April 2001

increasing land supply and the number of homes built per acre. The current projected supply of new homes in Silicon Valley only meets 50-66 percent of projected demand. Just by increasing the number of homes built per acre from the current projected average of seven to nine per vacant acre and from 12 to 25 homes per reuse acre, the region could meet 75-99 percent of demand.[18]

Approximately 40 percent of potential future housing development in Silicon Valley will be on land that is currently underutilized, rather than vacant.[19]

Half of the cities in the Silicon Valley already estimate that reuse sites will provide more opportunities for new home construction than vacant sites. These cities include San Jose, Milpitas, most of the large cities in northwest Santa Clara County (including Cupertino, Palo Alto and Sunnyvale), and all of the cities in southern San Mateo County.[20]

Planners in most Silicon Valley communities acknowledge that they have not done a comprehensive survey of potential reuse sites, and that the potential number of new homes that could be built on these types of sites will increase significantly beyond current estimates if cities take better advantage of reuse opportunities.[21]

As of 1996, Santa Clara County had 297, 576 acres of potentially developable land.[22]

From 1985 to 1995, Santa Clara County redeveloped and reused 7,190 acres of land, 5,780 acres for residential uses (80.4 %).[23]

Housing Production
In Santa Clara County, housing construction and rehabilitation, as measured by issuance of residential permits, sponsored by the various redevelopment agencies within the County, created 11,600 units of housing (8380-new, 3,220-rehab) from 1988-1996.[24]

Substandard Housing
In Santa Clara's Urban County (Cities of Campbell, Cupertino, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Saratoga and unincorporated areas) 34% of all ownership households (based on 1990 census figures) required some form of rehabilitation.[25]

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[18] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[19] Ibid.
[20] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[21] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[22] Raising the Roof: California Housing Development Projections and Constraints 1997-2020, California Department of Housing and Community Development May 2000
[23] Raising the Roof: California Housing Development Projections and Constraints 1997-2020, California Department of Housing and Community Development May 2000
[24] Raising the Roof: California Housing Development Projections and Constraints 1997-2020, California Department of Housing and Community Development May 2000
[25] Santa Clara County Consolidated Plan for the period 2000-2005, May 2000

Substandard or inadequate housing poses a health and safety threat to its occupants, especially children. Potential risks include: asthma and other respiratory and chronic diseases, increasing the risk of injury, the likelihood of becoming homeless and a myriad of other problems including more exposure to violence.[26]

Jobs/Housing Imbalance

While 2 jobs were created for every new home in Silicon Valley during the 1980s, approximately 3 jobs have been created for every new home in the region during the 1990s.[27] ABAG reports for 1995-2000 an average countywide ratio of new jobs to new housing units of 6 to 1, with the five highest being in Santa Clara, Milpitas, Mountain View, Palo Alto and Los Gatos. ABAG projections for 2000-2005 show an average countywide ratio of new jobs to new housing units of 2.5 to 1, with the five highest being in Milpitas, Los Gatos, Santa Clara, Palo Alto and Mountain View.[28]

The job-rich sub-region of northwest Santa Clara County produced 2 jobs for every new home built during the 1980s, but approximately 9 jobs for every new home built in the 1990s. Southern San Mateo County produced 0.7 jobs for every new home built in the 1980s, but an estimated 7 new jobs for every new home built in the 1990s.[29]

More than 70 percent of Silicon Valley's total employment growth from 1979-1999 has occurred in the job rich areas of northwest Santa Clara County (Cupertino, Los Altos, Los Altos Hills, Mountain View, Palo Alto, Santa Clara, Sunnyvale), north San Jose, and southern San Mateo County.[30]

Over the next 20 years (2000-2020) between 66 and 72 percent of housing demand will be in San Jose/Milpitas and northwest Santa Clara County, the same areas projected to capture approximately 67 percent of Silicon Valley's total new job growth.[31]

More than 70 percent of Silicon Valley's total employment growth from 1979-1999 has occurred in the job rich areas of northwest Santa Clara County (Cupertino, Los Altos, Los Altos Hills, Mountain View, Palo Alto, Santa Clara, Sunnyvale), north San Jose, and southern San Mateo County.[32]

The most severe jobs/housing imbalances are in northwest Santa Clara County, where several large employers are located, and in Scotts Valley, which has two major employers and a small residential population. These areas are not unique. The ratio of jobs to

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[26] "Not Safe At Home: How America's Housing Crisis Threatens the Health of Its Children" the Doc4Kids Project, Boston Medical Center, Feb. 1998
[27] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[28] ABAG Projections 2000
[29] ABAG Projections 2000
[30] ABAG Projections 2000
[31] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[32] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999

employed residents is increasing in Silicon Valley and is likely to continue over the next ten years.[33]

Overall employment in Silicon Valley grew by 48 percent between 1980 and 2000. This represents a total projected net increase of approximately 415,000 jobs, including replacement for the 22,000 jobs the region is estimated to have lost between 1990 and 1995. Over one-half of all jobs added in the region from 1979-1999 were created in the five- year period from 1995 to 2000. ABAG estimates and projections for employment in Silicon Valley indicate that the incredible job growth currently being experienced will taper off considerably in the decade ahead. Employment growth is expected to slow even more between 2010 and 2020, down from 6.2% growth between 2005-2010 to 4.0% for 2010-2015, and 4.2% for 2015-2020. [34]

Factors Contributing to Housing/Jobs Imbalance
The imbalance is due in large part to outside factors that are shaping the zoning and density decisions of area cities. Three of those factors are of particular significance.

1. The first is what is called the "fiscalization of land use". Since the passage of Proposition 13 in 1978, city services funded by property tax revenues such as street repair and park maintenance, have been severely constrained. Commercial development now looks more attractive than residential. Not only do commercial developments require fewer city services, they often generate sales tax revenues that can be used to fund local services.[35]

2. A second factor is the differing expectations people have regarding commercial and residential development. Because of the demand for more office space and because it is difficult for cities to say no to more jobs for their residents, it is often easier to win approval of commercial developments.[36]

3. The third factor is community opposition to higher residential densities. To achieve greater parity between the number of jobs and homes, cities could build housing more compactly. But public perception of higher density housing is generally negative due to aspiration of the "American Dream" for single- family home and real or perceived failings of older high-density developments. Consequently, most local policies call for lower density development and discourage attached multi-story housing.[37]

Population Growth
ABAG population projections show that for the upcoming two decades the population growth of Silicon Valley is expected to slow down. Overall, the Valley's population is projected to increase by about 11 percent between 2000 and 2020, with 7.4 percent growth between 2000-2010, and 3.6 percent growth between 2010-2020. The cities

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[33] Silicon Valley Projections 2000, Silicon Valley Manufacturing Group
[34] <u>Building Sustainable Communities: Housing Solutions for Silicon Valley</u>, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[35] Silicon Valley Projections 2000, Silicon Valley Manufacturing Group
[36] Silicon Valley Projections 2000, Silicon Valley Manufacturing Group
[37] Silicon Valley Projections 2000, Silicon Valley Manufacturing Gro

expected to experience the most dramatic population increases between 2000 and 2020 are Morgan Hill (30 percent) and Gilroy (35 percent) in southern Santa Clara County, and Fremont and Union City in southern Alameda County.[38]

Based on Census 2000 data, overall population growth in Santa Clara County was 12.4%.[39] Morgan Hill (40.2%), Gilroy (31.7%, Cupertino (25.5%), Milpitas (23.7%) and San Jose (14.4%) were the top five highest growth areas.[40]

Current county population projections show that Santa Clara County's overall population over the next 20 years will increase by 3%, adding close to ½ million more residents.[41]

Strategies for Solutions

In November 1999, the Silicon Valley Manufacturing Group and Greenbelt Alliance joined forces to produce "Building Sustainable Communities: Housing Solutions for Silicon Valley". In that report they make the following recommendations:

1. Silicon Valley cities should systematically identify underutilized sites that can be redeveloped with new homes.
2. Even relatively small increases in the number of homes that can be built per acre will have a dramatic impact on the overall level of housing supply in Silicon Valley.
3. Supplemental Action Items:
    a. Cities should make an explicit commitment to good design and promote design principles that result in developments that both fit into their surroundings and support existing neighborhoods.
    b. Cities should educate citizens about community issues as part of a process for making choices about the future.
    c. Many of the barriers to creating more housing can only be removed if cities work together.

The California Department of Housing and Community Development suggests:
One way to bring overall housing prices down would be through a significant increase in the housing supply, primarily through well-planned, infill development designed to create livable, transit-and pedestrian-oriented neighborhoods (not just individual, isolated housing developments). T be truly affordable, much of the housing in such developments must be of higher density. The increase in supply must be sufficient not only to help overcome existing shortages but also to keep pace with new jobs that are created in this country.[42] Excluding land that is wetland, prime and unique farmland, flood-zone, and

[38] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[39] California Department, of Finance, Research Demographic Unit, California State Census Data Center, Census 2000
[40] California Department, of Finance, Research Demographic Unit, California State Census Data Center, Census 2000
[41] Interim Count Population Projections, California Department of Finance Demographic Research Unit June 2001
[42] "Eroding Our Social Infrastructure" a background report prepared by the Santa Clara County Planning Office June 1, 2001

areas most suitable to large number of endangered species and assuming a marginal density of 5.3 households per acre (15.8 persons), Santa Clara could meet 127% of its housing need.[43]

[43] Raising the Roof: California Housing Development Projections and Constraints 1997-2020, California Department of Housing and Community Development May 2000

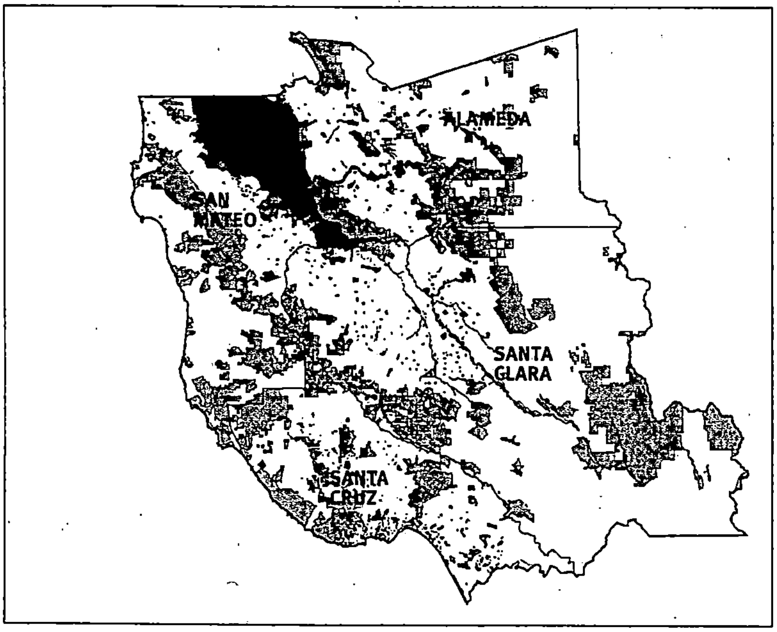
SANTA CLARA COUNTY HOUSING TASK FORCE:

HOUSING BROADLY DEFINED: SUPPLEMENTAL MATERIALS

GOAL 6: PRESERVE OPEN SPACE We increase the amount of permanently protected open space, publicly accessible parks and green space.

24% of Valley and Perimeter Is Permanently Protected Open Space

PROTECTED OPEN SPACE IN SILICON VALLEY AND PERIMETER



PERMANENTLY PROTECTED OPEN SPACE LANDS

Source: GreenInfo Network

WHY IS THIS IMPORTANT?

Preserving open space protects natural habitats, provides recreational opportunities, focuses development and safeguards the visual appeal of our region.

This indicator tracks lands permanently protected through public ownership or conservation easements in Silicon Valley and its perimeter.

HOW ARE WE DOING?

In 2000, 24% of Silicon Valley and its perimeter was permanently protected open space. This includes roughly 465,000 acres in Santa Clara, San Mateo and Santa Cruz counties and Alameda County south of Oakland.

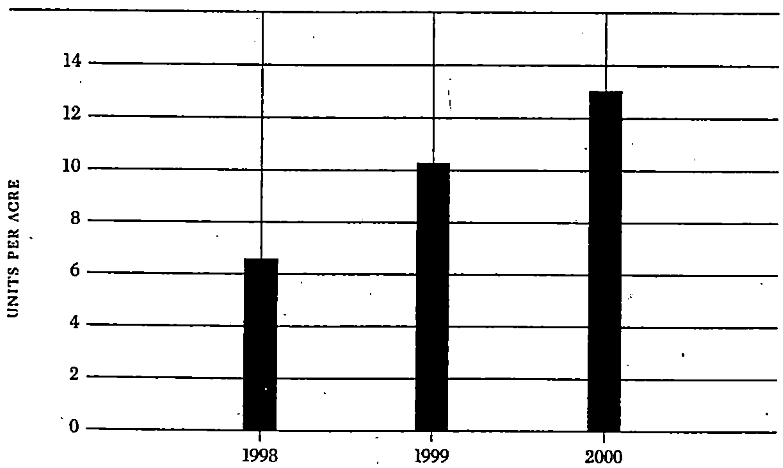
Fifty-seven percent of this permanently protected open space is accessible to the public. Within these publicly accessible lands are 645 miles of trails for hiking, biking and horseback riding.

LIVABLE ENVIRONMENT

GOAL 7: EFFICIENT LAND REUSE Most residential and commercial growth happens through recycling land and buildings in developed areas. We grow inward, not outward, maintaining a distinct edge between developed land and open space.

Efficiency of Land Used for Housing Increases

AVERAGE UNITS PER ACRE OF NEW RESIDENTIAL DEVELOPMENT, SILICON VALLEY



Source: Valley Transportation Authority, Congestion Management Program; City Planning Departments

WHY IS THIS IMPORTANT?

By directing growth to already developed areas, local jurisdictions can reinvest in existing neighborhoods, use transportation systems more efficiently and preserve nearby rural settings.

HOW ARE WE DOING?

A survey of 25 Silicon Valley cities found that new housing developments are using scarce land resources more efficiently. During 2000, Silicon Valley cities approved new residential developments at an average of 13 units per acre. This compares to an overall regional ratio of 4.9 housing units per acre.

The 2000 figures are a significant increase from the prior two years — 10.3 units per acre in 1999 and 6.6 units per acre in 1998.

Urban service areas expand when cities annex land and provide infrastructure services such as water, sewer and roads. In 2000, Silicon Valley's urban service area expanded by 234 acres within the City of Morgan Hill.

GOAL 6: PRESERVE OPEN SPACE We increase the amount of permanently protected open space, publicly accessible parks and green space.

Permanently Protected Open Space in Silicon Valley and Surrounding Area Increases

WHY IS THIS IMPORTANT?

Preserving open space protects natural habitats, provides recreational opportunities, focuses development and safeguards the visual appeal of our region.

This indicator tracks lands permanently protected through public ownership or conservation easements. This is the second year that open space data have been collected for Silicon Valley and its perimeter.

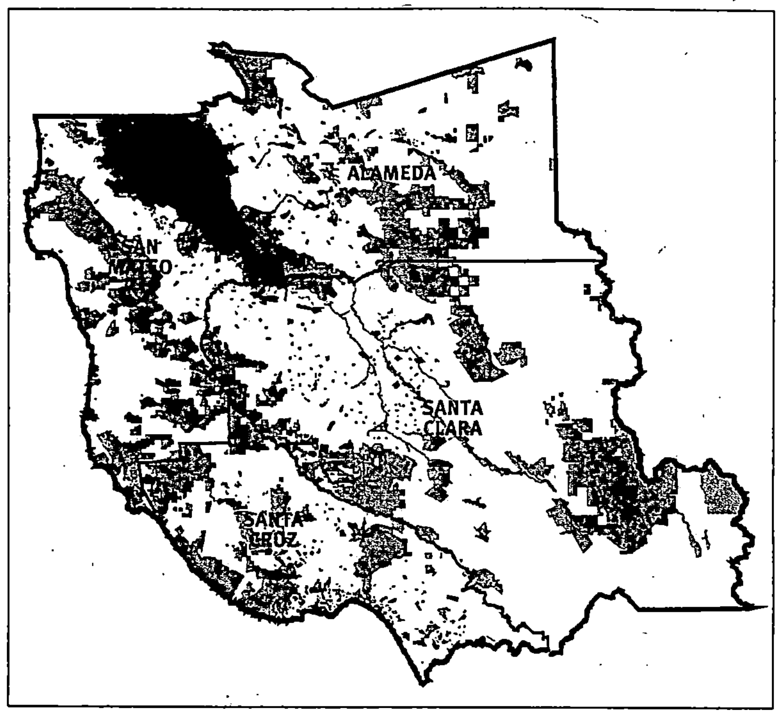
HOW ARE WE DOING?

In 1999, 25% of Silicon Valley and its perimeter was permanently protected open space, up from 23% in 1998. This includes 473,717 acres in Santa Clara, San Mateo and Santa Cruz counties, and Alameda County south of Oakland.

Fifty-six percent of this permanently protected open space is accessible to the public (266,334 acres.)

The largest single open space acquisition in 1999 was the Trust for Public Land's purchase of 10,400 acres of Coast Dairy. The second largest acquisition was made by the new Santa Clara Valley Open Space Authority and The Nature Conservancy purchasing 8,482 acres of Lakeview Meadows. The Peninsula Open Space Trust also made major purchases of open space in 1999, including Rancho Cañada De Oro.

PROTECTED OPEN SPACE IN SILICON VALLEY AND PERIMETER



PERMANENTLY PROTECTED OPEN SPACE LANDS/1998–23% OF AREA; 1999–25%

Source: GreenInfo Network

GOAL 7: EFFICIENT LAND RE-USE Most residential and commercial growth happens through recycling land and buildings in developed areas. We grow inward, not outward, maintaining a distinct edge between developed land and open space.

Efficiency of Land Used for Housing Increases

WHY IS THIS IMPORTANT?

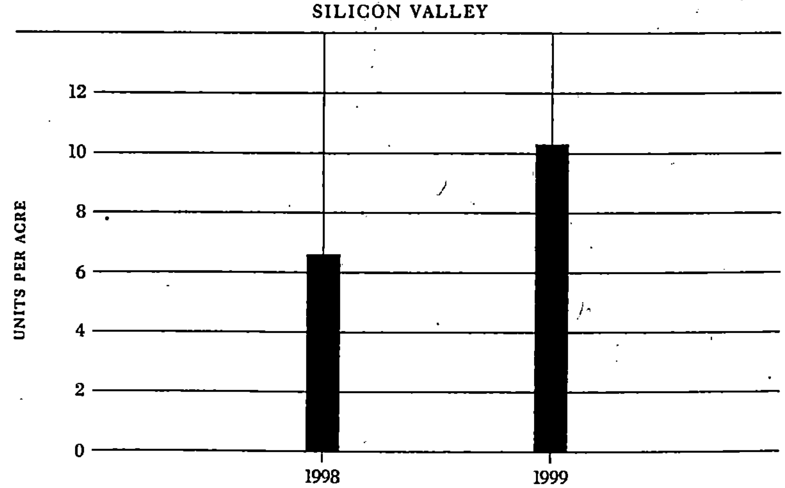
Directing growth into already developed areas provides more efficient use of land and infrastructure resources than does sprawling into green areas and building more infrastructure. By directing growth to already developed areas, local jurisdictions can reinvest in existing neighborhoods, develop more efficient transportation systems and preserve nearby rural settings.

HOW ARE WE DOING?

A survey of 26 Silicon Valley cities found that scarce land resources are being used more efficiently for housing. During 1999, Silicon Valley cities approved new residential developments at an average of 10.3 units per acre. In 1998, the average of new residential development was 6.6 units per acre. This compares to an overall regional ratio of 4.9 housing units per acre.

Urban service areas expand when cities annex land and provide infrastructure services such as water, sewer and roads. In 1999, Silicon Valley's urban service area did not expand.

AVERAGE UNITS PER ACRE OF NEW RESIDENTIAL DEVELOPMENT, SILICON VALLEY



Source: Center for Urban Analysis, Congestion Management Program/VTA, City Planning Departments

GOAL 8: LIVABLE COMMUNITIES

We create vibrant communities where housing, employment, places of worship, parks and services are located together, and are all linked by transit and other alternatives to driving alone.

37% of New Housing, 32% of New Jobs Are Located Near Transit

WHY IS THIS IMPORTANT?

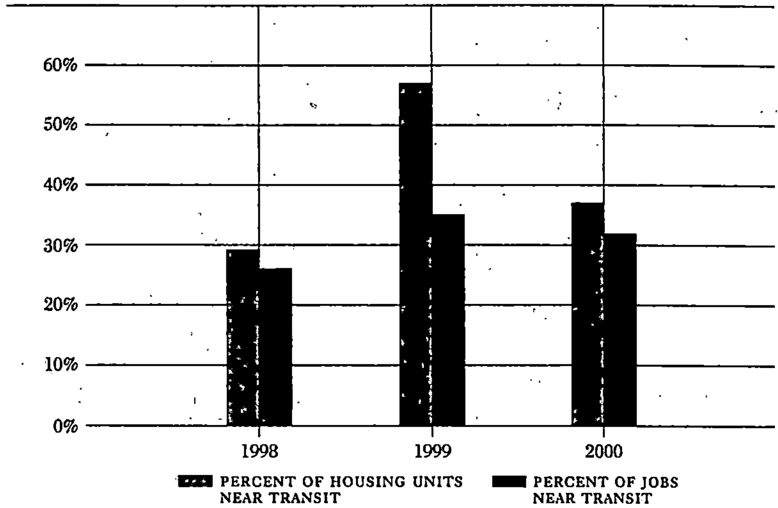
Focusing new economic and housing development near rail stations and major bus corridors reinforces the creation of compact, walkable communities linked by transit. This helps to reduce traffic congestion on Silicon Valley freeways.

HOW ARE WE DOING?

A survey of 25 Silicon Valley cities found that 37% of all new housing units approved in 2000 were located within one-quarter mile of a rail station or major bus corridor. Thirty-two percent of new commercial/industrial developments were also located within one-quarter mile of transit, representing 15,700 potential new jobs.

Approvals near transit declined from the previous year when 57% of new housing units and 35% of new jobs were located near transit.

NEW HOUSING UNITS AND NEW JOBS WITHIN 1/4 MILE OF RAIL STATIONS AND MAJOR BUS CORRIDORS, SILICON VALLEY



Source: Valley Transportation Authority, Congestion Management Program; City Planning Departments

LIVABLE ENVIRONMENT

GOAL 9: HOUSING CHOICES

We place a high priority on developing well-designed housing options that are affordable to people of all ages and income levels. We strive for balance between growth in jobs and growth in housing.

Approvals for New Housing Fall by 50%; 1,600 New "Affordable" Units Approved

WHY IS THIS IMPORTANT?

Our economy and community life depend on a broad range of jobs. Building housing that is affordable to lower- and moderate-income households provides access to opportunity and maintains balance in our communities. This indicator measures housing units approved for development by Silicon Valley cities in each fiscal year; this is a more "upstream" measure than actual housing starts.

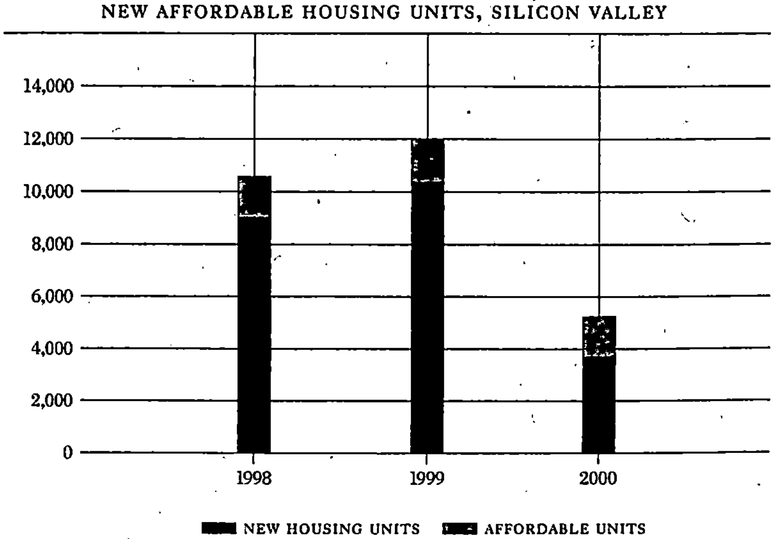
HOW ARE WE DOING?

The number of new housing units approved for development by Silicon Valley cities fell by more than 50%, from 12,060 in fiscal year 1999 to 5,370 in fiscal year 2000.

Despite this overall decrease, the number of new affordable housing units approved remained around 1,600. This number represents 31% of total net new housing units approved.

Affordable rental housing is for households making up to 60% of the median income. These units are primarily developed by nonprofit housing developers or units set aside as "affordable" in market-rate developments.

TOTAL NEW HOUSING UNITS APPROVED, INCLUDING NEW AFFORDABLE HOUSING UNITS, SILICON VALLEY

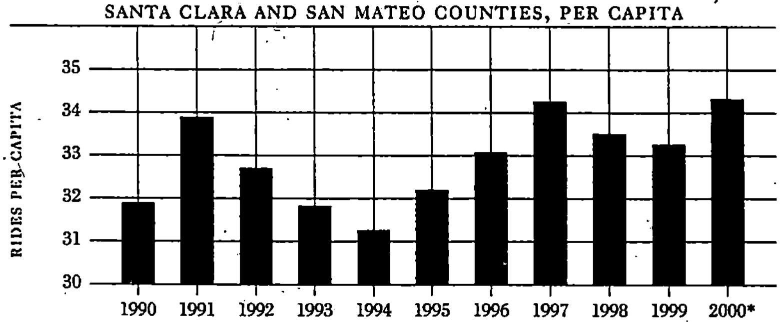


Source: City Planning Departments

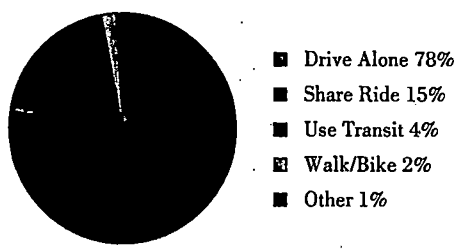
GOAL 11: TRANSPORTATION CHOICES We overcome transportation barriers to employment and increase mobility by investing in an integrated, accessible regional transportation system.

Per Capita Transit Ridership Shows Improvement

NUMBER OF RIDES ON REGIONAL TRANSPORTATION SYSTEM, SANTA CLARA AND SAN MATEO COUNTIES, PER CAPITA



SHARE OF SILICON VALLEY COMMUTERS USING VARIOUS COMMUTE MODES, 2000



Sources: Valley Transportation Authority, SamTrans, Altamont Commuter Express, RIDES for Bay Area Commuters
*Estimate

WHY IS THIS IMPORTANT?

A larger share of workers using alternatives to driving alone indicates progress in increasing access to jobs and in improving the livability of our communities. Pedestrian- and transit-oriented development in neighborhoods and employment and shopping centers increases opportunities for walking, bicycling and using public transportation instead of driving.

HOW ARE WE DOING?

Per capita transit ridership improved in 2000, increasing from 33.3 annual rides per person in 1999 to 34.3 in 2000. Total ridership increased 4%, from 81 million in 1999 to 84.6 million in 2000. Ridership increased on Caltrain, Light Rail and SamsTrans bus service, but decreased slightly on VTA buses.

Not counted in the above per capita data is ridership on the Altamont Commuter Express (ACE). Train service from Stockton to San Jose started in October 1998. As of November 2000, ACE carries 2,100 westbound passengers daily.

A year 2000 survey of Valley commuters found that 78% drove to work alone, a 1% improvement since 1999. Two percent walked and biked, up from 1.5% in 1998. The share of commuters carpooling and using transit remained constant at 15% and 4%, respectively.

12% of Households Can Access Major Job Center by Transit in 45 Minutes

WHY IS THIS IMPORTANT?

The ability to access major job centers in Silicon Valley by transit is important for decreasing congestion and for connecting all people, including the working poor, to quality job opportunities. Regions increase opportunities for all workers to access quality jobs by investing in transit and by locating workplaces and housing close to transit.

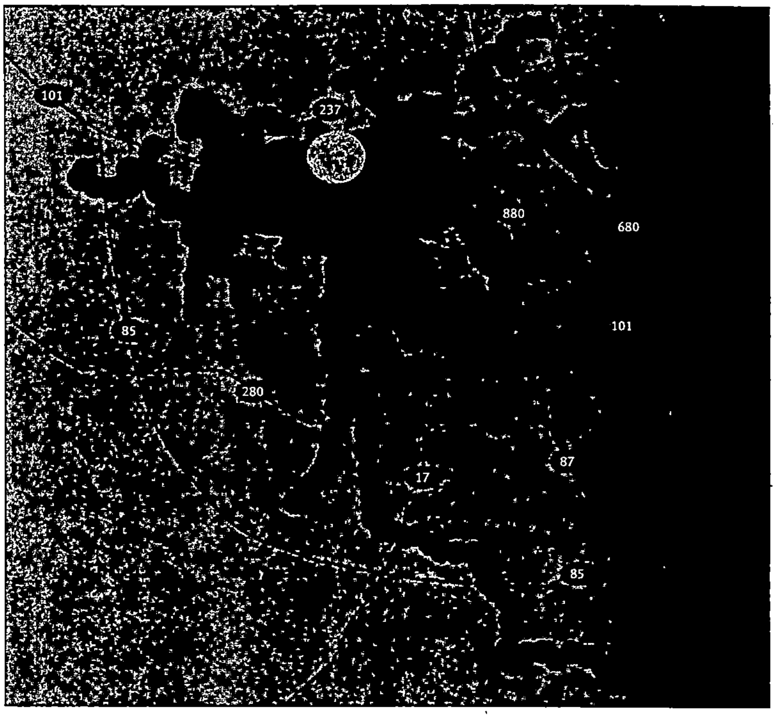
This new measure of transit accessibility indicates the percentage of all Santa Clara County households that can access a major employment center within a 45-minute transit commute. There are 12 major employment centers in Santa Clara County. This indicator focuses on the Great America Parkway employment center located in the triangle between Highways 101, 237 and 880. The center was selected because of its concentration of high-tech workplaces and because its suburban location makes it representative of similar employment centers in the region.

HOW ARE WE DOING?

Twelve percent of households in Santa Clara County could access the Great America Parkway employment center within a 45-minute commute by transit.

Since 80% of all households in the County are within a 1/4 mile of some type of transit stop, most households could reach this employment center by transit, but it would take longer than 45 minutes.

AREAS WITHIN 45 MINUTE COMMUTE BY TRANSIT TO MAJOR JOB CENTER



GREAT AMERICA PARKWAY JOB CENTER
AREAS WITHIN 45 MINUTE COMMUTE BY TRANSIT

Source: Valley Transportation Authority, Congestion Management Program

30% of Valley's Freeway Miles Receive Worst Rating

WHY IS THIS IMPORTANT?

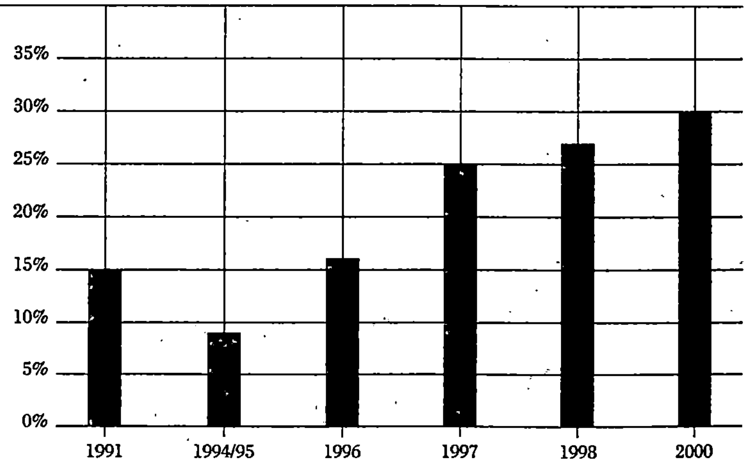
Traffic congestion is a key factor affecting quality of life. Traffic congestion is a function of overall economic activity and regional design — the location of jobs and housing and the availability of other travel options, such as public transit, carpooling, biking, walking and telecommuting.

This indicator shows the number and share of freeway miles operating at service level "F" during the afternoon peak travel time. Level "F" is the worst possible rating and means forced-flow traffic with travel speeds of less than 35 miles per hour.

HOW ARE WE DOING?

In 2000, 30% of total freeway miles in Santa Clara County received the worst possible congestion rating. In 1991, only 15% of freeway miles were given a rating of F. Congestion dropped significantly in 1995 because of an increase in freeway capacity, including high-occupancy vehicle (HOV) lanes, but has increased ever since.

PERCENT OF FREEWAY MILES OPERATING AT LEVEL OF SERVICE "F"

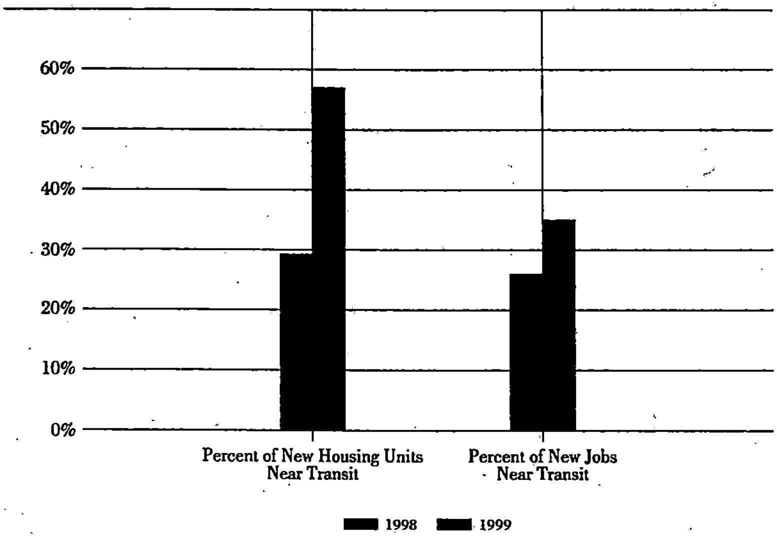


Source: Valley Transportation Authority, Congestion Management Program

GOAL 8: LIVABLE COMMUNITIES We create vibrant communities where housing, employment, places of worship, parks and services are located together and are linked by transit and other alternatives to driving alone.

57% of New Housing, 35% of New Jobs Located Near Transit

NEW HOUSING UNITS AND NEW JOBS WITHIN 1/4 MILE OF RAIL STATIONS AND MAJOR BUS CORRIDORS, SILICON VALLEY



Sources: Center for Urban Analysis, Congestion Management Program/VTA, City Planning Departments

WHY IS THIS IMPORTANT?

Focusing new economic and housing development near rail stations and major bus corridors reinforces the creation of compact, walkable communities linked by transit. This helps to reduce traffic congestion on Silicon Valley freeways.

HOW ARE WE DOING?

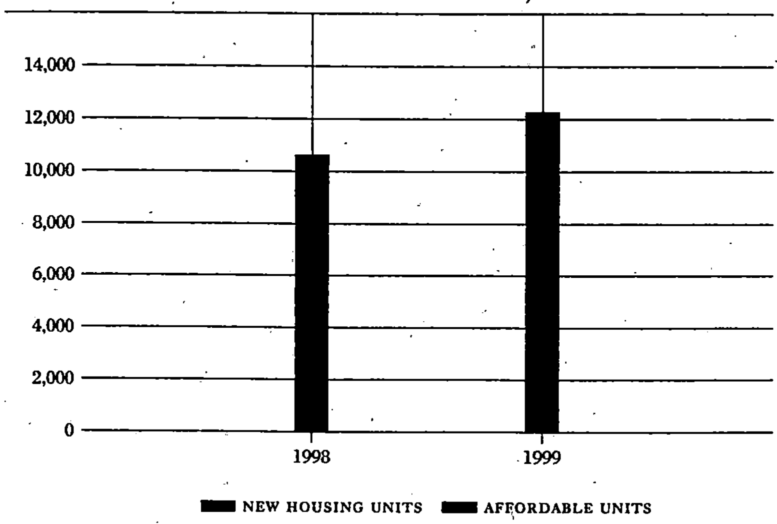
Silicon Valley cities are approving more residential and commercial/industrial development near rail stations and along major bus corridors.

In 1999, 57% of all new housing units approved by Valley cities were on property within one-quarter mile of a rail station or major bus corridor. Thirty-five percent of new commercial/industrial developments were also located within one-quarter mile of transit, representing nearly 18,500 potential new jobs. This compares favorably to the previous year, when 29% of new housing units and 26% of new jobs were located near transit.

GOAL 9: HOUSING CHOICES We place a high priority on developing well-designed housing options that are affordable to people of all ages and income levels. We strive for balance between growth in jobs and growth in housing.

14% of New Housing Is Affordable to Lower-Income Households

NUMBER OF NEW AFFORDABLE HOUSING UNITS APPROVED COMPARED TO TOTAL NEW HOUSING UNITS APPROVED, SILICON VALLEY



Sources: Center for Urban Analysis, Congestion Management Program/VTA, City Planning Departments

WHY IS THIS IMPORTANT?

Our economy and community life depend on a broad range of jobs. Building housing affordable to lower- and moderate-income households provides access to opportunity and maintains balance in our communities.

HOW ARE WE DOING?

In 1999, Silicon Valley cities approved 1,700 new affordable housing units. This number represents 14% of total net new housing units approved (12,200).

Though more units in total were approved, the current year performance represents a slight decline from 1998 when 15% of the 10,600 units approved were affordable.

Affordable rental housing is available to households making up to 60% of the median income. These are primarily units developed by non-profit housing developers, or units set aside as "affordable" in market-rate developments. There are currently 33,000 households on the Santa Clara County Housing Authority's waiting list for affordable housing.

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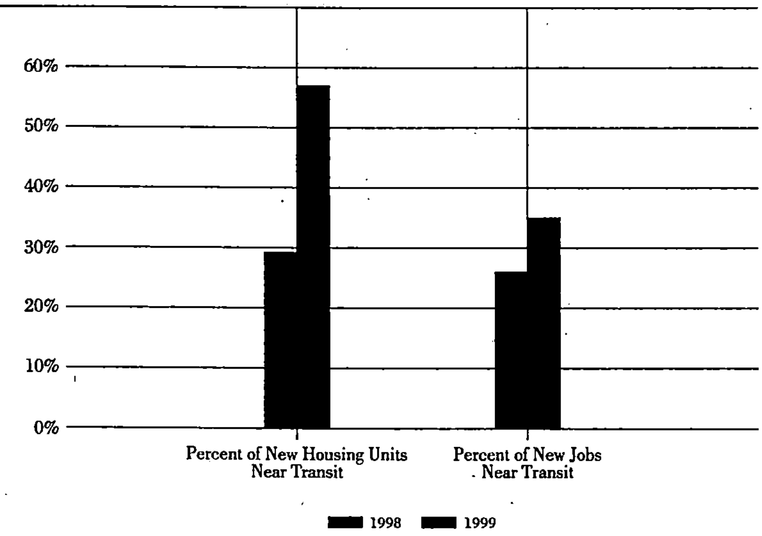

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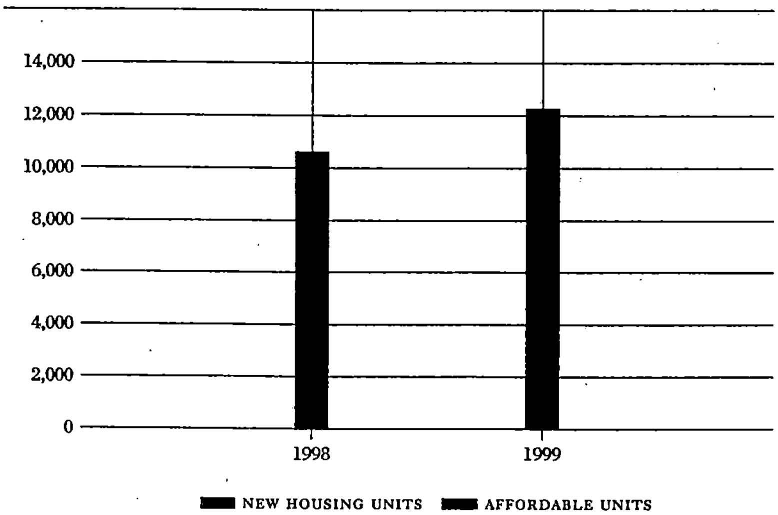

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GOAL 16: TRANSCENDING BOUNDARIES Local communities and regional authorities coordinate their transportation and land use planning for the benefit of everyone. City, county and regional plans, when viewed together, add up to a sustainable region.

Permit Streamlining Sets Stage for More Regional Collaboration

WHY IS THIS IMPORTANT?

Collaboration across government jurisdictions in Silicon Valley requires developing innovative approaches to sharing information, setting mutually beneficial goals and progressing together. This indicator tells the story of how local jurisdictions have collaborated to upgrade, standardize and link new approaches to permitting. This experience sets the stage for future collaboration in areas such as land use and infrastructure planning and management.

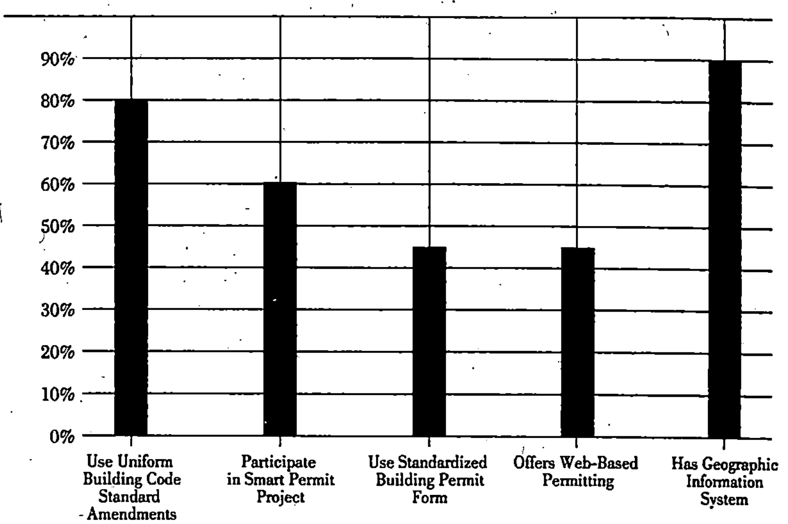
HOW ARE WE DOING?

A survey of 18 Silicon Valley cities found that 80% continue to use the standardized Uniform Building Code amendments that were developed during the mid 1990s jointly by municipal building officials and the Joint Venture Regulatory Streamlining Council, and that 45% use the recently developed standardized building permit form. Sixty percent of local cities are participating directly or indirectly in the Joint Venture Smart Permit Project with 45% already offering web-based permitting. (Web-based services include application submissions, payments, status tracking, information sharing and citizen response.)

Ninety percent of cities have or are developing a Geographic Information System for land use and infrastructure planning, infrastructure management, public safety and other municipal services. The next challenge will be to use the lessons from the Smart Permit Project to ensure that municipal GIS data is available for regional analysis and information sharing.

The 18 cities that participated in the survey include 84% of the Valley's population.

SHARE OF SILICON VALLEY CITIES RESPONDING "TRUE"

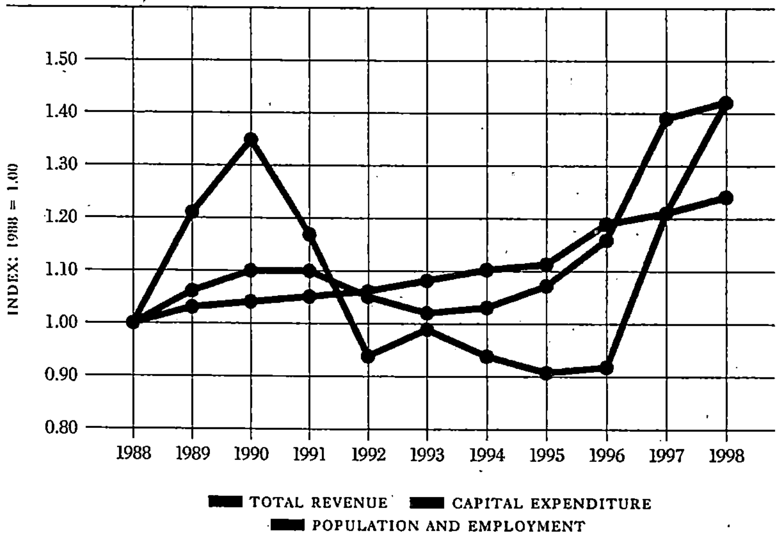


Source: Silicon Valley Cities

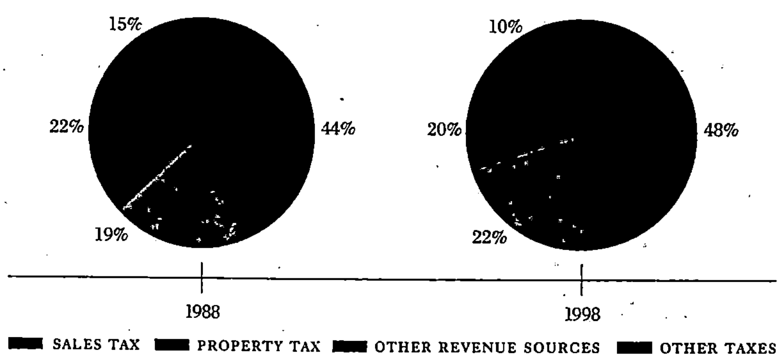
GOAL 17: MATCHING RESOURCES AND RESPONSIBILITY Valley cities, counties and other public agencies have reliable, sufficient revenue to provide basic local and regional public services.

Government Revenue and Capital Expenditures Catching Up with Economic Growth; Revenue Sources Shift

GROWTH OF REVENUES AND CAPITAL EXPENDITURES OF SILICON VALLEY'S CITIES COMPARED TO GROWTH IN POPULATION AND EMPLOYMENT



REVENUE SOURCES FOR SILICON VALLEY CITIES



Source: State Controller's Reports.

WHY IS THIS IMPORTANT?

To maintain service levels, local government revenues and expenditures must keep pace with population and job growth. This indicator compares growth in the revenues and capital expenditures of Silicon Valley cities relative to growth in population and employment.

HOW ARE WE DOING?

Growth in the combined revenue of all cities in Silicon Valley has been catching up with population and employment growth. Adjusted for inflation, total revenue increased 49% from fiscal year 1988 to 1998, from $1.3 billion to $2.0 billion. During this period, demand for services, as measured by increases in population and employment, increased by 58%.

Cities increasingly rely on other taxes (e.g., utility, hotel) and on other revenue sources (e.g., fees) to stabilize and grow revenue aligned with demand for services. Sales and property taxes do not always track growth in population, employment and wealth. In 1998, 70% of total revenues were based on sources other than sales and property tax, compared with 63% in 1988.

Sales tax revenues are determined by retail expenditures and by sales tax-generating commercial and industrial activities. Property taxes lag economic growth, and have actually declined by 1% in real terms since 1988 because of Proposition 13 restrictions on increases in assessed valuation.

In 1998, capital expenditures continued their upward trend started in 1997. Between 1988 and 1996, annual capital expenditures of Valley communities did not keep pace with population and employment growth, decreasing in real terms by 10% overall. Since then, aggregate capital expenditures jumped 52%.

GOAL 17: MATCHING RESOURCES AND RESPONSIBILITY Valley cities, counties and other public agencies have reliable, sufficient revenue to provide basic local and regional public services.

After Years of Falling Behind, Government Capital Expenditures Increase 30%

WHY IS THIS IMPORTANT?

To maintain service levels, capital expenditures by local government must keep up with both population and job growth. Capital expenditures fund road, bridge and storm drain construction and maintenance; police and fire equipment; water and sewer system improvements; and parks, libraries and community facilities.

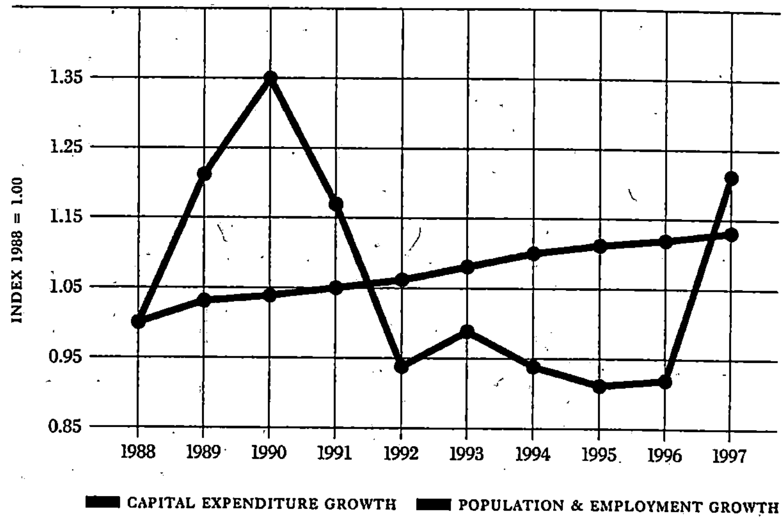
HOW ARE WE DOING?

In 1997, capital expenditures increased dramatically, reversing the previous downward trend.

Between 1988 and 1996, annual capital expenditures of Valley communities did not keep pace with population and employment growth, decreasing in real terms by 10% overall. In 1997, aggregate capital expenditures jumped 30%. Twenty of the 27 cities increased their capital expenditures over 1996 levels, half of them by 50% or more. Expenditures were primarily for street maintenance and repair, recreational facilities and sewer system repairs.

Economic growth has increased sales tax and other revenues, enabling cities to start projects previously deferred for lack of funds.

GROWTH OF CAPITAL EXPENDITURES OF SILICON VALLEY'S CITIES COMPARED TO GROWTH IN POPULATION AND EMPLOYMENT



Source: California State Controller's Reports

With demand rapidly escalating, restrictions on supply have also exerted enormous inflationary pressure on housing markets. Prohibitions on developing land that would otherwise be suitable for housing, such as San Jose's Urban Growth Boundary, may serve legitimate environmental objectives. However, by limiting land availability, they also contribute to the rise of housing prices.*

Neighborhood opposition to new housing development is another key factor in Silicon Valley's housing shortage. Though empirical evidence to support their worries fails to exist, homeowner concern that the introduction of affordable housing in their neighborhoods will diminish property values has bolstered opposition to needed development. This "not in my backyard" sentiment has been a major obstacle to the expansion of affordable housing in San Jose.

Additionally, California's public finance system works to discourage new housing development by denying cities the tax revenues necessary to pay for the basic services new residents require.

For example, the total amount of property taxes received by the City of San Jose for FY 99-00 totaled $66,684,000. These revenues constituted less than half of the police department's operating budget alone $175,092,408. Given these limitations, it's little surprise that municipalities often regard new housing less as an asset than as a source of new expense. On the other hand, sales taxes, which are generated through retail and industrial development, generate the bulk of the revenue that fills city coffers. A 1999 survey by the Public Policy Institute of California substantiated the effect of this logic, noting that the state's city managers placed far more value on generating new sales tax revenue than filling the need for affordable housing.**

By allowing fiscal policy to drive land use choices, city officials make decisions that appear financially prudent, but cause lasting damage to the community. Some state leaders now recognize the dangers of "fiscalizing" land use, but have had difficulty overcoming resistance by local officials to change.

"By allowing fiscal policy to drive land use choices, city officials make decisions that appear financially prudent, but cause lasting damage to the community."

TABLE 2: Ratio of jobs to housing

	Palo Alto	Santa Clara	Sunnyvale	San Jose
Population (1)	61,505	102,895	133,215	923,591
Number of jobs, 2000 (2)	106,690	135,370	131,140	410,990
Housing units (3)	26,097	39,326	54,437	287,506
Jobs to housing ratio	**4.1**	**3.4**	**2.4**	**1.4**

1 California Department of Finance projections; January, 2001.
2 Association of Bay Area Governments (ABAG) job projections.
3 California Department of Finance projections; January, 2001.

* The UGB encourages "smart-growth" strategies to address the jobs-housing imbalance and related stress on our infrastructure. One such strategy is to build housing along transit corridors.

** Despite the fiscal disincentives for housing construction, it is important to note that different cities in the region vary significantly in the extent to which they allow these pressures to limit their commitment to the production of affordable housing. As Table 2 demonstrates, San Jose stands out as the city with the greatest sense of regional responsibility towards responding to the valley's housing needs. Not only is San Jose's jobs/housing ratio much lower than those of other cities, it also produces a higher percentage of subsidized units. Thus, San Jose does less to cause housing price inflation and does more to mitigate the effects of high housing costs than its neighboring cities.

4 PROPOSED SOLUTIONS TO LOW INCOME HOUSING AFFORDABILITY

The worsening of the affordable housing shortage in the case of low-income households directly stems from 2 reasons: a drop in the number of unsubsidized low-cost rental housing units in the private market and a growing number of low-income renter households. The latter occurred because disproportionately more jobs that were created in certain areas in California were low-income jobs. The first part of this chapter (Section 4.1) presents Steps that State policy makers can take to insure that the solution to middle-income hosing affordability does not make low-income affordability worse. The second part of this chapter (Section 4.2) presents the case study of the Housing Trust of Santa Clara County (HTSCC).

4.1 Steps That State Policy Makers and Housing Personnel Can Take

Density: Raising the development capacity of existing sites increases the overall potential supply of housing by making more intensive use of available land. Higher densities can improve the affordability of housing because per unit land costs are lower and construction can be performed more efficiently. Density increases near employment centers and transit nodes can also help to alleviate automobile congestion. Many counties have incorporated these "Smart Growth" policies in their consolidated plans. Communities can adopt zoning and/or subdivision regulations to allow a "density bonus" above that which is normally permitted on the site in exchange for the provision of some below market rate housing units. Local authorities could enhance compatibility between the new higher density development and existing development and focus public debate on the actual appearance and effect of new housing rather than arbitrary density numbers.

Inclusionary Zoning: Inclusionary zoning stipulates a minimum percentage of low and moderate-income housing in new developments. Inclusionary programs are based on mandatory requirements or on development incentives, such as density bonuses. The establishment of inclusionary zoning does not depend on State or Federal subsidies or the direct involvement of outside agencies. It is a local requirement under local control. If a jurisdiction is attempting to alleviate the acute housing shortage for low- to moderate-income households through zoning, inclusionary zoning is a good choice.

Office/Housing Linkage Programs: Some communities with a housing crisis have found it necessary to require new industrial, commercial, and office development to aid in the development of housing. In a linkage program, project approval is conditional with the applicant either directly providing market rate and/or affordable housing, or paying in-lieu fees for housing purposes. Linkage programs can be mandatory in which all new non-residential development must devote, or pay in-lieu fees, a percentage of their development to affordable housing. Cities experiencing large-scale employment growth can use linkage programs to mitigate the impact of new jobs on the local housing market or community as a whole. Some housing authorities doubt the merits of this approach; they favor the "carrot" approach rather than a "stick" approach.[10]

Rezoning Vacant Land for Residential Use: Many areas in Southern California and the Bay Area have a shortage of land designated for residential use and a surplus of land set aside for commercial, office, and industrial use. Politically, changing the general plan and rezoning surplus industrial and/or commercial land can be an effective way to make a significant amount of land available for housing. In addition, underutilized agricultural land and surplus land owned by public entities can be rezoned for residential use. Many communities own land: unused school sites, surplus public properties, and even the air rights of parking lots. All have the potential to house a new residential development.

Mixed Use: In contrast to conventional single use development, mixed use development of a tract of land or structure combines residential uses with one or more other uses such as office, retail, public, entertainment, or even manufacturing. Mixing uses often requires changes to the zoning ordinance or planned unit development regulations. To encourage housing, a community can allow residential uses in commercial areas and other non-residential zones, especially downtowns, thereby creating multi-use areas.

Infill: Infill development occurs on sites that have been bypassed by previous development. Utilities and other infrastructure typically already serve infill sites; this can reduce the front-end costs of development. These sites are often well suited to multiple family projects, as more units offset higher land costs and make housing more affordable

Landbanking: The development of affordable housing depends, to a large degree on the availability of a site. Landbanking is a technique whereby a city or county, in anticipation of future development, acquires vacant land or underutilized sites at a lower cost or before it comes on the market. State law gives local governments, and non-profits, priority in the purchase of surplus land. When resold or leased to a developer, restrictions for the development of affordable housing can apply.

Growth Control Exemptions: Many jurisdictions have enacted ordinances to control their growth. They may do this by limiting the number of building permits that can be issued each year, limiting growth in specific areas or corridors and encouraging it in others, or restricting major development until certain infrastructure performance standards are being achieved. Although removing these growth limits may be the most effective way to improve overall affordability, the growth control criteria by which projects are permitted can be designed in such a way as to encourage certain types of affordable housing.

Adaptive Reuse: The conversion of outmoded buildings such as old school buildings, train stations, warehouses, factories, and other industrial buildings, can provide the opportunity for new residential uses within a community. [11]

Self-Help Housing: Self-help, or sweat equity, housing enables potential homeowners to build up credit for a down payment on a home by contributing their labor to the construction or renovation. California Housing Finance Agency (CHFA) finances self-help housing by providing below market bond financing for mortgages on homes in urban areas. The Farmers Home Administration Mutual Self-Help Housing program has sponsored many rural projects.

Factory-Built Housing: Factory-built houses are the least expensive to construct. Once built, these prefabricated houses blend with custom housing. Manufactured housing are factory built mobile homes built to the HUD mobile home standards.

Mobile Home Park Preservation: The preservation of mobile home parks allows a community to protect a valuable source of usually irreplaceable affordable housing.

Senior Housing: Typical techniques to meet the housing needs of the elderly include: smaller attached or detached housing for independent living (both market rate and affordable); second units; homesharing for those who wish to stay in their homes; age-restricted, below market rate rental projects; congregate care facilities; lifecare facilities (similar to congregate care, but where occupants own their own condominium or cooperative unit); residential care homes licensed by the State; and skilled nursing homes.

Single Room Occupancy Hotel: Formerly homeless people often find SROs an affordable entry point into the housing market. The availability of low-cost SROs can also protect some people from becoming homeless.

Streamlining Procedures: Recognizing that administrative delay adds to development costs, jurisdictions have reviewed and streamlined their land use and development procedures. The intent is to simplify and coordinate the means of obtaining rezonings, use permits, subdivisions, approval of design and engineering plans, and building permits.

PATH: The energy costs of housing are among the most controllable factors affecting housing affordability. High utility or energy costs could be the final factor that forces a family into homelessness. (Especially considering the current "energy crisis that California faces.) The Partnership for Advancing Technology in Housing (PATH), reduces the cost of building and operating homes by helping to speed the adoption of new technologies in building as well as in saving energy. PATH homes lead to a 20% reduction in the purchase price of a home.

Effective Use of Local Resources for Affordable Housing: Private sources of financing and funding are available, and growing. Foundations, banks, savings & loans, and private investors have become much more active in assisting in the development of affordable housing. California voters have passed several bond measures to fund rehabilitation and construction of a significant amount of affordable housing.
Municipal bonds put the power of public finance to work for affordable housing. Because the holders of municipal bonds pay no taxes on the interest they receive, local bonds have

lower interest rates than conventional financing. Local governments can also apply other financing tools to assist in residential development.

State Funding has been given a boost by the passage of two bond measures to make available $450 million statewide for new construction and rehabilitation of affordable housing. Private Resources are available from banks and savings and loans as well as private investors. Commitments to the community, Federal regulations, and the tax code have helped create several financing and subsidy sources for the development of affordable housing.

Package and Advertise Information on HomeBuyer Assistance and Low Cost Rentals: Lack of knowledge of all programs and resources is a final barrier to home ownership. Housing Authorities should have homeownership fairs, seminars and trainings have greatly assisted would be purchasers in sifting through the glut of data and claims made by lenders.[12]

Expand City-County Partnerships: Many cities have established redevelopment areas. Under State law, 20% of gross redevelopment revenues must be set aside into a low-income housing fund (LIHF) and be spent on eligible housing activities. Many cities have substantial funds that have not yet been allocated or encumbered. If counties enter into partnerships with such cities to encourage rehabilitation, new construction or homeownership within an incorporated city, the county should expect to leverage that city's resources in the following ways.

- Counties should undertake efforts to identify all surplus county-owned property with the intention of selling or leasing the land for affordable housing projects, where appropriate and feasible.

- Encourage development of affordable housing on parcels located in the unincorporated areas of the county where land may be cheaper.
- Donate, selling or leasing land at a significant discount when the land is being used for development of affordable housing

The proposed *Affordable Housing Strategy*, 1999, mentions several guiding principles for Orange County. Many of these principles have a general appeal that could be used as general guidelines [13]:

- Given limited resources, do not compete with the private sector.
- Coordinate county efforts in support of city efforts.
- Stimulate activities that would otherwise not occur.
- Help those who are attempting to help themselves
- Help with a hand-up, not with a handout.
- Tackle problems affecting communities, not just individuals.
- Focus on lending, not granting.
- Focus on leveraging other resources, not duplicating them.
- Focus on roles that utilize the strengths of other institutions such as lenders' expertise.
- Focus on efficiency, for example, use Section 8 operating reserves more efficiently.
- Reducing program administration costs by linking programs and designating one lead agency.
- Keep approaches as simple as possible and fill in gaps.
- Maximize the efficiency of housing authority by having outside firms handle routine tasks such as origination, servicing, monitoring, and on-going marketing.

- Reverse neighborhood decline in targeted unincorporated islands in a coordinated effort to encourage their annexation.
- Provide 3 options for loan subsidy approaches to owners who are willing to maintain their rents at affordable levels for 10 years. This will reverse neighborhood decline.

  Option 1: Offer interest write-down grants through existing financial institutions for qualifying rental properties, and market the program jointly with participating lenders. HUD has studied rental programs around the country, and found that this strategy can lead to a high level of efficiency and leverage. The loan would be due in full, possibly with a penalty or higher interest rate, if rents rise above affordable levels. Market the low interest loans jointly with lenders.

  Option 2: The County provides direct second loans to qualifying apartment builders. The second loan would be on a residual receipts basis and forgivable, a tenth at a time, over ten years. Rents would be capped at affordable levels for these 10 years. The county would monitor performance in al these cases.

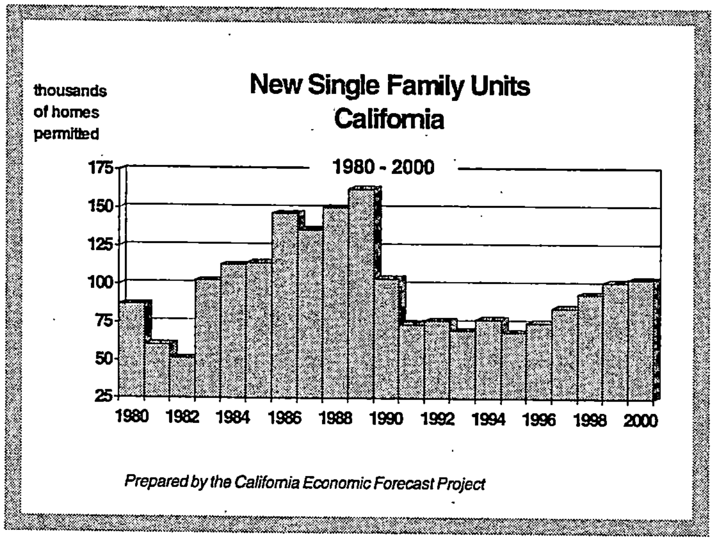
  Option 3: Set up a loss reserve program. The housing authority would deposit a sum with lenders to be held as a reserve for losses on a second mortgage. Lenders would make loans for needed rehabilitation to qualifying apartment owners. Rents would be limited for 10 years at affordable levels with penalties for non-compliance HOME and redevelopment funds can be used for rental rehabilitation efforts.

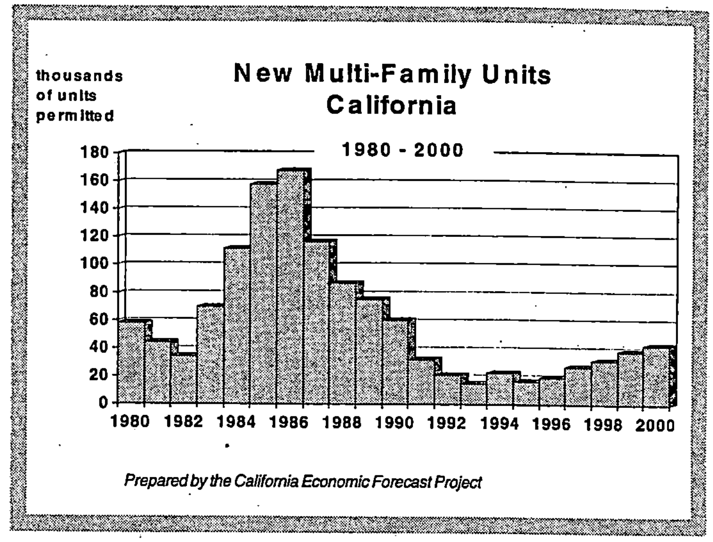
4.2 Case Study—Housing Trust of Santa Clara County

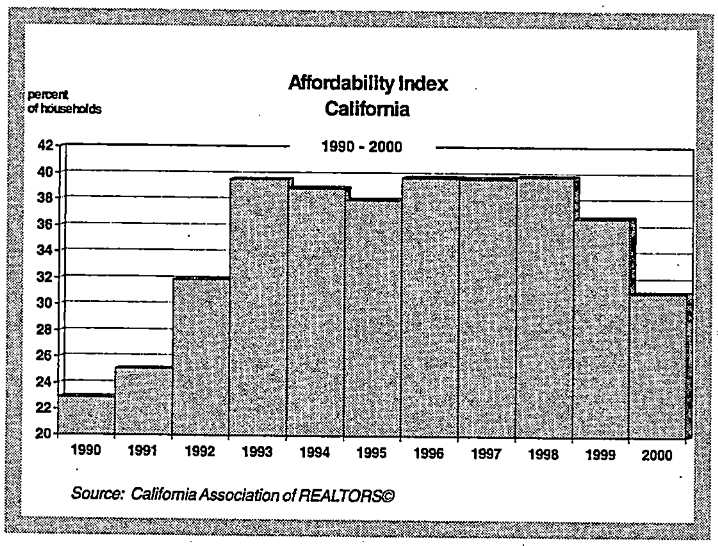
Santa Clara County – the heart of the booming Silicon Valley – faces a severe crisis of affordable housing. In Silicon Valley, you are at the poverty level if you are making

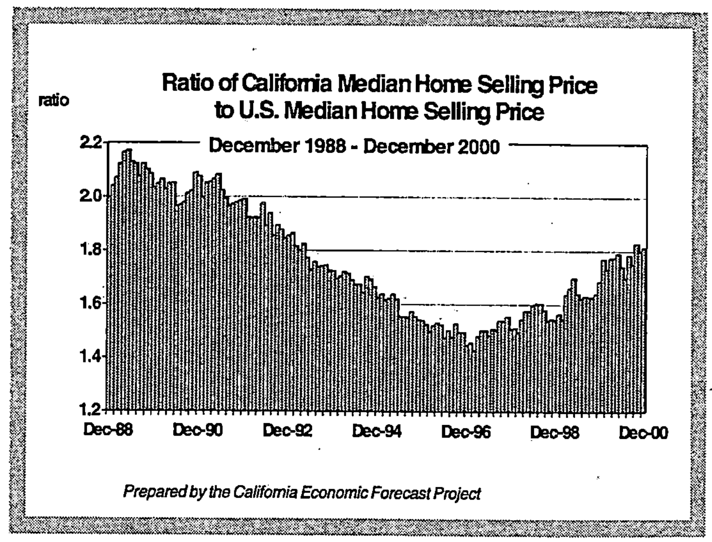
Facts and Figures

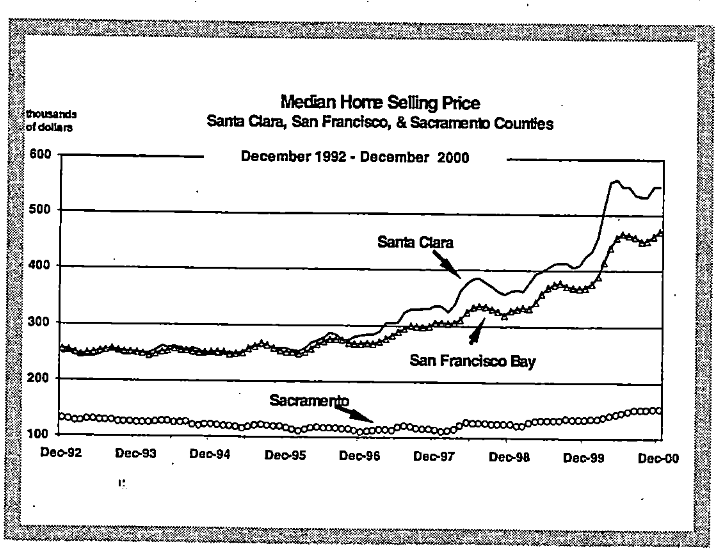
Important Information About California

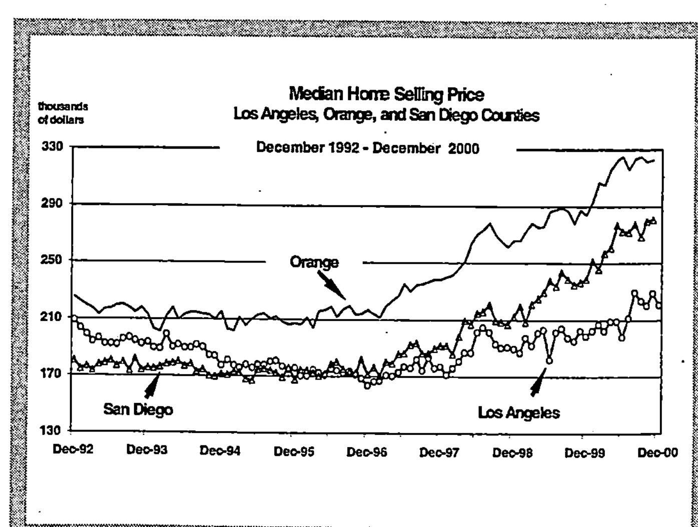












Affordable Housing and Local Government

Bill Witte
Related Companies

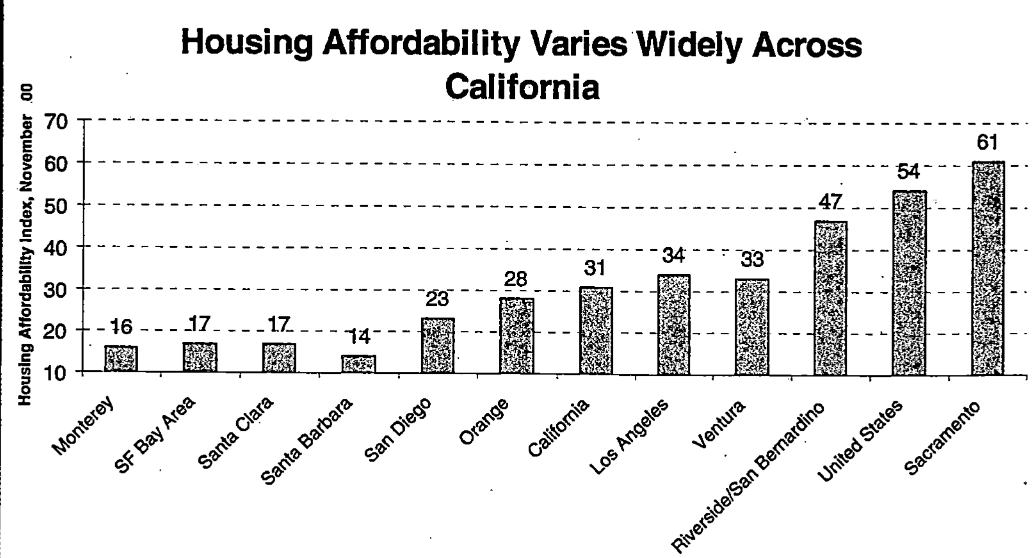
It is local governments that have by far the greatest ability to influence the development of affordable housing in California.

Beginning with the New Deal and running through major federal legislation in 1949, 1968, and 1974, the federal government was largely responsible for the delivery of affordable housing in this country. The process, limited as it was, was often heavily politicized and couched in terms of other public policy objectives, such as job creation or urban renewal. The 1980's marked a transition from this dominant federal role, which all but ended with the demise of the Section 8 new construction and rehabilitation programs, to a housing policy focused on state and local government initiatives. Indeed, even though the two major sources of affordable housing financing, the use of tax-exempt mortgage revenue bonds and the low-income housing tax credit program, (both of which were created in the 1980's) involve federal subsidies, both programs are administered and carried out at the state and local level.

The recent economic boom has highlighted and in fact exacerbated the housing needs of low- and moderate-income people, particularly in high growth areas in California. It would not be mere hyperbole to characterize the shortage of affordable housing in California as a brewing crisis. While the state government has responded with, among other things, the first housing programs from General Funds in decades, and even business groups in the Bay Area and parts of Southern California have organized to advocate for more housing, it is striking how little in the way of policy and initiatives have emerged from local governments. This is all the more alarming since, as we will see, it is local governments that have by far the greatest ability to influence the development of affordable housing in California.

Rhetoric aside, local government can really influence the development of affordable housing in only three meaningful ways. First and foremost, it can encourage (or discourage) development through local-land use policies. Regardless of the number and funding of subsidy programs, little affordable housing will occur unless there is a supply of land that is zoned to accommodate it. Second, it can designate surplus, publicly owned sites for affordable housing. (The amount of surplus property in many communities is often far greater than imagined.) Third, it can utilize the financing

Figure 5



Source: California Association of Realtors, Percentage of households that can afford to purchase the median priced, detached single family home.

programs that it **does** control, preferably in combination with land use and regulatory policies that help encourage such development.

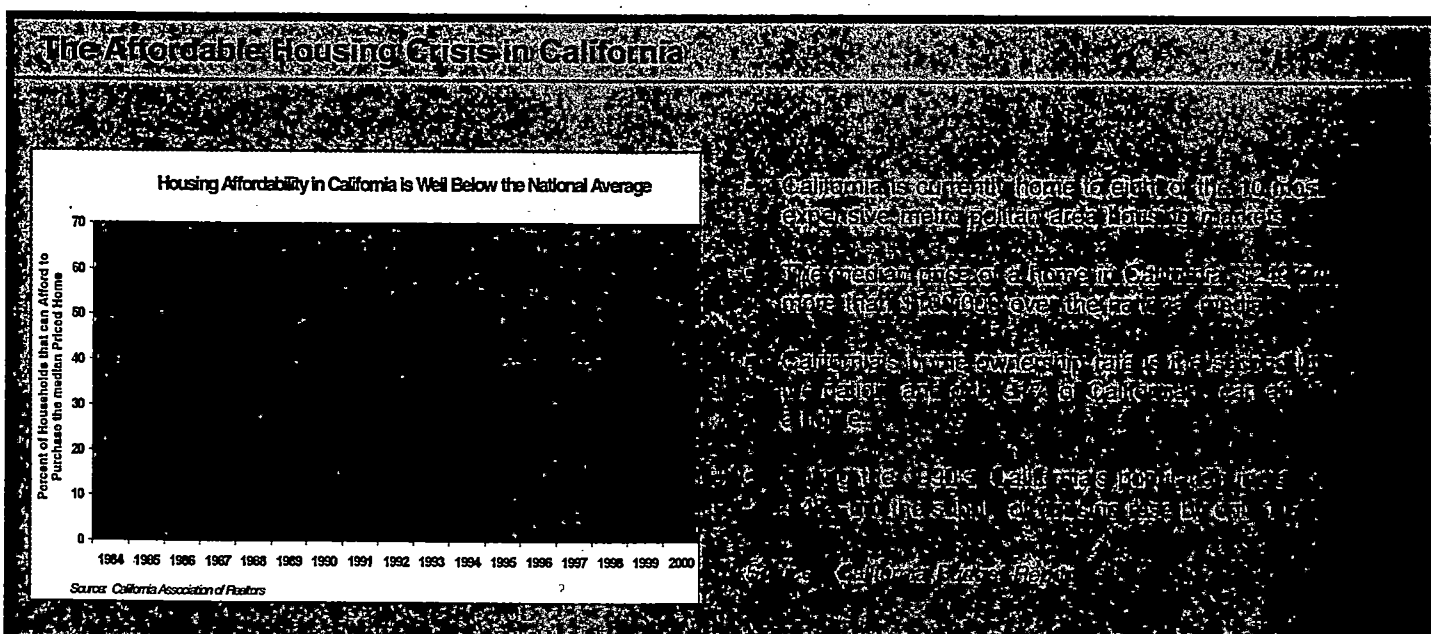
Bay Area cities have often been among the most proactive in moving to address the housing problem, which is not surprising since the problem is most acute there. Still, it is instructive to consider what can be accomplished. In San Francisco, where fully 80% of the city is already built out, the city has aggressively moved to rezone underused non-residential land to residential use, which has fueled a downtown housing boom. In addition, its Redevelopment Agency allocates 40-50% of its pool of tax increment funds to affordable housing, over twice the percentage required by law. In Oakland, Mayor Jerry Brown has taken dramatic steps to encourage the development of housing in the City's long neglected downtown. In San Jose, Mayor Ron Gonzalez has just announced a comprehensive housing policy designed to funnel ever-increasing dollars into affordable housing **and** to encourage significant new housing in the City's still developing Coyote Valley.

There are glimmers of activity even in areas that historically have shied away from public sector initiatives. Cities throughout San Diego County, for example, have implemented inclusionary housing policies in growth areas and master-planned communities, ensuring that at least a percentage of all new housing development will serve the low- and moderate-income families that provide a significant chunk of the local labor force, but who without such a policy face long commutes to work.

The above examples unfortunately remain the exceptions to the rule that most local governments consider housing in general and affordable housing in particular someone else's problem, or one that should be left to the free market. In many communities throughout Los Angeles and Orange Counties, for example, there is a head-in-the-sand mentality that has resulted in the highest incidence of overcrowding and the greatest "affordability gap" (that is, the gap between household income and market rents/prices) in the country.

The point is not to direct blame— there's plenty of that to go around—but to increase the visibility of housing as a political issue, and to build on the increasing number of successful local initiatives. The availability of decent, affordable housing is central to successful economic development, neighborhood revitalization, transportation, and a host of other public policies.p

In San Francisco...the city has aggressively moved to rezone under used nonresidential land to residential use, which has fueled a downtown housing boom.



Housing for Public Safety

By Assemblywoman Rebecca Cohn (D-Saratoga)

Public safety officers simply cannot afford to live in the communities they serve.

A thriving community depends on housing. In California, particularly in the Silicon Valley, skyrocketing housing prices and insufficient housing production are threatening the livelihood of our communities. The resulting problems are discussed frequently –urban sprawl, outrageous commute times, traffic congestion, limited family time for working parents – the list is interminable. A consequence less frequently mentioned, but of critical importance, is the toll our housing crisis takes on public safety.

The average price of a home in Santa Clara County is now an astounding $560,550. The annual base salary of a police officer in San Jose is $51,272; the base income of a firefighter in the same region is $32,000. A few simple mathematical calculations add up to the unhappy conclusion that public safety officers simply cannot afford to live in the communities they serve. Although Santa Clara County encompasses one of California's most extreme examples of today's record housing prices, the salaries of police officers and firefighters throughout the state are inadequate to buy homes in higher-priced urban areas.

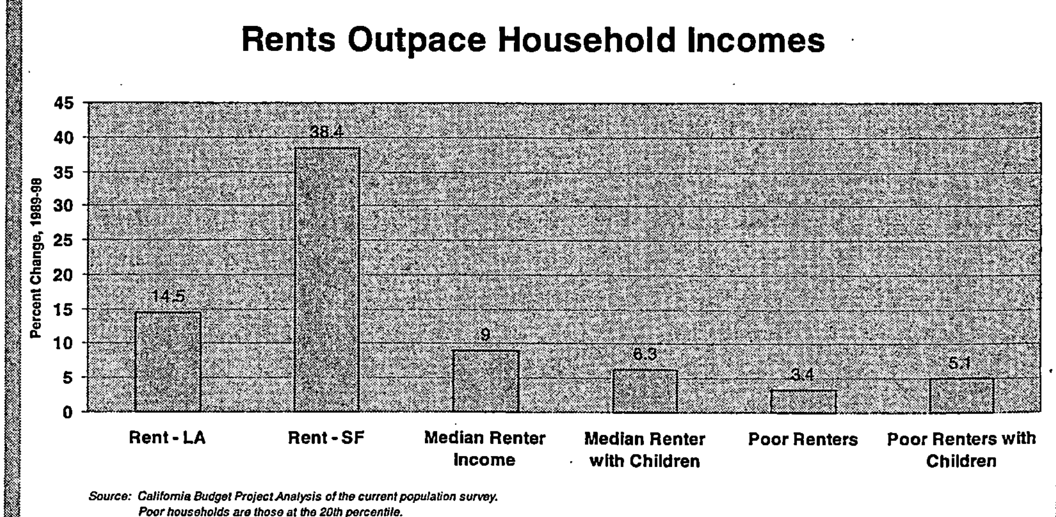
The result is that the men and women who protect our communities from crime and danger have two options: one is to leave their departments for a suburban, rural, or even out-of-state position; the other is to commute several hours a day from out-of-town residences. With either choice, our communities and our public safety officers lose.

When officers leave their departments, cities lose the experienced police officers and firefighters that know their communities intimately. Moreover, recruiting officers to fill vacated positions has proven extremely challenging in a fertile economy abundant with private-sector jobs. The Los Angeles Police Department currently faces a shortage of roughly 1,000 officers from their optimally full staff of 10,176. Despite a costly nationwide recruitment campaign, only a few qualified candidates were found and even fewer joined. Many that declined the position cited the cost of living as one of the primary deterrents from accepting employment.

When officers undertake long commutes the cost is both to the communities they serve and to their own quality of life. Policing and firefighting are both highly stressful, dangerous jobs. Adding several hours of commuting to an already demanding work schedule compromises our safety. It is not in our best interests to have our public safety officers physically and mentally fatigued before they even get to work.

Perhaps most importantly, our cities lose the benefits of having peace officers and firefighters as residing members

Figure 6



Source: California Budget Project Analysis of the current population survey. Poor households are those at the 20th percentile.

of the communities they serve. Having police officers and firefighters actually living in neighborhoods is an immeasurable contribution to public safety. The very presence of officers as neighbors and stakeholders in the communities where our families live, work and play make neighborhoods more attractive to residents, less attractive to criminals and safer in general.

This is the rationale behind the Federal Housing and Urban Development Department's *Officer Next Door Program*, which provides a 50% discount on homes for police officers in economically distressed areas classified by HUD as revitalization areas. Several cities nationwide including Los Angeles, CA, Portland, OR, Fort Wayne, IN, and Columbia, SC have also implemented home loan programs to encourage police officers to live in the communities they serve. In Columbia alone, crime fell sixteen percent between 1991 and 1996, in part due to such a program.

Unfortunately, Congress' *American Homeownership and Economic Opportunity Act* of 2000, which originally included several mortgage assistance programs for public safety officers, passed last session with no provision for housing aid to police officers and firefighters. It may therefore be up to California to assume leadership this year in helping our public safety officers in this time of housing need.

Until we are able to provide affordably adequate housing in the communities where people work, or until we are able to compensate public safety officers in such a way that they can afford to reside in these communities, we must do everything possible to mitigate the untenable difference between base income and inflated housing costs. For this reason, State Controller Kathleen Connell and I have introduced AB 905, which will provide loans up to $7,500 to help police officers and firefighters purchase homes in the cities where they work. This loan will be forgiven if the officer stays with the municipal department for five years. This program, to be piloted in Los Angeles, San Francisco, San Diego, San Jose and Long Beach will act as a recruitment incentive for these departments and will help officers to move into communities previously out of their price range.

The overall housing shortage in California needs to be addressed systematically. Our state's fiscal system, which forces local governments to rely on sales taxes rather than property taxes, provides strong disincentive for community development and must be reformed. Local governments must adopt zoning and land-use policies that accommodate housing for all income levels and densities. More money needs to be invested in housing development if we are to house all of our state's citizens adequately and safely. However, for the present short term, we can and should provide assistance to public safety officers to become residents of our own neighborhoods. We owe this not only to these valiant men and women for the service they provide our communities, but also to our own families and neighborhood safety.

We must do everything possible to mitigate the untenable difference between base income and inflated housing costs.

Renters are Hardest Hit

- Affordability in terms of rent is defined as paying less than 30% of income for shelter. 43% of all California households are renters, and more than a quarter spend more than half of their income on rent.
- 47% of California renter households pay over 30% of their incomes for housing.
- In 1999, 45% of California renters were unable to afford the fair market rent on a two-bedroom apartment.
- In 1997, the number of low income renter households in the state's metropolitan areas exceeded low cost rental units by 2.1-to-1, a gap of 684,000 units.
- In the Los Angeles Metropolitan area, rent has risen 15%, while the median income of renters rose 9.6%.

Source: California Budget Project

SANTA CLARA COUNTY HOUSING TASK FORCE:

HOUSING AND OTHER REGIONAL ISSUES

prepared by:
Susan Silveira
Springboard Consulting

Housing and Other Regional Issues

Statewide Impact

California's housing crisis has serious implications for the families affected, for the communities in which they live and for the overall well being of the state's economy. Many of the connections between housing and other issues are frequently overlooked, but they include: [1]

The housing crisis threatens to undermine the continued growth of California's economy. The housing crisis in Silicon Valley, the engine of much of the state's economic growth, has reached epic proportions. Many businesses report problems attracting employees from other parts of the state or the country because of the high cost of housing in that community. In many metropolitan areas, workers who provide basic services - teachers, firefighters, secretaries - cannot afford to live in the communities where they work.

High housing costs have impacts at the community level. Rising costs are forcing many low- income families from communities where they have lived for decades. In the San Francisco Bay Area, gentrification of traditionally low and working class neighborhoods is running rampant. Housing pressures are so intense that long-time residents of neighborhoods, such as San Francisco's Mission District and East Palo Alto, are being forced to move out of the neighborhoods that they have called home for generations, reducing both social and economic diversity in these areas.

The ability to obtain higher rents on the open market is leading many landlords to opt out of federal housing programs. Landlords are pre-paying mortgages and refusing to renew contracts to maintain affordability, eliminating what is frequently the only affordable rental stock, making those communities the exclusive enclaves of higher income households.

Intense housing market pressures are putting pressure on the environment. The problems of unchecked urban sprawl are by now familiar to most policymakers: grid locked freeways, longer commute times for workers, greater air pollution, and loss of open space. But one major contributing factor to urban sprawl is the search for affordable housing. Families seeking affordable housing are being forced farther from the metropolitan core to find it. In the Bay Area, for example, the number of vehicle miles driven increased 18.6 percent between 1990 and 2000. During the same period, population increased at two-thirds the pace (13.3 percent). Distant suburbs are often the only option for young families seeking to buy their first home. Yet, affordability comes at a cost: reduced time to devote to family and community as a result of lengthy commutes and the loss of prime agricultural land to development.

The housing crisis exacts a great toll on the health and well being of families. Studies indicate that children who live in unaffordable or substandard housing are more likely than adequately housed children to suffer a variety of health

[1] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

problems. Without affordable housing, children often lack adequate nutrition and do not arrive at school ready to learn. Also, families with high rent burdens move more frequently than those families with more affordable rents - resulting in frequent school changes for their children. Taken together, it is not surprising to learn that children with poor housing conditions perform less well in school than those with more affordable and stable housing.

The lack of affordable housing limits the ability of the working poor and those on welfare to move up the economic ladder. Housing plays a critical role in helping welfare recipients make the transition to work. The high cost of housing in the parts of the state where jobs are most plentiful may discourage welfare recipients from relocating from areas where job opportunities are more limited, but housing less costly. Surveys of welfare recipients indicate that housing problems pose substantial barriers to finding and retaining employment. One reason for this may be that after paying for housing, welfare recipients have little extra money left over to pay for child care and other expenses associated with work.

The housing crisis contributes to the continuing problem of homelessness. The lack of affordable housing contributes to the ongoing tragedy of homelessness throughout the state. While many factors, including substance abuse, mental illness, poor health status, and disabilities, can result in poverty and cause homelessness, affordable housing is at the heart of what is needed to both prevent individuals and families from becoming homeless and address the problems of those who are already living in shelters or on the streets. [2]

Santa Clara County Focus

Housing/Transportation

Thirty-seven percent of new housing units and 32% of new jobs were located near transit in 2000.[3] In 1999, 57% of new housing units and 35% of new jobs were located near transit.[4]

Per capita transit ridership increased for the first time in three years, because of increased ridership on Caltrain and light rail.[5]

The number of workers commuting into Santa Clara County from surrounding counties increased from 144,000 in 1990 to 212,000 in 2000-a 47% increase. The commuters' share of total employment in Santa Clara County increased from 16% in 1990 to 20% in 2000. [6]

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[2] Locked Out: California's Affordable Housing Crisis, California Budget Project Feb. 26, 2001
[3] Joint Venture's 2001 Index of Silicon Valley
[4] Joint Venture's 2000 Index of Silicon Valley
[5] Joint Venture's 2001 Index of Silicon Valley
[6] Ibid.

Thirty percent of total freeway miles received the worst possible congestion rating, up from 27% in 1998.[7] The limited number of homes near job centers in Silicon Valley is the primary cause of congestion in the corridors leading to and from Silicon Valley.[8] In 1995 there were 41,400 jobs in Silicon Valley located within ¼ mile of Caltrain or Light rail, 3.8% of the total number of jobs in Silicon Valley. It is projected that 60,400 jobs, 4% of the total will be located near transit centers in 2010. In 1995 there were 9,600 households located within ¼ mile of Caltrain or light rail, 1.2 % of the total number of households in Silicon Valley. It is projected that 14,100 households, 1.6% of the total, will be located within ¼ mile of transit centers by the year 2010.[9]

The lack of affordable housing forces 133,000 Silicon Valley workers to live outside Santa Clara County.[10]

About 78% of the county's workforce lives within Santa Clara County. This means that 22 percent of jobs in the county are filled with workers commuting from other counties. This situation is exacerbated by the continued high growth in the job market and the high cost of housing. With the median price of a single-family home at $547,000 in July 2000, available affordable housing for Santa Clara County workers is diminishing. Currently, the number of employees living outside of Santa Clara County is about 237,000. By 2020, nearly 50,000 more people will be commuting to the county for jobs.[11]

Housing/Education
More than 13% of K-12 teachers in Silicon Valley are not fully certified.[12]

Fiscalization of Land Use
Revenues for Silicon Valley cities are catching up with population and employment growth, though revenue sources have shifted away from sales and property tax.[13]

Housing/Jobs
Silicon Valley employment grew an estimated 3% in 2000, compared to an average of 4.6% for the five prior years.[14] It is estimated that 50,000 of these new jobs were filled by new commuters into Silicon Valley and it is expected that these numbers will climb.[15]

Silicon Valley employment grew an estimated 3% in 2000, compared to an average of 4.6% for the five prior years.[16]

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[7] Joint Venture's 2001 Index of Silicon Valley
[8] Silicon Valley Projections 2000, Silicon Valley Manufacturing Group
[9] Silicon Valley Projections 2000, Silicon Valley Manufacturing Groupn
[10] Everyone's Valley, Working Partnerships USA
[11] Valley Transportation Plan 2020, VTA, Dec. 2000
[12] Ibid.
[13] Joint Venture's 2001 Index of Silicon Valley
[14] Joint Venture 2001 Index of Silicon Valley
[15] Silicon Valley Projections 2000, Silicon Valley Manufacturing Group
[16] Ibid.

Since 1992, jobs have grown four times faster than housing. To keep pace with job growth, the region would have to build an additional 160,000 units.[17] Other estimates indicate that Silicon Valley will need between 112,039 to 146,366 additional homes between 2000 and 2020.[18] The San Jose/Milpitas sub-region will generate 44-50 percent of total housing demand, followed by 16-28 percent in northwest Santa Clara County, and 13-15 percent in southern Alameda County. Southern Santa Clara County, southern San Mateo County, and southwest Santa Clara County account for approximately 18 percent of future housing demand.[19]

While 2 jobs were created for every new home in Silicon Valley during the 1980s, approximately 3 jobs have been created for every new home in the region during the 1990s.[20] ABAG reports for 1995-2000 an average countywide ratio of new jobs to new housing units of 6 to 1, with the five highest being in Santa Clara, Milpitas, Mountain View, Palo Alto and Los Gatos. ABAG projections for 2000-2005 show an average countywide ratio of new jobs to new housing units of 2.5 to 1, with the five highest being in Milpitas, Los Gatos, Santa Clara, Palo Alto and Mountain View.[21]

More than 70 percent of Silicon Valley's total employment growth from 1979-1999 has occurred in the job rich areas of northwest Santa Clara County (Cupertino, Los Altos, Los Altos Hills, Mountain View, Palo Alto, Santa Clara, Sunnyvale), north San Jose, and southern San Mateo County.[22]

Overall employment in Silicon Valley grew by 48 percent between 1980 and 2000. This represents a total projected net increase of approximately 415,000 jobs, including replacement for the 22,000 jobs the region is estimated to have lost between 1990 and 1995. Over one-half of all jobs added in the region from 1979-1999 were created in the five- year period from 1995 to 2000. ABAG estimates and projections for employment in Silicon Valley indicate that the incredible job growth currently being experienced will taper off considerably in the decade ahead. Employment growth is expected to slow even more between 2010 and 2020, down from 6.2% growth between 2005-2010 to 4.0% for 2010-2015, and 4.2% for 2015-2020.[23]

The number of publicly traded fast-growth companies dropped from 86 in 1999 to 66 in 2000.[24]

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[17] Joint Venture 2001 Index of Silicon Valley
[18] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[19] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[20] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[21] ABAG Projections 2000
[22] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[23] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[24] Joint Venture's 2001 Index of Silicon Valley

For the third year, Software added the most new jobs.[25]

The job-rich sub-region of northwest Santa Clara County produced 2 jobs for every new home built during the 1980s, but approximately 9 jobs for every new home built in the 1990s. Southern San Mateo County produced 0.7 jobs for every new home built in the 1980s, but an estimated 7 new jobs for every new home built in the 1990s.[26]

Over the next 20 years (2000-2020) between 66 and 72 percent of housing demand will be in San Jose/Milpitas and northwest Santa Clara County, the same areas projected to capture approximately 67 percent of Silicon Valley's total new job growth.[27]

Housing/Population Growth

ABAG population projections show that for the upcoming two decades the population growth of Silicon Valley is expected to slow down. Overall, the Valley's population is projected to increase by about 11 percent between 2000 and 2020, with 7.4 percent growth between 2000-2010, and 3.6 percent growth between 2010-2020. The cities expected to experience the most dramatic population increases between 2000 and 2020 are Morgan Hill (30 percent) and Gilroy (35 percent) in southern Santa Clara County, and Fremont and Union City in southern Alameda County.[28]

Housing/Wages

Real per capita income, a measure of wealth creation, increased 6% in 2000, similar to 1999.[29]

Average wages in industry clusters continued sharp ascent with Software reaching $125,000 and Semiconductors $117,000.[30]

Venture capital investment more than doubled in 2000 to $ 17 billion.[31]

Silicon Valley was home to 48 of the 500 fastest growing high-tech companies in the United States in 2000, a decline from 61 in 1999.[32]

In 2000, the region's average wage increased 9% in real terms, from $60,800 to $66,400. This increase compares to a national increase of 2% to $36,200.[33]

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[25] Joint Venture's 2001 Index of Silicon Valley
[26] Ibid.
[27] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[28] Building Sustainable Communities: Housing Solutions for Silicon Valley, Prepared for the Silicon Valley Manufacturing Group and Greenbelt Alliance by Strategic Economics, November 1999
[29] Ibid.
[30] Ibid.
[31] Ibid.
[32] Ibid.
[33] Ibid.

Average wages for industry clusters increased 20%; wages in other industries increased 1%.[34]

A representative household at the bottom 20% of Silicon Valley's income distribution has less income now than in 1993. A representative household in the bottom 20% earns an estimated $40,000.[35] In the last two years (1998-99), households at the bottom 20% of the income distribution saw their income increase slightly, but their 1999 income remained below 1992 levels.[36]

Incomes for the top earning 20% of households rose an estimated 20% in inflation-adjusted terms since 1993 to $149,000.[37]

Forty percent of all jobs in Silicon Valley are in the following industry clusters: computers/communications, semiconductors/semiconductor equipment, software, bioscience, defense/space, innovation services and professional services.[38]

Last year, Silicon Valley generated four times as many jobs as new housing units. In the northern part of Silicon Valley, job growth outpaced housing construction by 16:1.[39]

Local Government Investment
Capital investment by local governments in Silicon Valley jumped 30% between 1996 and 1997 (the latest year for which data are available), after having declined or grown only nominally each year since 1990.[40]

Housing/Energy Costs
In January 2001, 15,000 area Pacific Gas & Electric customers lost their electricity: a 15 percent increase from January of last year. Electricity costs, which previously accounted for 7 to 15 percent of a low-income family's budget now claim between 17 and 45 percent.[41]

Lack of Coordinated Strategy
Though the housing crisis touches every community, local leaders have yet to develop a coordinated regional housing strategy similar to the approaches they have embraced for combating air pollution, promoting mass transit and other challenges.[42]

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[34] Joint Venture's 2001 Index of Silicon Valley
[35] Ibid.
[36] Joint Venture 2000 Index of Silicon Valley
[37] Joint Venture's 2001 Index of Silicon Valley
[38] Ibid.
[39] Everyone's Valley, Working Partnerships USA
[40] Joint Venture's 2000 Index of Silicon Valley
[41] Everyone's Valley, Working Partnerships USA
[42] Ibid.

Strategies for Solutions

The **Valley Transportation Authority's** Livable Community and Pedestrian Program will provide up to $20 million by 2020 from future federal funding cycles for projects that provide safe walking access to jobs, schools, housing, transit and other destinations. (With a 20% local match requirement these funds will total $24 million.)[43]

Some relevant strategies for housing development in the Valley Transportation Plan 2020 include

1) use land efficiently and support concentrated development with strategies including: land use intensification and reuse, transportation investments that minimize right of way requirements, and limiting land area dedicated to surface parking, and
2) support development that expands housing accessibility relative to transportation alternatives, proximity to job centers, child care and other essential services, range of affordability, and opportunities for both rental housing and home ownership.[44]

VTA already engages in land use activities to further its goals for concentrated development. Three current efforts consist of the following activities:

1) Development Review-review of proposals to ensure that transportation is adequately integrated.
2) Pro-Active Congestion Management Program-review of proposals to ensure that transportation impacts are minimized
3) Transit-Oriented Development-provides expertise and resources to achieve transit-friendly development.

Valley Transportation Plan 2020 expands VTA's activities in land use with two new programs:

1) Best Practices for Integrating Transportation and Land Use-a partnership with member agencies to support the consistent use of land use strategies.
2) The Land Use/Transportation Investment Strategy-gives a more prominent place to land use factors in the planning and programming processes for transportation projects.[45]

The **Bay Area Alliance for Sustainable Development** (Bay Area Alliance) is a multi-stakeholder coalition established in 1997 to develop and implement a sustainability action plan for the Bay Area. The Bay Area Alliance has embraced the United Nations World Commission on Environment and Development definition of sustainable development as the ability "to meet the needs of the present without compromising the ability of future generations to meet their own needs."

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[43] Everyone's Valley, Working Partnerships USA
[44] Valley Transportation Plan 2020, Valley Transportation Authority Dec. 2000
[45] Valley Transportation Plan 2020, Valley Transportation Authority Dec. 2000

The **overall goal** of the Bay Area Alliance is to reach consensus regionwide among a critical mass of stakeholder organizations and civic leaders regarding a new **shared vision** rooted in **common values** about how the region can grow in a more sustainable manner. The **overarching strategy** is to achieve the regionwide consensus on a new shared vision through the development and adoption of a "**compact**" that can become the foundation for implementation actions by both the public and private sectors at the local, regional, state and national levels.

The Bay Area Alliance is committed to facilitating a **regionwide dialogue** on how the region can grow in a more sustainable manner, and to taking actions commensurate with achieving that goal. In all activities and deliberations the Bay Area Alliance is employing **e-vision**, integrating the essential Three **E**s in order to achieve and maintain a prosperous economy, quality environment, and social equity.

Vision

The Bay Area Alliance for Sustainable Development adopted in June 1997 the following Vision:

"We envision a Bay Area where the natural environment is vibrant, healthy and safe, where the economy is robust and globally competitive, and where all citizens have equitable opportunities to share in the benefits of a quality environment and a prosperous economy."

The members of the Bay Area Alliance for Sustainable Development agree that a sustainable Bay Area must have the following attributes:

Environmental quality is excellent.

- The Bay Area ecosystemi -- including the Bay-Delta Estuary, air quality, wetlands and watersheds, and biodiversity -- is healthy, vibrant, and productive.
- Open space and agriculture are preserved as a result of efficient, compact land use patterns.
- Resources are conserved and waste is eliminated.

The economy is prosperous.

- The regional economy is robust, and productivity is high.
- Unemployment rates are low, and poverty levels are decreased.
- Sufficient housing affordable to the workforce is available close to job centers.
- Traffic congestion is greatly reduced. There is a first-rate public transportation system including water transit and the percentage of single occupant vehicle trips significantly declines.
- Economic well-being and quality of life are high in all neighborhoods.

The diverse segments of the population share the region's economic prosperity and environmental quality.

- Education performance is greatly improved, especially among the disadvantaged population.
- Strategic capital investments in priority neighborhoods, in partnership with local neighborhood leaders, improve the physical and social environment, provide living-wage jobs, and enhance housing opportunities for neighborhood residents.
- The workforce in all sectors and civic leadership throughout the region reflect the diversity of the population.
- Land-use planning, economic development and the transportation network minimize disparities among neighborhoods and municipalities.

The sustainable vision is possible, starting now and continuing over the next quarter century.

Ten Commitments to Action

The members of the Bay Area Alliance for Sustainable Development propose the following framework for bold action. The Ten Commitments are inextricably interconnected, and they are directly linked to the previous ten challenges. The order of listing is not intended to imply a priority.

1. Enable a diversified, sustainable and competitive economy to continue to prosper and provide jobs in order to achieve a high quality of life for all Bay Area residents.
2. Accommodate sufficient housing affordable to all income levels within the Bay Area to match population increases and job generation.
3. Target transportation investment to achieve a world-class comprehensive, integrated and balanced multi-modal system that supports efficient land use and decreases dependency on single-occupancy vehicle trips.
4. Preserve and restore the region's natural assets, including San Francisco Bay, farmland, open space, other habitats, and air and water quality.
5. Use resources efficiently, eliminate pollution and significantly reduce waste.
6. Focus investment to preserve and revitalize neighborhoods.
7. Provide all residents with the opportunity for quality education and lifelong learning to help them meet their highest aspirations.
8. Promote healthy and safe communities.
9. Implement local government fiscal reforms and revenue sharing.

10. Stimulate civic engagement.

These Ten Commitments to Action form the centerpiece of the Draft Compact for a Sustainable Bay Area. The Draft Compact sets forth an overview statement and specific actions associated with each of the ten commitments.

1. Enable a Diversified, Sustainable and Competitive Economy to Continue to Prosper and Provide Jobs in order to Achieve a High Quality of Life for All Bay Area Residents.

The Bay Area Alliance will work to strengthen the regional economy to reduce the aggregate effect of future global, national, state or regional recessions. We will seek to ensure that all sectors of the Bay Area population have the opportunity to participate in the region's growing economic prosperity.

We commit ourselves to:

- Support and lead collaborative actions to enhance the region's economic strengths and minimize its weaknesses while ensuring its comparative advantage, protecting the environment and improving social equity.
- Encourage businesses in environmental technologies, material recycling, energy efficiency, brownfields reuse and those that employ the disadvantaged.
- Participate in discussions on: growth and sustainability; the nature and quality of jobs in the region; the relationship of a living wage and sustainability; and strategies to promote a living wage without affecting competitive position.
- Encourage the location of jobs near places where workforce housing exists, and link jobs and housing with convenient, affordable transit service.
- Link employer-based workforce development to the schools, including technical and vocational schools.

2. Accommodate Sufficient Housing Affordable to All Income Levels within the Bay Area to Match Population Increases and Job Generation

The Bay Area Alliance will work to protect and expand the supply of housing that is needed by and affordable to all residents. Actions will be taken to promote housing the most needy, current and future workers of all income levels in locations near transit, community services and places of employment. We will coordinate our efforts with regional agencies, local, state and federal governments, employers, community organizations, developers, non-profits, business associations, economic development organizations, foundations and lenders.

The Bay Area Alliance supports optimizing the potential for meeting land use needs for new housing and jobs through increasing average densities with infill, land recycling, transit villages, development of closed military bases, and revitalization of poor and older neighborhoods while avoiding displacement. However, we recognize that even with optimizing these strategies to achieve more efficient land-use, there might likely need to be growth in Bay Area urban and suburban communities, but not in identified environmentally sensitive areas, in order to meet the regional housing needs. The Bay Area Alliance encourages management of growth in a way that uses land efficiently, reduces automobile dependency, minimizes inter-regional impacts and provides sufficient housing opportunities to all income levels.

We commit ourselves to:

- Reach out to financial institutions to encourage diverse housing types and mixed-use investments at transit-supportive densities within urban areas, near transit, which reuse underutilized or deteriorated areas.
- Work with local community organizations to learn about their needs for housing and services, including needs of the homeless, and encourage community organizations to participate in planning, advocacy and implementation.
- Advocate in support of mixed-density and mixed-income residential development, particularly in areas with transit and other services.
- Support efforts to use existing housing stock efficiently, by encouraging second units, group housing and similar mechanisms.
- Support community-based efforts to retain and expand the supply of existing affordable housing and the adoption of measures to prevent displacement.
- Advocate local government actions, such as amending general plans and zoning ordinances, and providing incentives, such as permit fast tracking, to encourage affordable housing development, especially near transit.
- Advocate changes in federal and state legislation to provide incentives for the development of resource-efficient, affordable housing near transit, community services and places of employment, and to address barriers such as construction defect litigation.
- Establish an Affordable Housing Trust Fund to assist jurisdictions in providing their fair share of affordable housing.
- Support state legislative reform to improve the fair share housing process and provide financial and other incentives to strengthen local jurisdictions' abilities to meet their fair share responsibilities.
- Support preservation and conservation of existing housing stock such as housing at closing military bases, single residential occupancy hotels and other affordable housing.
- Support existing fair housing laws and prohibitions against discrimination in housing.

Focus Investment to Preserve and Revitalize Neighborhoods

The Bay Area Alliance will work to establish a Community Investment Program ("Community Capital Investment Initiative") which supports neighborhood revitalization efforts while encouraging compact, efficient development patterns. The program, which is intended to complement existing efforts, will focus job development and training, community improvements, and social services in neighborhoods experiencing decline, including inner cities, older suburbs, and the 46 most impoverished neighborhoods in the Bay Area. The program will provide assistance to community-based entrepreneurs. It will also encourage employers with high growth opportunity to locate in these areas and use indigenous vendors for needed services to the extent possible.

We commit ourselves to:

- Recruit community and Bay Area business leaders to participate in developing and adopting a Community Investment Program ("Community Capital Investment Initiative").
- Support and strengthen the efforts of economic development organizations in the region that invest in stimulating local entrepreneurship in identified neighborhoods that are in decline or at risk, while minimizing resident displacement.
- Seek ways to address the adverse impacts of gentrification and displacement of low-and moderate-income residents.
- Work to assure that environmental, housing and infrastructure problems that discourage investment in these neighborhoods are addressed, including training and incentives for self-help neighborhood projects.
- Support and strengthen community-based financial institutions to facilitate neighborhood revitalization in low-income communities.
- Work with service providers to assure adequate job training and support programs for local residents.
- Encourage business incubators, and vendors and suppliers to regional growth-industry clusters, to locate in impoverished neighborhoods to complement local entrepreneurship.
- Support and strengthen the efforts of employers who recruit, hire, and train currently unemployed or underemployed welfare recipients and the working poor for jobs with career and income growth potential.
- Ensure that new industrial development is compatible with neighborhood and community needs.

Implement Local Government Fiscal Reforms and Revenue Sharing

To address local government finance and fiscal inequity and uncertainty, which currently motivates local governments to plan and zone for revenue rather than for balanced communities, the Bay Area Alliance will advocate changes in legislation and practices at the state, regional and local level. The goals will be to reduce competition between jurisdictions for development, reduce economic polarization in the region, and increase cooperation. We will pay particular attention to improving the fiscal health of economically distressed inner cities and older suburbs.

We commit ourselves to:

- Advocate changes in state legislation to provide local governments with adequate and stable tax revenues.
- Establish cooperative, rather than competitive, economic development programs at the sub-regional and regional levels.
- Encourage local governments to work together to determine how to allocate and share tax revenues.
- Support expansion and strengthening of sub-regional and regional cooperative land-use planning and implementation efforts.
- Support legislative reforms that reduce the fiscalization of land use.

Appendix A: Sustainable Development Indicators

Following are a set of broad indicators, listed by Commitment in the *Draft Compact*, that the Bay Area Alliance will use to measure status and gauge progress (or lack thereof) toward sustainability. Where feasible, data will be tracked annually. In addition to these broad indicators, others will be developed for many of the commitments and initiatives associated with them. The Bay Area Alliance also recognizes that the indicators to be tracked may change over time. The following are only those indicators to be tracked initially. As experience is gained, the Bay Area Alliance may choose to add additional indicators and/or delete some of them. This group of indicators is intended to get the Bay Area Alliance started on the path of tracking and publicly reporting the status of sustainability in the region.

This set of indicators is expected to be widely published by the Bay Area media and will provide a periodic "report card" to the residents of the Bay Area. The Bay Area Alliance recognizes that some of the indicators will require the development of new data sets. The Bay Area Alliance strongly recommends that all applicable agencies, institutions and jurisdictions implement a dedicated and funded data collection and analysis effort on a continuing basis to facilitate and eventually automate the collection, analysis and public dissemination of the sustainable development indicators.

1. Enable a Diversified, Sustainable and Competitive Economy to Continue to Prosper and Provide Jobs in order to Achieve a High Quality of Life for All Bay Area Residents

Indicators:

a. Annual Gross Regional Product (GRP) / Annual Genuine Progress Indicator (GPI).

b. Persons below the poverty line (percentage of the population), including data by ethnicity and gender.

c. Workers with jobs earning less than living-wage (percentage of the workforce) and without benefits, number of new living-wage jobs and number of new small businesses, including data by ethnicity and gender.

d. Median per capita income, mean income per capita, per capita income of the lowest and highest quintiles of income, and the Gini coefficient.

2. Accommodate Sufficient Housing Affordable to All Income Levels within the Bay Area to Match Population Increases and Job Generation

Indicators:

a. Housing starts vs. new jobs and population increases (annual and cumulative).

b. Percent of low- and moderate-incomes spent on housing by renters and homeowners and on commuting, including data by ethnicity and gender.

c. Housing units needed in job surplus areas to alleviate severe congestion.

d. Average density of new housing and percent of total housing within 1/2 mile of transit nodes.

e. Number of homeless, including data by ethnicity and gender.

Inter-Regional Cooperation[46]

An Inter-Regional Partnership (IRP), formed by three councils of governments and local officials representing five counties-San Joaquin, Stanislaus, Alameda, contra Costa and Santa Clara-are bridging jurisdictional boundaries to forge cooperative solutions to shared problems. They are addressing problems like the geographic separation of housing and employment, mounting traffic and air pollution, and growth.

As a result of the work of the IRP partnership with California legislators, a $5 million pilot program was adopted by the State Legislature in June 2000. The program will create Jobs/Housing Opportunity Zones to spur new, inter-regional solutions to common problems.

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[46] Silicon Valley Projections 2000, Silicon Valley Manufacturing Group

SANTA CLARA COUNTY HOUSING TASK FORCE:

HOUSING AND OTHER REGIONAL ISSUES: SUPPLEMENTAL MATERIALS

GOAL 5: PROTECT NATURE We meet high standards for improving our air and water quality, protecting and restoring the natural environment and conserving natural resources.

Air Quality Shows Mixed Improvement

WHY IS THIS IMPORTANT?

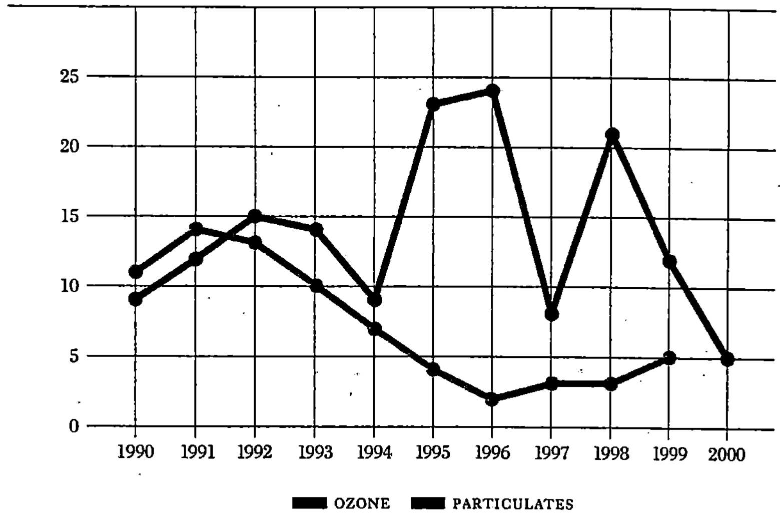
High-quality air is fundamental to the health of people, nature and our economy. The number of days that Silicon Valley air exceeds ozone and particulate matter standards is an indicator of air contamination.

Ozone is the main component of smog and vehicles are the primary source of ozone-creating emissions. The health consequences associated with fine particulate matter (PM10) are more severe than those asociated with ozone. Fine particulate matter — including dust, smoke and soot — is generated primarily during construction and burning wood.

HOW ARE WE DOING?

Silicon Valley exceeded the state standard for ozone 5 days in 2000, down from 12 days in 1999. Silicon Valley exceeded the state standard for particulate matter (PM10) 5 days in 1999, up from 3 days in 1998. (PM10 is sampled only every sixth day, so actual days over the state standard could be six times the number shown, or 30 days.) Generally, levels of particulate matter have been decreasing since 1990.

DAYS PER YEAR THAT SILICON VALLEY AIR QUALITY EXCEEDS STATE STANDARDS



Source: Bay Area Air Quality Management District

Water Use Increases by 9% in Two Years; Less than 2% Is Recycled

WHY IS THIS IMPORTANT?

Water is a limited resource because water supply is subject to changes in climate and state and federal regulation. The quantity and quality of water are essential to residents and to technology manufacturing industries. Sustainability in the long term requires that communities, workplaces and agricultural operations efficiently use and reuse water.

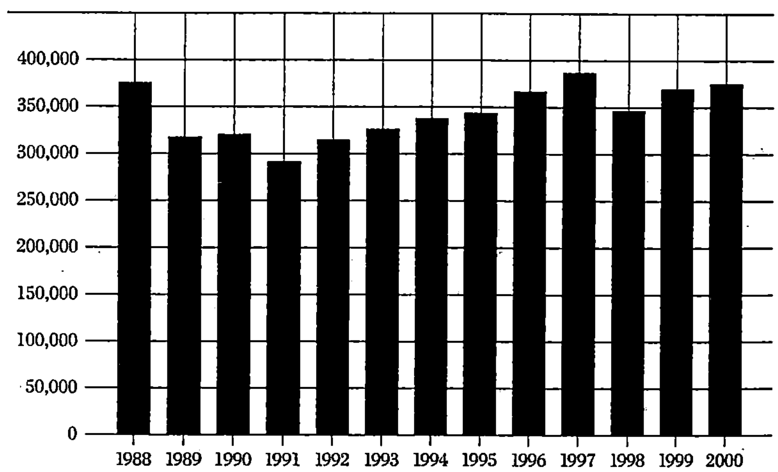
HOW ARE WE DOING?

Santa Clara County's annual consumption of water increased in 1999 and 2000. Businesses, cities and households consumed an estimated 376,000 acre-feet of water, a 9% increase since 1998. Water use has increased 30% since 1991, a year noted for its low rainfall, extreme water use reduction efforts and an economic recession.

On a per capita basis, the county increased water use from 207 acre-feet per 1,000 residents in 1998 to 216 acre-feet per 1,000 residents, a 4% increase.

Less than 2% of water used is recycled water, up from 1% in 1998. Recycled water is used to irrigate parks and golf courses and for construction.

ACRE-FEET OF WATER USED

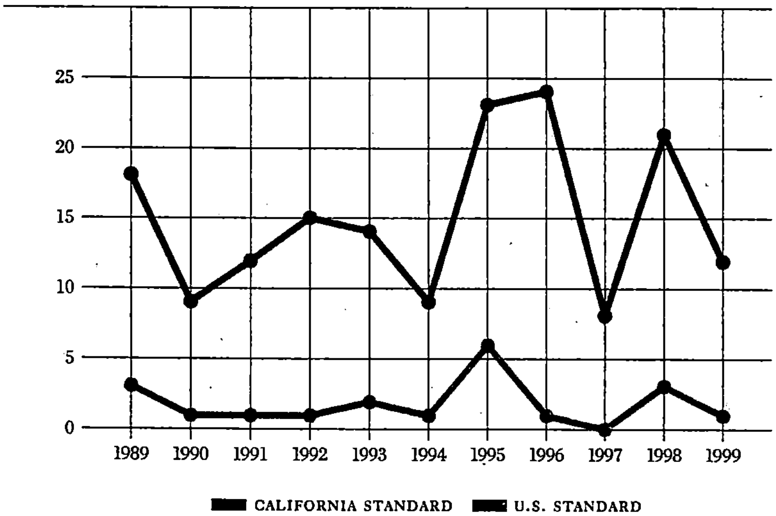


Source: Santa Clara Valley Water District

GOAL 5: PROTECT NATURE We meet high standards for improving our air and water quality, protecting and restoring the natural environment and conserving natural resources.

Bad-Air Days Decrease

DAYS PER YEAR THAT SILICON VALLEY AIR QUALITY EXCEEDS FEDERAL AND STATE OZONE STANDARDS



Source: Bay Area Air Quality Management District

WHY IS THIS IMPORTANT?

High-quality air is fundamental to the health of people, nature and our economy.

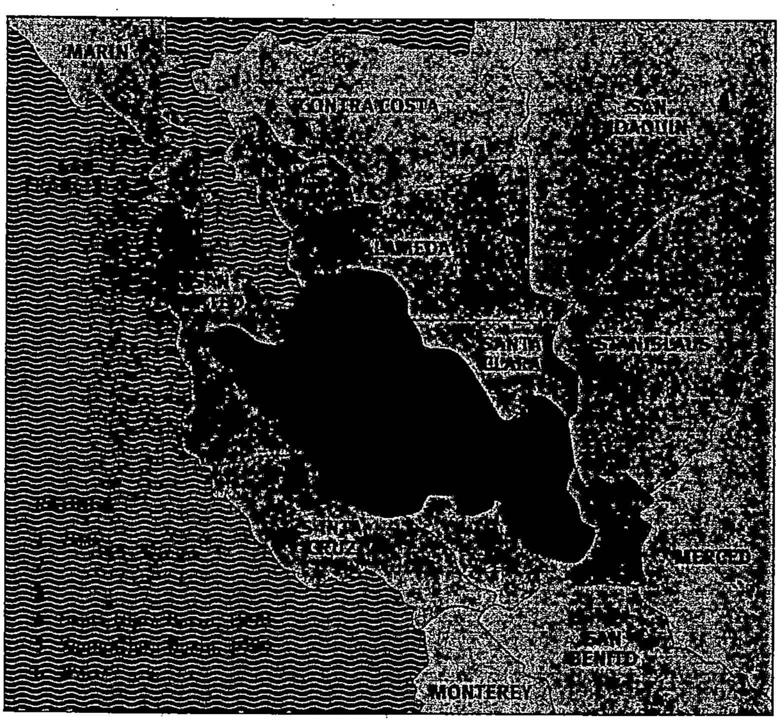
The number of days Silicon Valley air exceeds ozone standards is an indicator of air contamination. Ozone is the main component of smog and is created when volatile organic compounds and nitrogen oxides are exposed to sunlight. Vehicles are the primary source of such emissions.

HOW ARE WE DOING?

In 1999, Silicon Valley experienced one bad-air day as measured against the federal ozone standard, down from three in 1998. The region exceeded the stricter state standard 12 days, compared to 21 days in 1998.

Health of Santa Clara Watershed Declines

HEALTH OF SANTA CLARA WATERSHED DECLINES



Sources: U.S. Environmental Protection Agency, Silicon Valley Environmental Partnership

WHY IS THIS IMPORTANT?

The health of bays, lakes and rivers depends on the health of their watershed, the land area from which all water drains. Without careful planning, development, road construction and agriculture can adversely affect watershed quality by contributing sediment from erosion and by releasing contaminants such as household chemicals, oil and debris from roads, and fertilizer and pesticide runoff.

There are 14 major watersheds in the Santa Clara Basin, which covers more than 50% of the land mass of the Silicon Valley region.

HOW ARE WE DOING?

The U.S. Environmental Protection Agency has developed a composite rating of the Santa Clara Basin's overall watershed health. Ratings range from one (the best) to six (the worst). In 1999, the rating for the Santa Clara Basin was revised downward from four to five.

The most serious signs of weakness are high contaminant levels in fish, water unfit for swimming, loss of wetlands and impairment of drinking water sources before treatment.

High potential for increased urban run-off and continued rapid population growth make us vulnerable to future declines in watershed health.

GOAL 16: TRANSCENDING BOUNDARIES Local communities and regional authorities coordinate their transportation and land use planning for the benefit of everyone. City, county and regional plans, when viewed together, add up to a sustainable region.

Permit Streamlining Sets Stage for More Regional Collaboration

WHY IS THIS IMPORTANT?

Collaboration across government jurisdictions in Silicon Valley requires developing innovative approaches to sharing information, setting mutually beneficial goals and progressing together. This indicator tells the story of how local jurisdictions have collaborated to upgrade, standardize and link new approaches to permitting. This experience sets the stage for future collaboration in areas such as land use and infrastructure planning and management.

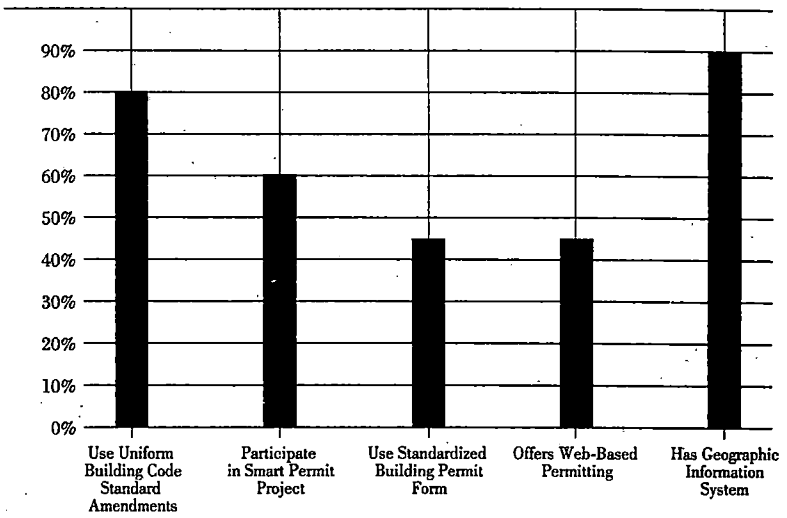
HOW ARE WE DOING?

A survey of 18 Silicon Valley cities found that 80% continue to use the standardized Uniform Building Code amendments that were developed during the mid 1990s jointly by municipal building officials and the Joint Venture Regulatory Streamlining Council, and that 45% use the recently developed standardized building permit form. Sixty percent of local cities are participating directly or indirectly in the Joint Venture Smart Permit Project with 45% already offering web-based permitting. (Web-based services include application submissions, payments, status tracking, information sharing and citizen response.)

Ninety percent of cities have or are developing a Geographic Information System for land use and infrastructure planning, infrastructure management, public safety and other municipal services. The next challenge will be to use the lessons from the Smart Permit Project to ensure that municipal GIS data is available for regional analysis and information sharing.

The 18 cities that participated in the survey include 84% of the Valley's population.

SHARE OF SILICON VALLEY CITIES RESPONDING "TRUE"

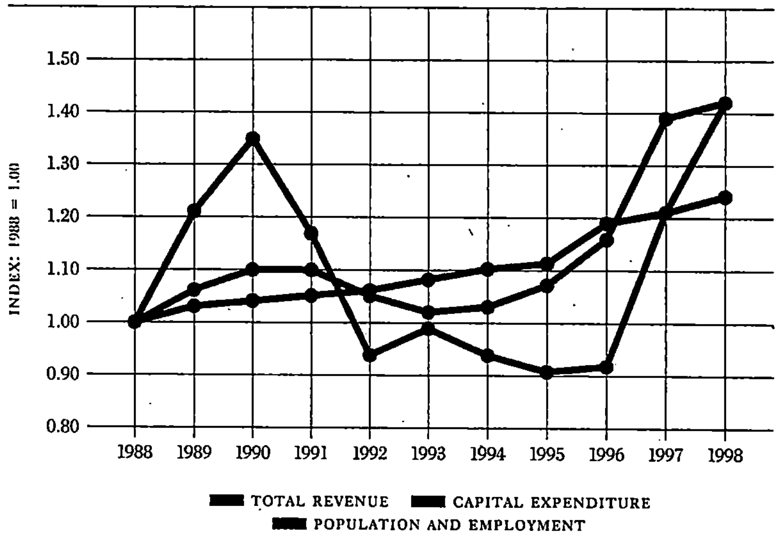


Source: Silicon Valley Cities

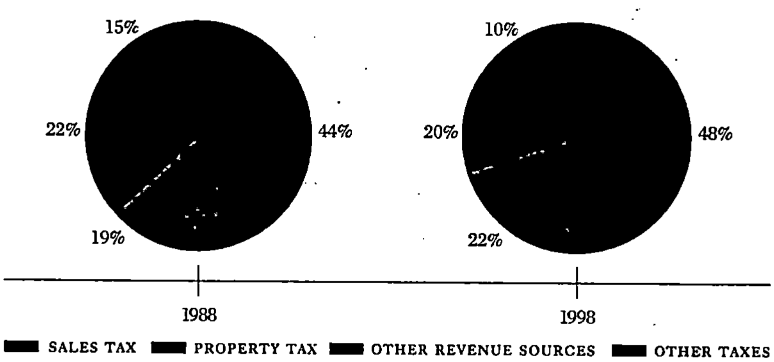
GOAL 17: MATCHING RESOURCES AND RESPONSIBILITY Valley cities, counties and other public agencies have reliable, sufficient revenue to provide basic local and regional public services.

Government Revenue and Capital Expenditures Catching Up with Economic Growth; Revenue Sources Shift

GROWTH OF REVENUES AND CAPITAL EXPENDITURES OF SILICON VALLEY'S CITIES COMPARED TO GROWTH IN POPULATION AND EMPLOYMENT



REVENUE SOURCES FOR SILICON VALLEY CITIES



Source: State Controller's Reports

WHY IS THIS IMPORTANT?

To maintain service levels, local government revenues and expenditures must keep pace with population and job growth. This indicator compares growth in the revenues and capital expenditures of Silicon Valley cities relative to growth in population and employment.

HOW ARE WE DOING?

Growth in the combined revenue of all cities in Silicon Valley has been catching up with population and employment growth. Adjusted for inflation, total revenue increased 49% from fiscal year 1988 to 1998, from $1.3 billion to $2.0 billion. During this period, demand for services, as measured by increases in population and employment, increased by 58%.

Cities increasingly rely on other taxes (e.g., utility, hotel) and on other revenue sources (e.g., fees) to stabilize and grow revenue aligned with demand for services. Sales and property taxes do not always track growth in population, employment and wealth. In 1998, 70% of total revenues were based on sources other than sales and property tax, compared with 63% in 1988.

Sales tax revenues are determined by retail expenditures and by sales tax-generating commercial and industrial activities. Property taxes lag economic growth, and have actually declined by 1% in real terms since 1988 because of Proposition 13 restrictions on increases in assessed valuation.

In 1998, capital expenditures continued their upward trend started in 1997. Between 1988 and 1996, annual capital expenditures of Valley communities did not keep pace with population and employment growth, decreasing in real terms by 10% overall. Since then, aggregate capital expenditures jumped 52%.

Special Analysis: Silicon Valley's Digital Divide

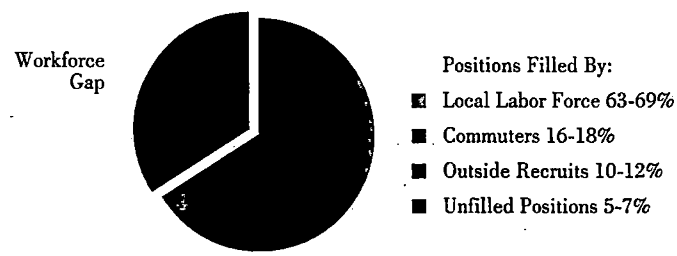
By tracking a broad base of indicators that spans the economy, society and environment, the *Index* identifies emerging issues facing the region. The *2000 Index* reveals a growing Digital Divide in Silicon Valley.

WHAT IS THE DIGITAL DIVIDE?

The Digital Divide is about more than connecting to the Internet; it is about connecting to opportunity in the new digital economy. Silicon Valley's Digital Divide is the gap between different communities in workforce, education, the economy and technology.

WORKFORCE GAP: Our current supply of skilled labor does not meet the needs of the high-technology companies that fuel our region's economy. Joint Venture's Workforce Study, which was released in the spring of 1999, identified a workforce gap of 31 to 37% of the high-tech industry demand for workers in Silicon Valley. The cost of this workforce gap to high-tech industry is approximately $3–4 billion in incremental hiring and opportunity costs.

WORKFORCE DEMAND OF HIGH-TECH INDUSTRY CLUSTERS

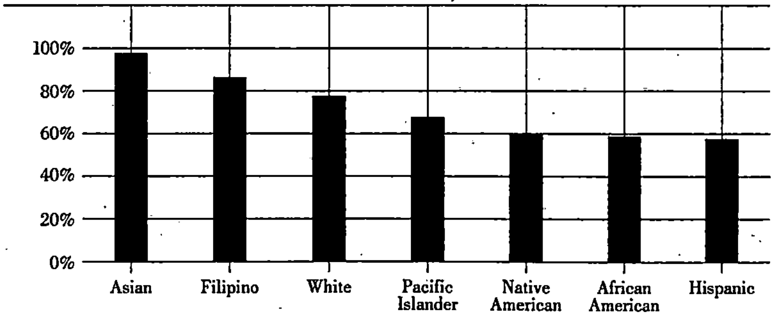


Sources: A.T. Kearney Workforce Initiative Survey, Santa Clara Valley Transportation Authority, Association of Bay Area Governments, Employment Development Department

EDUCATION GAP: On every measure of educational attainment in this year's *Index*, wide variation exists by ethnicity. This is a particularly critical challenge for Silicon Valley, because low education attainment afflicts our fastest-growing population, Hispanics, most extensively.

- Fifty-seven percent of Hispanic students graduate high school, compared with 86% of white students and 97% of Asian students.
- On average, 29% of ninth- and tenth-grade students were enrolled in Intermediate Algebra in 1999, up from 26% in 1998. Only 19% of Hispanics were enrolled.
- On average, 47% of high-school students completed the course requirements for UC/CSU entrance in 1998. Only 23% of Hispanic students met this requirement.
- Hispanics earn only 6% of engineering degrees awarded by local universities.

HIGH SCHOOL GRADUATION RATE, BY ETHNICITY, SILICON VALLEY, 1998



Sources: Alameda, Santa Clara and San Mateo County Offices of Education

ECONOMIC GAP: In addition to gaps in our supply of skilled labor and educational preparation, the region faces wide income disparity among different groups. There has been a widening income gap during the 1990s in Silicon Valley. While incomes of the lowest 20% of households have increased slightly the last two years, those incomes are still below 1992 levels (see page 18).

TECHNOLOGY GAP: Access to technology varies by race and income.

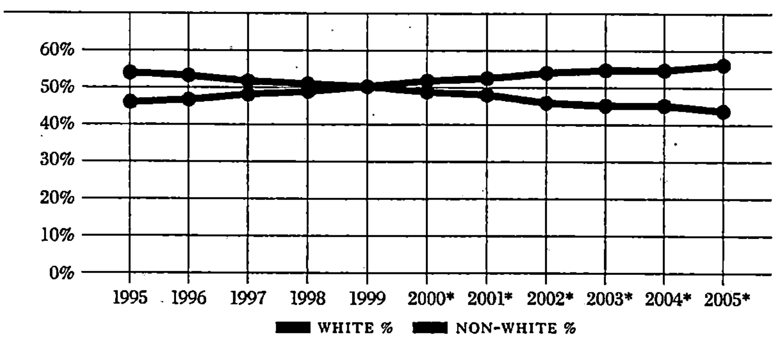
- In the San Francisco Bay Area, 46% of people with household incomes less than $40,000 access the Internet compared to 81% with household incomes more than $80,000 (Bay Area Council, 1999).
- Thirty-seven percent of Hispanics in the Bay Area use a computer on a frequent basis compared to 59% of non-Hispanic Whites (Public Policy Institute of California, 1999).

BOTH THE NEW ECONOMY AND CHANGING DEMOGRAPHICS AFFECT THE DIGITAL DIVIDE

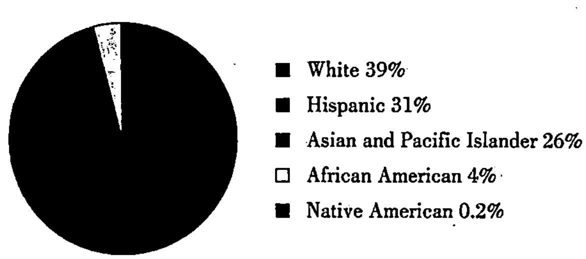
These gaps widen as the New Economy creates new skills demands at the same time that the demographics of the Valley continue to change. As our population becomes more diverse, special efforts are required to ensure that the Digital Divide does not continue to widen.

As we enter the year 2000, we cross an important demographic milestone: no racial/ethnic group is a statistical majority. Anglos represent 49% of the combined population of Santa Clara and San Mateo counties and only 39% of the school-aged population. Population projections point to increased diversity of our region as we advance toward 2010.

WE HAVE CROSSED A DEMOGRAPHIC MILESTONE



1999 SCHOOL-AGED DEMOGRAPHICS REFLECT THE NEW SILICON VALLEY



Source: Department of Finance
*Projection

IMPLICATIONS FOR SILICON VALLEY

Joint Venture believes that Silicon Valley's continued economic and social vitality is dependent on our ability to prepare more people in the region for the demands of the new workforce, whether in high tech or other fields. This is the challenge that will be the focus of Joint Venture's work as we explore ways to enable all people in Silicon Valley to succeed in the new Digital Economy.

One New Home for Every 19 New Jobs in South San Mateo Region

WHY IS THIS IMPORTANT?

Building housing commensurate with job growth helps mitigate commute traffic, moderate housing price increases and ease workforce shortages.

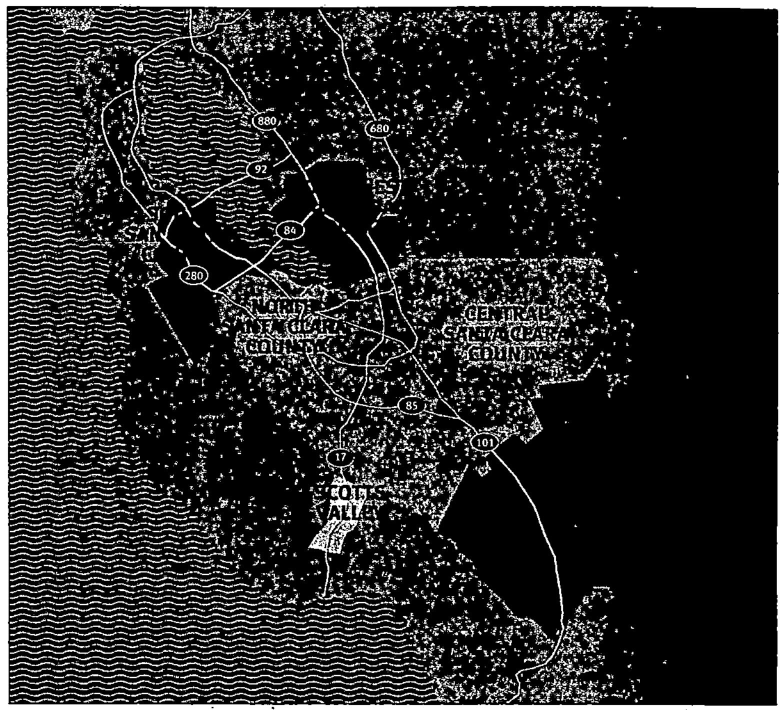
HOW ARE WE DOING?

In 1999, an estimated 7,831 housing units were built in Silicon Valley. This number is lower than the 11,105 units built in 1998. Multi-family housing was 49% of total starts.

In 1999, the ratio of new jobs to new housing was approximately 3 to 1, because of a slowing in job growth. Since 1992, the Silicon Valley region has added more than 275,000 jobs and created 54,600 housing units (5 jobs for every 1 housing unit.)

Part of what causes commute traffic is the structural imbalance in the creation of jobs and housing within Silicon Valley's six major subregions. Between June 1998 and June 1999, for example, the southern San Mateo County region produced 19 jobs for every one housing unit. Southwest Alameda County and South Santa Clara County produced four jobs and three jobs for every one housing unit. North and Central Santa Clara County generated two jobs for every one housing unit.

RATIO OF NEW JOBS TO NEW HOUSING STARTS
BY SUB-REGION (JUNE 1998–JUNE 1999)



SOUTH SAN MATEO COUNTY 19:1

SOUTHWEST ALAMEDA COUNTY 4:1

SOUTH SANTA CLARA COUNTY 3:1

NORTH SANTA CLARA COUNTY 2:1
CENTRAL SANTA CLARA COUNTY 2:1

SCOTTS VALLEY 0:1

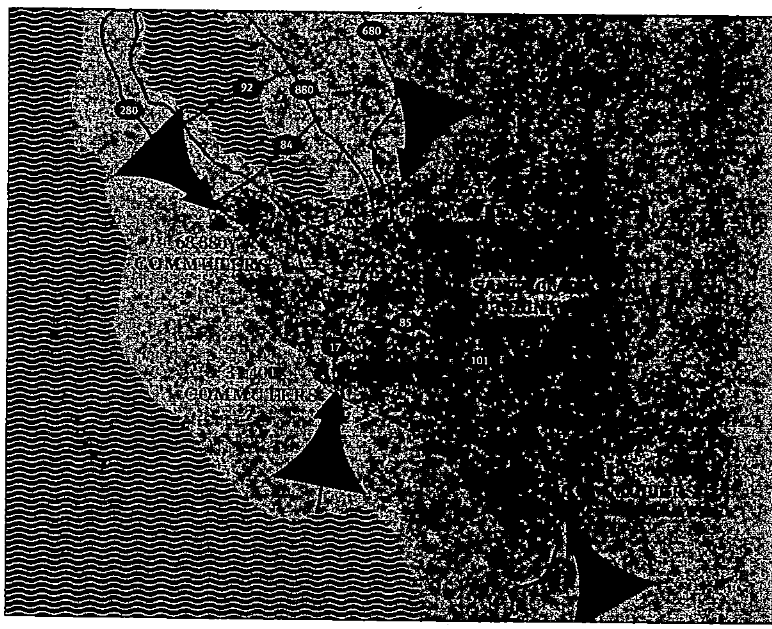
Sources: Construction Industry Research Board, Employment Development Department

20% OF SANTA CLARA COUNTY'S WORKFORCE LIVES OUTSIDE THE COUNTY, UP FROM 16% IN 1990

The number of workers commuting into Santa Clara County from surrounding counties increased from 144,000 in 1990 to 212,000 in 2000 — a 47% increase. The commuters' share of total employment in Santa Clara County increased from 16% in 1990 to 20% in 2000.

Though the absolute number of commuters increased markedly, the shifts in the home counties of the commuters were only slight. The largest share of commuters, 48%, live east of Silicon Valley — the same as in 1990. The share of commuters from the Peninsula and points north declined from 36% to 32% between 1990 and 2000. The share of commuters from the west increased from 12% to 15%. The share from San Benito and Monterey Counties increased from 4% to 5%.

ORIGIN AND NUMBER OF COMMUTERS INTO SANTA CLARA COUNTY



Source: Metropolitan Transportation Commission; Center for Urban Analysis

IMPLICATION

While Tri-Valley, Santa Cruz County and San Francisco have developed significant concentrations of technology jobs, the greatest concentration of such jobs still remains in Silicon Valley.

Because 80% of the workforce lives in Santa Clara County, education and training of our residents remain key to future success.

More Students Completing Courses for College Entrance

WHY IS THIS IMPORTANT?

Passing a breadth of core courses required for college entry is a measure of achievement, capacity and readiness. Completing some type of education beyond high school is increasingly important for participating in the high-wage sectors of the Silicon Valley economy. A Joint Venture survey of the region's fastest-growing companies found that 84% of positions require education or training beyond high school.

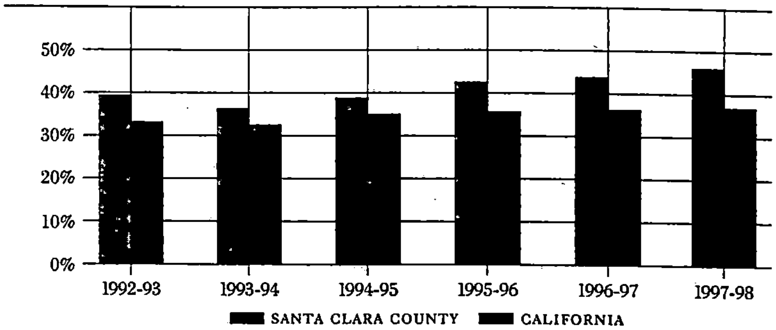
HOW ARE WE DOING?

The share of high school students who complete the courses required for entrance to the University of California (UC) or California State University (CSU) systems increased from 43% in 1997 to 47% in 1998. Silicon Valley compares very favorably with the state average of 33%.

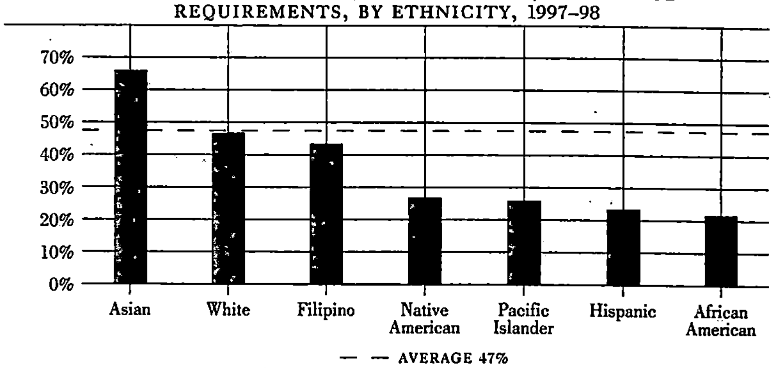
The number of students completing the requirements in Silicon Valley has steadily increased since 1994 when only 36% of students met the standard.

Performance, however, varies widely by ethnicity. Only 23% of Hispanic and 22% of African-American students completed these courses in 1998, compared with 66% of Asian students and 47% of white students.

PERCENT OF STUDENTS COMPLETING UC/CSU COURSE REQUIREMENTS



PERCENT OF STUDENTS COMPLETING UC/CSU COURSE REQUIREMENTS, BY ETHNICITY, 1997–98



Source: California Department of Education

GOAL 11: TRANSPORTATION CHOICES We overcome transportation barriers to employment and increase mobility by investing in an integrated, accessible regional transportation system and other alternatives to driving alone.

Transit Ridership Per Capita Shows No Change

WHY IS THIS IMPORTANT?

People want more choice in how they get to work, to school or to run errands. A greater percentage of workers using alternatives to driving alone indicates progress in increasing access to jobs and in improving the livability of our communities. Pedestrian- and transit-oriented development in neighborhoods and employment and shopping centers increases opportunities for walking, bicycling and using transit.

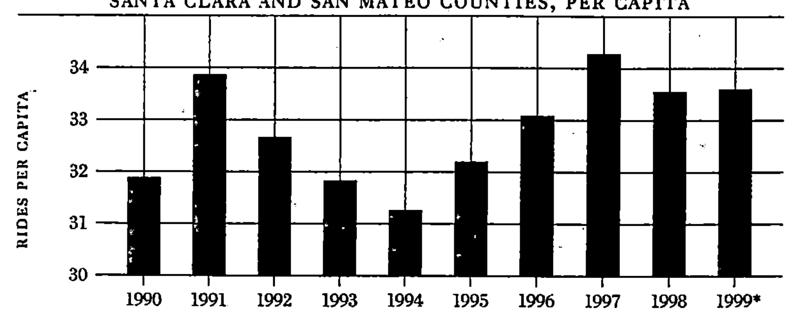
HOW ARE WE DOING?

Per capita ridership on public transportation did not change in 1999, remaining at 33.5 annual rides per person. Total ridership increased 2%, from 80.5 million in 1998 to more than 81 million in 1999, but population increased at a similar rate.

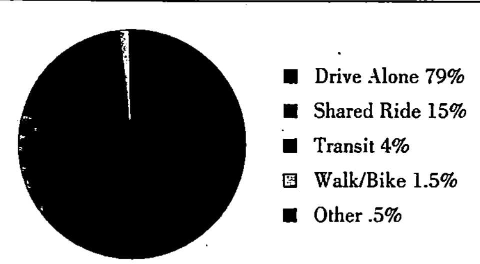
Ridership increased on light rail, Caltrain and VTA buses, but has decreased on SamTrans buses by 11% since 1994.

A 1999 survey of Valley commuters found that 79% drove to work alone, 15% shared a ride, 4% used transit and 1.5% walked or biked to work. The share of commuters using transit has increased from 2.8% in 1990. Carpooling also increased from 12.4% in 1990, facilitated by a nearly complete system of high occupancy vehicle (HOV) lanes.

NUMBER OF RIDES ON REGIONAL TRANSPORTATION SYSTEM, SANTA CLARA AND SAN MATEO COUNTIES, PER CAPITA



SHARE OF SILICON VALLEY COMMUTERS USING VARIOUS COMMUTE MODES, 1999



Sources: Valley Transportation Authority, SamTrans, Altamont Commuter Express, RIDES for Bay Area Commuters

*Estimate

The Silicon Valley Housing Crisis

With Santa Clara County vacancy rates falling to a three-year low of 1.1 percent in 2000[7], apartment rental costs have soared by 61 percent over the last three years[8]. As a result, today nearly 90,000 Santa Clara County renters pay more than 30 percent of their income in rent while at least 43,000 renters pay *more than half* of their income in rent[9].

Additionally, as a result of recent price increases for electricity and natural gas, many low-income families now face a choice between paying their rent or their utility bill. In January 2001, 15,000 area Pacific Gas & Electric customers lost their electricity: a 15 percent increase from January of last year. Electricity costs, which previously accounted for 7 to 15 percent of a low-income monthly family's budget now claim between 17 and 45 percent[10].

Notwithstanding the soaring demand for affordable housing, the major federal housing assistance program has failed to offer an adequate response. The Section 8 housing assistance program offers low-income families below market-rate housing. Eleven thousand families in Santa Clara County, including 7,400 households in San Jose, currently receive public housing assistance. When a waiting list for Section 8 voucher assistance was opened in 1999, 27,000 added their names. Since then the list has been closed and no new families are being added. The San Jose Housing Authority officials expect only minimal increases in the number of vouchers to be made available to this region in the future.

"While Silicon Valley today remains a showcase for the New Economy's successes, it is also plagued by its shortcomings"

The Real Impact

Marcella J., 29, recently emigrated to the United States, works at a fast food restaurant for $488 a month. Her husband, a construction laborer, may average $1,000 a month. Because their small, two-bedroom apartment in a run-down complex costs $1,225 a month, they live with their two children in one bedroom and rent out the other bedroom to four men, who also work. "I never thought it would be as hard as it is," said Juarez, who is worried about crime in her neighborhood as well as how to pay her bills. "Everybody talks about how wonderful it is in America, but it's not been easy."

However, the Section 8 program in Silicon Valley suffers from even greater flaws. Neither the housing certificates nor vouchers offered by the program provide adequate rental payments in markets where housing is scarce. For example, a Section 8 certificate will pay no more than the difference between a "fair market rent" (FMR) that is established by the U.S. Department of Housing and Urban Development and 30 % (or in some cases 40 %) of the renter's income. As of January 2001, the FMR for a two-bedroom apartment in the county was $1,481[11]. This amount is well below average rents for units of that size in Silicon Valley. As a result, apartment owners have little incentive to accept Section 8 certificates until their vacancy rates increase.

Section 8 vouchers, while more popular, also have significant limitations. With a Section 8 voucher, the Housing Authority sets a payment standard to calculate the amount of rental assistance paid. The family pays the difference between that standard and the rent they can find. There is no cap on rent or on family payment. If the payment standard is too low, those with vouchers may still pay more than they can afford.

"When a waiting list for Section 8 voucher assistance was opened in 1999, 27,000 added their names. Since then the list has been closed and no new families are being added."

In addition to the weaknesses in the Section 8 program, there are also threats to affordable rental housing built in the San Jose area decades ago with federal assistance.

Many of these housing projects received public subsidies in exchange for an agreement to offer below market rate rents for 30 years. Once that deadline has been reached, owners are permitted to raise rents to market levels. In Santa Clara County, 9,074 units are in danger of conversion to market-rate in the near future[12].

Silicon Valley's housing crisis doesn't end with its costly rental housing market: that's only where it begins. Home ownership is valuable in promoting neighborhood stability and helping low-income families join the middle-class. However, for low-wage workers, the dream of owning a home of their own has become more elusive than ever[13].

From 1997-2000, median home prices in Santa Clara County skyrocketed from $311,146 to $513,950: an increase of 65%[14].

The Real Impact

After working in several computer chip factories, James M., 28 was laid off and was forced to turn to a temporary help agency, which found him a stockroom job. As a temp he earns much less than the full-time worker he replaced, and his job provides no health insurance. He has to work nights and weekends as a waiter as well. Even then he ends up living with a friend, with whom he shares a barely functioning car, since he doesn't earn enough to rent an apartment of his own. He wants to go to get a college degree so he can return to chip manufacturing, but he has no time to attend classes. He also doesn't have enough money to get both the eyeglasses and help with his dyslexia that he needs. He would like to think of himself as becoming part of the middle class but feels stuck indefinitely in poverty, even with two jobs.

Silicon Valley 2010 Goals

OUR INNOVATIVE ECONOMY INCREASES PRODUCTIVITY AND BROADENS PROSPERITY

GOAL 1: INNOVATION AND ENTREPRENEURSHIP. Silicon Valley continues to lead the world in technology and innovation.

GOAL 2: QUALITY GROWTH. Our economy grows from increasing skills and knowledge, rising productivity and more efficient use of resources.

GOAL 3: BROADENED PROSPERITY. Our economic growth results in an improved quality of life for lower-income people.

GOAL 4: ECONOMIC OPPORTUNITY. All people, especially the disadvantaged, have access to training and jobs with advancement potential.

OUR COMMUNITIES PROTECT THE NATURAL ENVIRONMENT AND PROMOTE LIVABILITY

GOAL 5: PROTECT NATURE. We meet high standards for improving our air and water quality, protecting and restoring the natural environment and conserving natural resources.

GOAL 6: PRESERVE OPEN SPACE. We increase the amount of permanently protected open space, publicly accessible parks and green space.

GOAL 7: EFFICIENT LAND REUSE. Most residential and commercial growth happens through recycling land and buildings in existing developed areas. We grow inward, not outward, maintaining a distinct edge between developed land and open space.

GOAL 8: LIVABLE COMMUNITIES. We create vibrant community centers where housing, employment, schools, places of worship, parks and services are located together and are all linked by transit and other alternatives to driving alone.

GOAL 9: HOUSING CHOICES. We place a high priority on developing well-designed housing options that are affordable to people of all ages and income levels. We strive for balance between growth in jobs and housing.

OUR INCLUSIVE SOCIETY CONNECTS PEOPLE TO OPPORTUNITIES

GOAL 10: EDUCATION AS A BRIDGE TO OPPORTUNITY. All students gain the knowledge and life skills required to succeed in the global economy and society.

GOAL 11: TRANSPORTATION CHOICES. We overcome transportation barriers to employment and increase mobility by investing in an integrated, accessible regional transportation system.

GOAL 12: HEALTHY PEOPLE. All people have access to high-quality, affordable health care that focuses on disease and illness prevention.

GOAL 13: SAFE PLACES. All people are safe in their homes, workplaces, schools and neighborhoods.

GOAL 14: ARTS AND CULTURE THAT BIND COMMUNITY. Arts and cultural activities reach, link and celebrate the diverse communities of our region.

OUR REGIONAL STEWARDSHIP DEVELOPS SHARED SOLUTIONS

GOAL 15: CIVIC ENGAGEMENT. All residents, business-people and elected officials think regionally, share responsibility and take action on behalf of our region's future.

GOAL 16: TRANSCENDING BOUNDARIES. Local communities and regional authorities coordinate their transportation and land use planning for the benefit of everyone. City, county and regional plans, when viewed together, add up to a sustainable region.

GOAL 17: MATCHING RESOURCES AND RESPONSIBILITY. Valley cities, counties and other public agencies have reliable, sufficient revenue to provide basic local and regional public services.

SANTA CLARA COUNTY HOUSING TASK FORCE:

AFFORDABLE HOUSING

prepared by:
Susan Silveira
Springboard Consulting

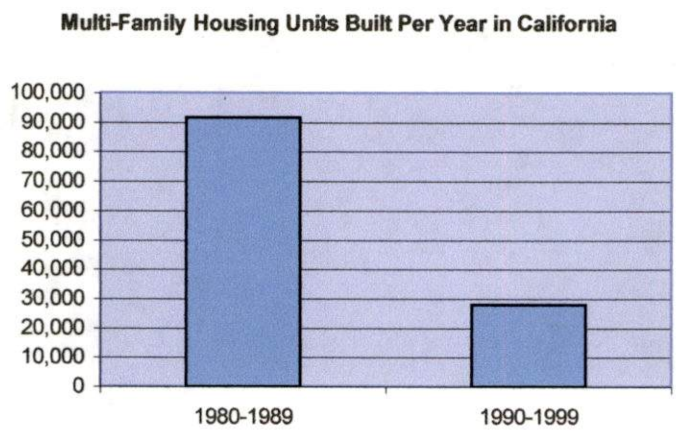
Affordable Housing

State of California

Why a Housing Crisis in California?

1. Between 1990 and 1999, building permits were issued for an average of 110,581 units of housing each year. In contrast, permits were issued for an average of 215,585 units per year during the 1970s and 203,369 units per year during the 1980s.[1]

Multifamily housing accounts for the majority of the State's production gap, particularly housing that is affordable to lower income families. During the 1980s, for example, California added an average of 91,682 units of multifamily housing per year, 45 percent of the new housing built. Between 1990 and 1999, the State added an average of 28,089 units per year of multifamily housing, just 25 percent of total housing built during the decade and a 69 percent drop from the levels of the 1980s.[2]



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[1] "Further Concerns Regarding the Low-Income Housing Crisis in California" by Radha Bhattacharya, Dept. of Economics, California State University, Fullerton April 2001

[2] "Further Concerns Regarding the Low-Income Housing Crisis in California" by Radha Bhattacharya, Dept. of Economics, California State University, Fullerton April 2001

2. California's system of local government finance limits the amount of revenue generated by housing and encourages local communities to favor sales tax generating retail development over residential or other forms of commercial development.[3]

3. The proportion of eligible households receiving assistance is lower in California than in the nation as a whole. California received fewer Federal housing assistance dollars in 1999 for each individual living below the federal poverty level than all but one of the ten largest states. While the Federal government spent on, average, $286 on housing assistance for each person in poverty, California received only $171 per person in poverty.[4]

4. A significant fraction of California's affordable housing stock is at risk of conversion to market rate housing. In the past three years, California has lost more than 15,000 affordable housing units to opt-outs and prepayments, a total of 11 percent of the Federally assisted inventory, with most of the losses occurring in Los Angeles, Orange, San Diego, and Santa Clara Counties. The State's Housing and Community Development Department estimates that more than 180,000 units may be at risk of conversion from affordable to market rents over the next decade.[5]

5. Over the last decade, California has gone from being a leader of innovative state housing policy to a laggard. Among the State's signature initiatives were creation of the first state housing trust fund in 1985, creation of a state supplement to the Federal low-income housing tax credit in 1987, and passage of three affordable housing bonds in 1988 and 1990.[6]

6. State housing spending dropped substantially during 1990s from 0.7 percent of total spending in 1990-91 to 0.2 percent of total spending in 1999-00.[7]

7. Job growth has exceeded housing growth in nearly every part of the State since the economic recovery began in earnest in 1994. The number of new jobs exceeded the number of new housing units in all but 12, primarily rural, California counties between 1994 and 1998. The State as a whole added 3.9 jobs for each new unit of housing, more than twice the 1.5-to-1 ratio recommended by housing policy experts.[8]

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[3] "Further Concerns Regarding the Low-Income Housing Crisis in California" by Radha Bhattacharya, Dept. of Economics, California State University, Fullerton April 2001
[4] Ibid.
[5] Ibid.
[6] "Further Concerns Regarding the Low-Income Housing Crisis in California" by Radha Bhattacharya, Dept. of Economics, California State University, Fullerton April 2001
[7] Ibid.
[8] "Further Concerns Regarding the Low-Income Housing Crisis in California" by Radha Bhattacharya, Dept. of Economics, California State University, Fullerton April 2001

California Spends Less on Housing than Other Major States

California's commitment to affordable housing is substantially less than many other states, in both absolute terms and as a share of total state spending.

- California is one of 33 states with housing trust funds. Trust funds provide a dedicated source of funding for housing programs. California's fund receives a $2 million per year allocation from the proceeds of oil lease payments on state tidelands, less than the initial $5 million allocation made in the mid-1980s.
- Overall, California allocated ***$109.6 million*** for housing programs in 1999-00, including $40 million in limited term assistance to the School Facilities Fees Assistance program and $33.5 million in Low Income and Farmworker Housing Tax Credits. *Other states with much smaller populations spent significantly more:*

  · **Florida.** With less than half the population of California, Florida allocated ***$149 million*** for housing programs for low and moderate income families in 1999-00. The primary source of support for Florida's housing programs comes from a documentary stamp tax levied on real estate transfers. This tax provides an ongoing source of support for Florida's housing trust fund, including $146 million in 1999-00.

  · **Massachusetts.** In 1998-99, Massachusetts allocated ***$187 million*** for housing. Major program initiatives include $31 million in state support for public housing authorities, $39 million for rental assistance programs, and $71 million for capital investments.

  · **Illinois.** Illinois supports its housing trust fund with a dedicated real estate transfer tax. *The tax raised $21 million in 1998; a sum that exceeds California's support for similar programs targeted at low and moderate income families.*

  · **Washington.** With a population one-sixth as large as California's, Washington state's housing spending is comparable to that of California. The centerpiece of the state's expenditures is a housing trust fund supported by a combination of dedicated revenues and appropriations from the state's capital budget. The fund provided $62 million in support for housing construction and preservation programs during the state's 1999-00 biennium, plus $5 million for homeless families and $8 million for farmworker housing.

  · **New Jersey.** New Jersey allocated $48 million in state support for housing programs in 1999-00. Of this amount, $29 million comes from a dedicated real estate transfer tax that provides an ongoing source of funding for the state's affordable housing programs.

  · **Oregon.** Oregon, with a population of 3.3 million, allocates interest earned on renters' security deposits to a trust fund used to support low income rental housing. In 1997-98, the fund received $4.5 million, approximately equal to California's multifamily housing spending in the current budget year.[9]

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[9] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

Support Provided Through the Tax Code Favors Higher Income Households

The structure of the tax preferences available for homeownership favors high-income households by allowing taxpayers to claim deductions not only on their primary residence, but also on second homes. The tax code also allows deductions for interest payments on mortgages of up to one million dollars, far in excess of the amount needed to finance an average priced home. The bias toward higher income households is greater since low to middle income Californians pay little or no state income taxes and thus receive minimal if any benefit from the deductions claimed by higher income taxpayers.[10]

In 1999-00, home mortgage deductions reduced state tax collections by an estimated $2.9 billion. Property tax deductions and the preferences for capital gains associated with the sale of a home cost the state $590 million and $790 million in lost revenues, respectively. In 1998, nearly half (48 percent) of all mortgage interest deductions were claimed by the eight percent of taxpayers with incomes in excess of $100,000. The capital gains preferences benefit an even narrower high income bracket, with 85 percent being claimed by house holds with incomes over $100,000. In contrast, the state's one broad-based tax preference for renters, which was eliminated between 1993 and 1997, cost an estimated $140 million. At $60 for single taxpayers and $120 for families, the benefits are modest in comparison to those available to those who own their own homes. Finally, the state finances a property tax exemption on the first $7,000 of the value of a home.[11]

High Housing Costs Have Pushed Homeownership Out of Reach for Many California Families

Despite a booming economy, California's homeownership rate is the second lowest in the nation. Only 55.7 percent of California households owned their own homes in 1999, compared to 66.8 percent for the nation as a whole.[12]

The state's homeownership rate is low because fewer Californians can afford to buy a home. Nationally, 55 percent of households could afford to purchase the median priced home in 1999, as compared to 37 percent of California households. Only 27 percent of the region's households can afford the median priced home in the Bay Area, and even fewer (23 percent) can afford the median priced home in Monterey County. The median California household earns less than two-thirds the income needed to purchase the median priced home.[13]

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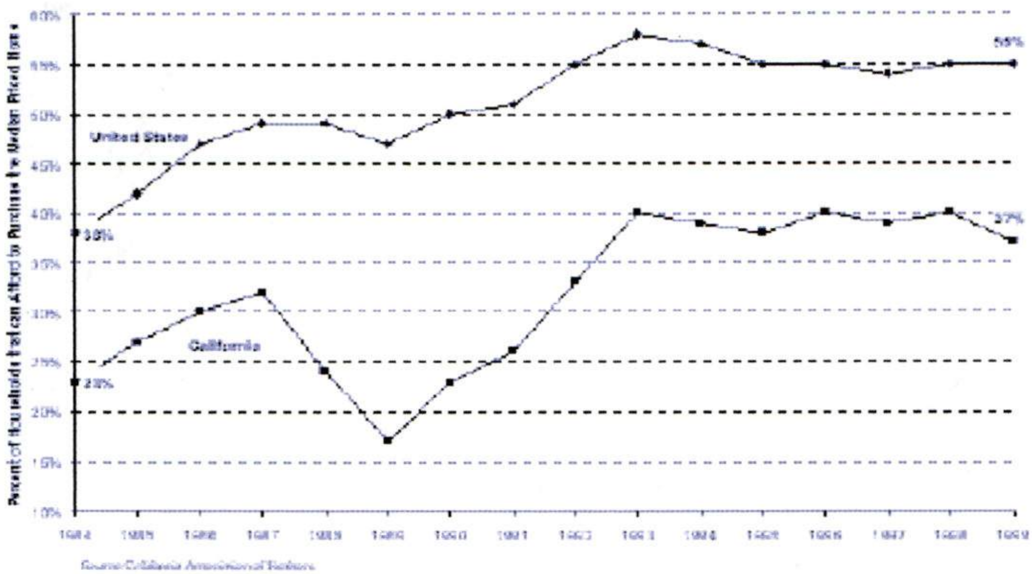
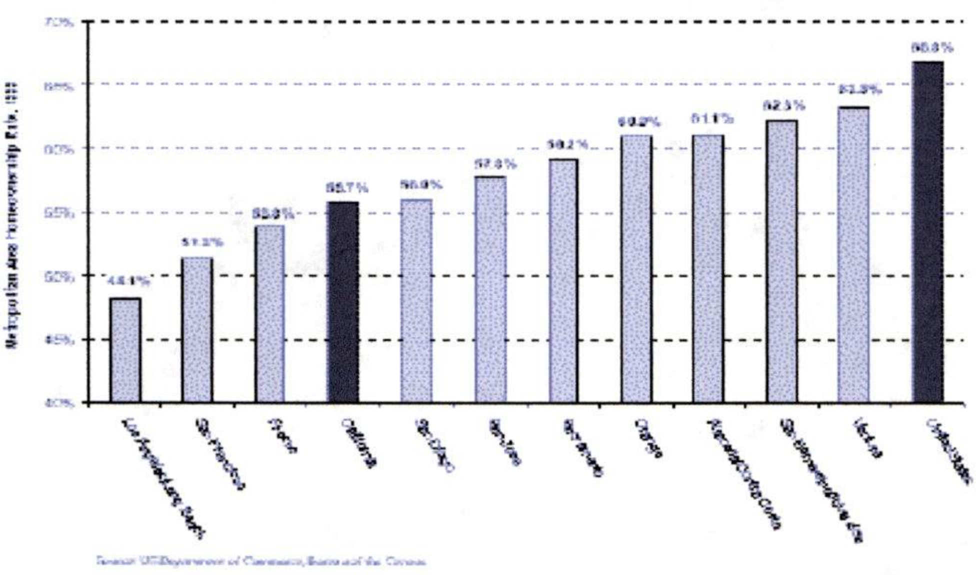
[10] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[11] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[12] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[13] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

Housing Affordability in California is Well Below the National Average

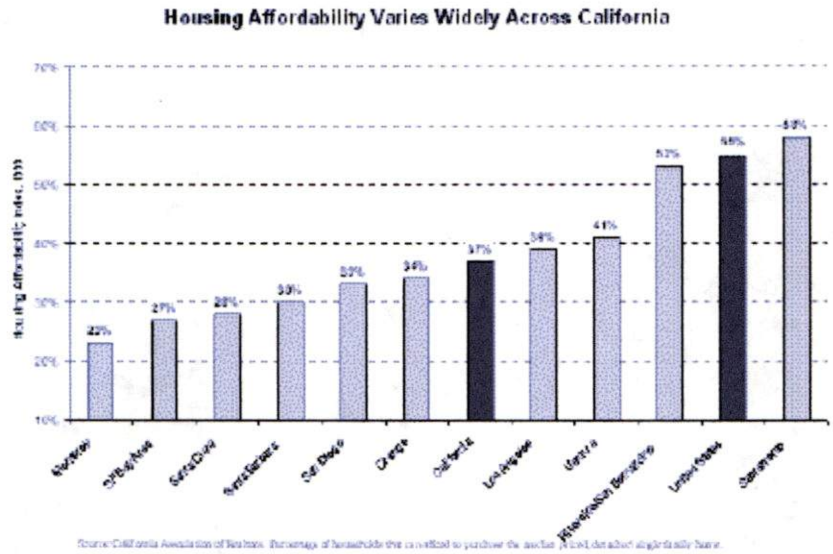


California's Homeownership Rates Lag Those of the Nation



California's low-income homeowners experience significant housing cost burdens. Over half (54 percent) of the low-income homeowners in the state's metropolitan areas spent over half of their income for housing in 1997.

California's high home prices make it difficult for renters to become homeowners. The income needed to purchase the median priced home is more than twice the income of the state's median renter household ($27,401 in 1998). Fewer than one out of twenty new homes sold in 1999 were affordable to households with incomes at or below the median for California renter households.



Low Income Renters Face the Largest Challenges

Affordability problems for renters become more severe as incomes decline. Nearly two-thirds (65 percent) of low income renters in the state's metropolitan areas paid more than half their income for housing in 1997 and 86 percent spent over the recommended 30 percent of their income on housing. The rent burdens faced by low-income households in the seven California metropolitan areas covered by the Census Bureau's American Housing Survey all ranked within the top 12 of the 45 metropolitan areas surveyed during the mid-1990s.[14]

The number of Californians in need of affordable housing far outstrips the supply of low cost units. In 1997, the number of low-income renter households in the state's metropolitan areas exceeded low cost rental units by 2.1-to-1, a gap of 684,000 units. In Orange County, low-income renters outnumbered low cost rental units by more than 4-to-1. In Los Angeles County, the number of low-income renters exceeded the number of low cost units by 2.3-to-1.[15]

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[14] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

[15] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

Table 2: Low Income Renters Outnumber Affordable Units in California

	Number of Low Income Renters	Number of Low Cost Rental Units	Shortage of Low Cost Rental Units	Ratio of Low Income Renters to Low Cost Units
Metropolitan California (1997)	1,287,400	603,400	684,000	2.1-to-1
Anaheim-Santa Ana (1994)	55,600	12,000	43,600	4.6-to-1
Los Angeles-Long Beach (1997)	535,000	237,200	301,400	2.3-to-1
Oakland (1998)	84,500	36,800	47,700	2.3-to-1
Riverside-San Bernardino (1994)	110,600	47,900	62,700	2.3-to-1
Sacramento (1996)	56,200	27,200	29,000	2.1-to-1
San Diego (1994)	112,000	50,500	61,500	2.2-to-1
San Francisco (1998)	75,200	39,400	35,800	1.9-to-1
San Jose (1998)	34,400	15,100	19,300	2.3-to-1

Low income renters are defined as those with households incomes under $15,000 per year. Low cost rental units are those that rent for less than $400 per month.

Source: US Department of Commerce, Bureau of the Census, and US Department of Housing and Urban Development, American Housing Surveys

Market Rents are Higher than Fair Market Rents

Many public programs use Fair Market Rents (FMRs) as a measure of housing costs. FMRs are published annually by the federal Department of Housing and Urban Development (HUD). FMRs are used to determine the maximum subsidy that can be provided through the Section 8 and a number of other federal housing programs. FMRs estimate the cost of rent and utilities, other than telephone service. FMRs are currently set at the 40th percentile within an area. In other words, the FMR is the cost below which 40 percent of the housing units in an area would rent for less and 60 percent would rent for a higher amount. FMRs are based on the rents paid by households that have moved within the past 15 months.[16]

The California Budget Project compared 1999 FMRs to survey data produced by REALFACTS, a widely used private database research service, for September 1999. The FMR for a two-bedroom unit was below the market rent in 12 of the state's 16 largest counties. In Los Angeles County, the difference was significant. The 1999 FMR for a two-bedroom unit was $749, while in September 1999 the average rent for an apartment with two bedrooms and one bathroom was $881, a gap of $132 or 18 percent. Among the 12 counties where market rents exceeded FMRs, the disparities for two bedroom apartments ranged from a low of 4 percent in San Joaquin County to a high of 75 percent in San Francisco. In recognition of the gap between the FMRs and market rents, HUD recently made a special adjustment to the 2000 FMR for San Francisco.[17] This adjustment increased the FMR for a two-bedroom unit from $1,362 to $2,043.

The disparity between FMRs and market rents is important. When FMRs are significantly below market rents, recipients of Section 8 certificates, which can be used to rent a unit in

[16] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[17] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

the private market, have a difficult time finding a landlord willing to accept their certificate. In areas with particularly tight rental housing markets and rapidly escalating prices, FMRs are likely to underestimate the amount families must pay in order to rent an apartment and underestimate the level of assistance needed to make housing affordable.

Fair Market Rents as Compared to Market Rents

COUNTY	1999 Fair Market Rents	September 1999 Market	Dollar Difference	Percentage Difference
Alameda	$861	$1,056	$195	23%
Contra Costa	$861	$953	$92	11%
Fresno	$506	$459	$(47)	-9%
Kern	$515	$505	$(10)	-2%
Los Angeles	$749	$881	$132	18%
Orange	$871	$940	$69	8%
Riverside	$597	$677	$80	13%
Sacramento	$631	$629	$(2)	0%
San Bernardino	$597	$703	$106	18%
San Diego	$729	$819	$90	12%
San Francisco	$1,167	$2,043	$876	75%
San Joaquin	$592	$617	$25	4%
San Mateo	$1,167	$1,394	$227	19%
Santa Barbara	$878	$816	$(62)	-7%
Santa Clara	$1,139	$1,330	$191	17%
Ventura	$793	$932	$139	18%

Source: RealFacts (September 1999) and US Department of Housing and Urban Development

California is currently home to eight of the 10 most expensive metropolitan areas housing markets in the country. The median home price in the State is more than $100,000 higher than the national median and almost half of California renters cannot fair-market rent on a two-bedroom apartment.[18]

The metropolitan areas with the most severe affordable housing crisis in California-when viewed on the national scale-are Marin County, San Francisco County, San Mateo County, Santa Clara County, Orange County, Oakland, San Luis Obispo, Santa Cruz-Watsonville, Santa Barbara, Los Angeles, Vallejo-Fairfield-Napa, Stockton and Ventura. The counties with the greatest projected growth in terms of average annual housing construction need are: San Diego County, Los Angeles County, San Bernadino County, and Riverside County.[19]

[18] Controller's Quarterly: Housing in California, Spring 2001
[19] "Further Concerns Regarding the Low-Income Housing Crisis in California" by Radha Bhattacharya, Dept. of Economics, California State University, Fullerton April 2001

Statewide, we will need almost one million housing units in the next five years, but we're not producing even half of that.[20]

Demand for Federally Assisted Housing is Intense

A recent survey of twenty local housing authorities found 371,740 families were on waiting lists for Section 8 assistance, more than three times the 104,133 families receiving assistance.[103] The survey found 93,632 families wait listed for 25,268 units of public housing. Moreover, actual demand for housing assistance may be much higher since many agencies periodically close waiting lists to new applicants and some hold lotteries to determine who will be allowed access to the waiting list. The Alameda County Housing Authority, for example, received 15,000 applications for assistance when it opened waiting lists for assistance in August 1999. The Agency then held a lottery to reduce the number of families that would be added to the waiting list to 3,000.[21]

As a result, thousands of families languish on waiting lists for federally supported housing assistance. In the City of Los Angeles, 155,000 names were on the waiting list last year for Section 8 housing assistance; 35,000 families currently receive assistance. There were more than 11,000 families on the waiting list for public housing, with the largest demand for three and four bedroom units. In Fresno, 12,000 families are on the Section 8 waiting list and housing authority officials estimate that the average wait for assistance is four to five years.[22]

Table 6: Counties That Have Lost Affordable Units*

County	Total Units Lost
Alameda	871
Butte	106
Contra Costa	212
Del Norte	60
El Dorado	100
Glenn	10
Imperial	44
Kern	456
Los Angeles	5,394
Merced	50
Monterey	17
Nevada	80
Orange	1,012
Placer	184
Riverside	657
Sacramento	800
San Bernardino	678
San Diego	1,582
San Francisco	126
San Joaquin	66
San Mateo	280
Santa Clara	1,794
Santa Cruz	78
Shasta	90
Solano	317
Sonoma	78
Stanislaus	142
Tulare	64
Ventura	211
Yolo	95
TOTAL UNITS	15,854

* Units with Prepayment Complete and/or Section 8 Terminated
Source: California Housing Partnership Corporation (April 2000)

Loss of Federally Subsidized Housing Threatens to Shrink Supply of Affordable Units Further

Over the past three decades, the federal government has provided assistance to developers of affordable housing in the form of guaranteed rental payments and low cost financing in exchange for a commitment that rents would remain affordable.[104] This arrangement assured property owners rents sufficient to pay debt service and operating costs and provided sorely needed housing for low income families.[23]

Many of the projects built with federal assistance are reaching the expiration dates of their contracts to maintain affordability, putting a significant fraction of California's

[20] "Affordable Housing-Bridging the Gap" by Jan Breidenbach, Controller's Quarterly Spring 2001
[21] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[22] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[23] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

affordable housing stock at risk of conversion to market rate housing as landlords allow these contracts to expire. Moreover, in 1996 Congress restored the rights of owners to prepay their HUD-assisted mortgages, giving property owners in areas with rising rents the ability to refinance and convert to market rents. In the past three years, California has lost more than 15,000 affordable housing units to opt-outs and prepayments, a total of 11 percent of the federally assisted inventory, with most of the losses occurring in Los Angeles, Orange, San Diego, and Santa Clara Counties.[24]

What Types of Subsidized Units are At Risk? [25]

Several federal programs provide assistance to affordable housing developers in exchange for a commitment to maintain affordability. Assistance received by developers of units currently at risk of conversion to market rents includes:

· Below market interest rates ranging from one to three percent and mortgage insurance in exchange for 20-year affordability commitments. As of May 1998, approximately 15,000 units were eligible to convert under the prepayment rights enacted by Congress in 1996.

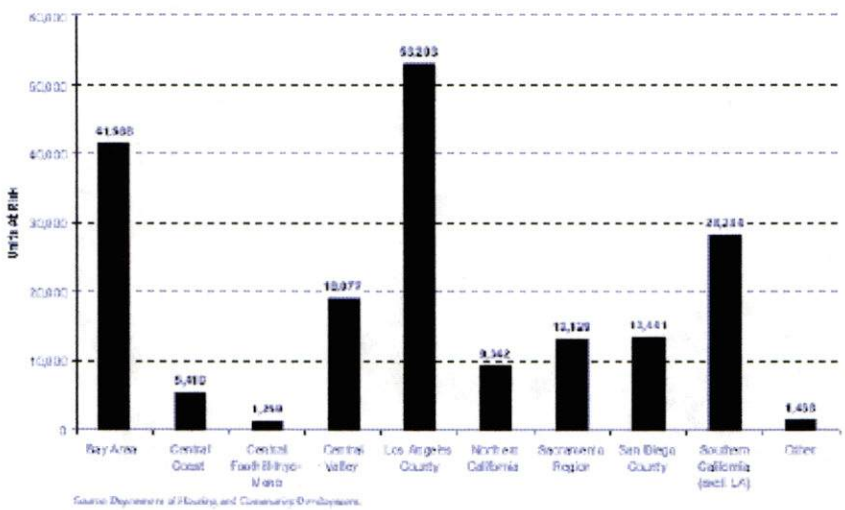
· Project-based subsidies under the Section 8 program whereby the federal government committed to subsidize rents for 15 or 20 years. Under the Section 8 program, tenants pay no more than 30 percent of their income for rent. The average income of California Section 8 participants is approximately $10,000 per year and over 40 percent of the program's participants are elderly or disabled. Nearly 100,000 units are at risk of conversion over the next six years.

· Housing financed with the proceeds of tax-exempt bonds. California, like other states, issues tax-exempt bonds to finance housing construction. Most of the housing financed by tax-exempt bonds serves a mix of incomes, placing these units at particular risk for conversion. Approximately 28,000 units of bond financed housing are at risk of conversion to market rents.

The state Department of Housing and Community Development (HCD) estimates that more than 180,000 units may be at risk of conversion from affordable to market rents over the next decade. Already, some units judged at low risk of conversion based on the type of subsidy received, location of the property, and owner, have been converted to market rate rents. Without governmental action, property owners are likely to convert these units to market rents over the next few years, displacing existing tenants who will be unable to shoulder the burden of significantly increased rents.[26]

[24] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[25] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000
[26] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

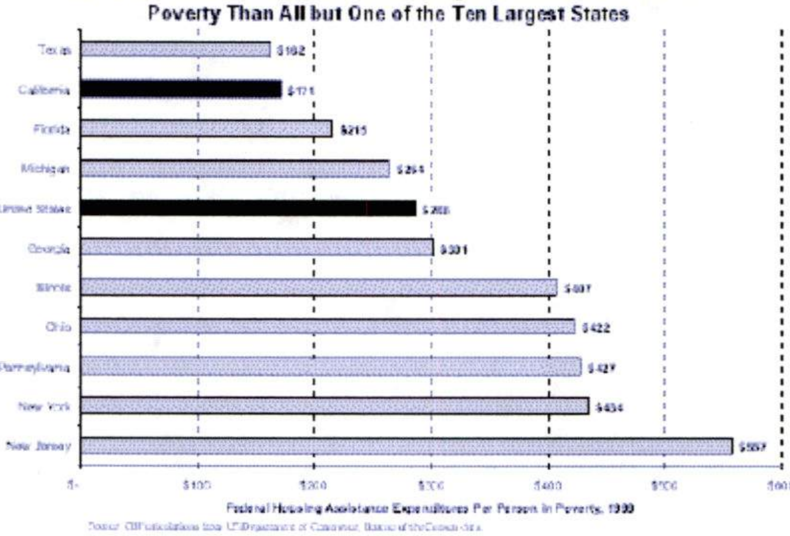
Affordable Units At Risk in California



Homeless

By definition, the homeless face the most severe housing crisis. The state Department of Housing and Community Development (HCD) estimated that 361,000 Californians, just over one out every hundred (1.1 percent), were homeless in 1996-1997. Most of the state's homeless are concentrated in Los Angeles, San Francisco, Sacramento, and the Central Valley region. One out of every twenty-five residents of San Francisco (4.0 percent) was without a home in 1996-97.

California Receives Less Federal Housing Assistance Per Person in Poverty Than All but One of the Ten Largest States



Strategies
In her Spring 2001 Quarterly Report, State Controller, Kathleen Connell States:

> With an annual deficit of about 100,000 units per year and only one home being created for every 3.5 new jobs in the State, California's housing situation poses a real and immediate threat to the well being of California's otherwise healthy economy. The solution to this problem will have to be multi-faceted. At the local level, we will need zoning and land-use policies that accommodate more housing and higher densities. We will have to take back slum housing for rehabilitation into decent and safe housing that will revitalize our blighted communities. We will need to fund the production of affordable units and expedite the construction of market-rate housing. Finally, we will need meaningful reform of our State fiscal system that disincentivized local governments from building housing for over twenty years.

California Needs a Renewed Commitment to Affordable Housing

Public policies — at all levels of government — can play a significant role in addressing the state's current housing crisis:[27]

- ***Increase the Federal Government's Commitment to Housing.*** A renewed federal commitment to affordable housing including additional financial support is essential to solving California's housing crisis.
- ***Use Existing Resources for Affordable Housing More Effectively.*** While additional resources are clearly needed to address the crisis, more housing could be built by using existing resources more efficiently. Steps that could be taken include targeting redevelopment funds to worst case needs and ensuring the housing set-asides are spent on a timely basis; increasing coordination and collaboration between the state's multiple housing programs; enforcing local "fair share" requirements to ensure that local communities meet the demand for housing at all income levels; and reforming the structure of local government finance to minimize the fiscal disincentives to residential development.
- ***Increase State Support for Housing.*** California's affordable housing crisis will only be addressed through an increased commitment of public resources. The state's strong fiscal condition offers the opportunity to make major investments that will benefit California's families and communities in the decades to come. Potential sources of state support include: increased support through the annual budget; using one time moneys to endow the state's housing trust fund; and placing an affordable housing bond measure before state voters.

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[27] Locked Out: California's Affordable Housing Crisis, California Budget Project May 2000

Santa Clara County

San Jose ranks fifth as one of the nation's most expensive housing markets and second as the least affordable metropolitan statistical area in the US.[28]

Only 16% of houses in Silicon Valley are affordable for households earning the median income, down from 31% in 1999. This contrasts with the national average of 60%.[29]

In 1999, only 37% of Silicon Valley houses were affordable for households with a median income, down from 38% in 1998. This number contrasts with the national average of 68%.[30]

By the year 2004, Santa Clara County will witness the creation of 32,000 new jobs in the traditionally low-wage food service and building maintenance industries and the retail sector.[31]

Last year, the Santa Clara County vacancy rate fell to a three year low of 1.1%, while apartment rental costs have soared by 61 % over the last three years.[32] Rents have jumped more than 60 percent in the past five years in Santa Clara and San Mateo counties and more than 50 percent in Alameda County.[33] Though high-income residents are able to "compete" for rental housing, moderate and low-income families are not. [34]

Today, nearly 90,000 Santa Clara County residents pay more than 30% of their incomes in rent. 43,000 residents pay more than half their income in rent.[35]

From 1997-2000, median home prices in Santa Clara County skyrocketed from $311,146 to $ 513,950: an increase of 65%.[36]

Santa Clara County has the fifth highest percentage in California of housing likely to contain significant amounts of lead, at 60,621 units. An estimated 10 percent of housing in Santa Clara County is "substandard": a category that includes units built before 1940 and structures with inadequate plumbing, heating, or sewage disposal.[37]

Faced with an average monthly rent of $1,760 for a one-bedroom apartment in the county, a beginning teacher earning $40,500 would have to devote 73% of her take-hone pay to rent.[38]

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[28] Further Concerns Regarding the Low-Income Housing Crisis in California" by Radha Bhattacharya, Dept. of Economics, California State University, Fullerton April 2001
[29] Joint Venture's 2001 Index of Silicon Valley
[30] Joint Venture's 2000 Index of Silicon Valley
[31] Everyone's Valley, Working Partnerships USA June 2001
[32] Everyone's Valley, Working Partnerships USA June 2001
[33] Silicon Valley Projections 2000, Silicon Valley Manufacturing Group
[34] Everyone's Valley, Working Partnerships USA June 2001
[35] Everyone's Valley, Working Partnerships USA June 2001
[36] Everyone's Valley, Working Partnerships USA June 2001
[37] Ibid.
[38] Everyone's Valley, Working Partnerships USA June 2001

In San Jose, a minimum wage worker would have to work 175 hours per week to afford a 2-bedroom apartment.[39]

Excerpts from Santa Clara County Collaborative on Affordable Housing and Homeless Issues' Five Year Plan:

> The severe deficit of affordable housing is the major reason that annually there are 20,000 episodes of homelessness in Santa Clara County. This problem has its roots in the County has its roots in the huge housing/jobs imbalance where for every four jobs created in San Jose, only 1 new housing unit is built. The Association of Bay Area Governments 1995-2020 Forecast Period shows a countywide deficit between housing unit supply and projected household growth of 35,180 units.
>
> This situation is exacerbated be the gap in income between those who are most well off in the County and those who are just scraping by. Even as some make just over minimum wage, others in the County are extremely prosperous, giving Santa Clara County a median monthly family income of $7,636, nearly $3,000 more than the median for California. This combination of prosperity limited to select sectors of the population coupled with the continually growing imbalance between housing supply and demand has created a housing market in which many are simply not able to compete. The fair market monthly rents for the year 2001 in the County is expected to be $928 for a studio, $1,058 for a one bedroom unit, $1,308 for a two bedroom unit, and $1,792 for a three bedroom unit. The median house price in San Jose is $485,000 and for a condominium it's $295,000.
>
> A person in Santa Clara county needs to earn $20.35 an hour to rent a one bedroom apartment at fair market rent; yet the incomes of the bottom third of Silicon Valley workers is only $10.54, 11% less than in 1989.

What do experts predict about the housing market?

"It feels to me like the market has crested." Brad Inman, CEO, HomeGain quoted in San Francisco Magazine, November 2000

"As long as salaries go up and some home buyers can pay cash for homes, prices will go up" Ira Serkes, coauthor of <u>How to Buy a House in California</u>, quoted in San Francisco Magazine, November 2000

"Once jobs begin leaving, home prices will moderate." Leslie Appleton-Young, Chief Economist, California Association of Realtors, quoted in San Francisco magazine, November 2000

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[39] "Further Concerns Regarding the Low-Income Housing Crisis in California" by Radha Bhattacharya, Dept. of Economics, California State University, Fullerton April 2001

The average price of a home in Santa Clara County is now an astounding \$560,550. The annual base salary of a police officer in San Jose is \$51,272; the base income of a firefighter in the same region is \$32,000. A few mathematical calculations add up to the unhappy conclusion that public safety officers simply cannot afford to live in the communities they serve. Although Santa Clara County encompasses one of California's most extreme examples of today's record housing prices, the salaries of police officers and firefighters throughout the state are inadequate to buy homes in higher-priced urban areas.[210]

The median price of homes sold in Santa Clara and San Mateo counties dropped slightly in May, the first time in several years that the prices fell compared with the previous year. The number of homes sold continued a six-month decline-down 16 percent in Santa Clara County and 14 percent in the Bay Area as a whole. [211]

The median price of an existing single-family home sold in Santa Clara County fell to \$473,000 in May, down 0.2 percent compared with May 2000, according to Data Quick Information Systems. It's the first time since June 1994 that the county's median price has fallen compared with the same month in the previous year. Last month's median price also is a decline of 5.4 percent from April.[212]

Strategies

Inclusionary zoning in the Mid-Coyote Valley and other infill areas would create coordinated programs, imposing obligations on both the public sector and developers, to create housing that's affordable for families and profitable to business. Approximately 8,600 units of additional housing, including thousands of units for extremely low and very low-income families, could be developed at a cost of \$1.2 billion.[213]

A housing "superfund" can be created to finance new affordable developments. This "superfund" would be composed of revenue generated through a temporary increase in the sales tax or the issuance of general obligation bonds. When combined with other available funds, commitments from developers, and capital generated by a marginal increase in the percentage of redevelopment agency funds allocated to housing, the "superfund" could underwrite the cost of the entire inclusionary zoning program. [214]

Strengthening the rights of area renters is essential to protect the existing supply of affordable housing from gradually being transformed to costlier units. This could be achieved by improving Silicon Valley's current rent control measures, enacting rent control in communities lacking protections, and establishing safeguards against unjust evictions.[215]

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[210] "Housing for Public Safety" by Assemblywoman Rebecca Cohn, Controller's Quarterly Spring 2001
[211] San Jose Mercury News, June 26, 2001
[212] San Jose Mercury News, June 26, 2001
[213] Everyone's Valley, Working Partnerships USA June 2001
[214] Everyone's Valley, Working Partnerships USA June 2001
[215] Everyone's Valley, Working Partnerships USA June 2001

SANTA CLARA COUNTY HOUSING TASK FORCE:

AFFORDABLE HOUSING:
SUPPLEMENTAL MATERIALS

4 PROPOSED SOLUTIONS TO LOW INCOME HOUSING AFFORDABILITY

The worsening of the affordable housing shortage in the case of low-income households directly stems from 2 reasons: a drop in the number of unsubsidized low-cost rental housing units in the private market and a growing number of low-income renter households. The latter occurred because disproportionately more jobs that were created in certain areas in California were low-income jobs. The first part of this chapter (Section 4.1) presents Steps that State policy makers can take to insure that the solution to middle-income hosing affordability does not make low-income affordability worse. The second part of this chapter (Section 4.2) presents the case study of the Housing Trust of Santa Clara County (HTSCC).

4.1 Steps That State Policy Makers and Housing Personnel Can Take

Density: Raising the development capacity of existing sites increases the overall potential supply of housing by making more intensive use of available land. Higher densities can improve the affordability of housing because per unit land costs are lower and construction can be performed more efficiently. Density increases near employment centers and transit nodes can also help to alleviate automobile congestion. Many counties have incorporated these "Smart Growth" policies in their consolidated plans. Communities can adopt zoning and/or subdivision regulations to allow a "density bonus" above that which is normally permitted on the site in exchange for the provision of some below market rate housing units. Local authorities could enhance compatibility between the new higher density development and existing development and focus public debate on the actual appearance and effect of new housing rather than arbitrary density numbers.

Inclusionary Zoning: Inclusionary zoning stipulates a minimum percentage of low- and moderate-income housing in new developments. Inclusionary programs are based on mandatory requirements or on development incentives, such as density bonuses. The establishment of inclusionary zoning does not depend on State or Federal subsidies or the direct involvement of outside agencies. It is a local requirement under local control. If a jurisdiction is attempting to alleviate the acute housing shortage for low- to moderate-income households through zoning, inclusionary zoning is a good choice.

Office/Housing Linkage Programs: Some communities with a housing crisis have found it necessary to require new industrial, commercial, and office development to aid in the development of housing. In a linkage program, project approval is conditional with the applicant either directly providing market rate and/or affordable housing, or paying in-lieu fees for housing purposes. Linkage programs can be mandatory in which all new non-residential development must devote, or pay in-lieu fees, a percentage of their development to affordable housing. Cities experiencing large-scale employment growth can use linkage programs to mitigate the impact of new jobs on the local housing market or community as a whole. Some housing authorities doubt the merits of this approach; they favor the "carrot" approach rather than a "stick" approach.[10]

Rezoning Vacant Land for Residential Use: Many areas in Southern California and the Bay Area have a shortage of land designated for residential use and a surplus of land set aside for commercial, office, and industrial use. Politically, changing the general plan and rezoning surplus industrial and/or commercial land can be an effective way to make a significant amount of land available for housing. In addition, underutilized agricultural land and surplus land owned by public entities can be rezoned for residential use. Many communities own land: unused school sites, surplus public properties, and even the air rights of parking lots. All have the potential to house a new residential development.

Mixed Use: In contrast to conventional single use development, mixed use development of a tract of land or structure combines residential uses with one or more other uses such as office, retail, public, entertainment, or even manufacturing. Mixing uses often requires changes to the zoning ordinance or planned unit development regulations. To encourage housing, a community can allow residential uses in commercial areas and other non-residential zones, especially downtowns, thereby creating multi-use areas.

Infill: Infill development occurs on sites that have been bypassed by previous development. Utilities and other infrastructure typically already serve infill sites; this can reduce the front-end costs of development. These sites are often well suited to multiple family projects, as more units offset higher land costs and make housing more affordable

Landbanking: The development of affordable housing depends, to a large degree on the availability of a site. Landbanking is a technique whereby a city or county, in anticipation of future development, acquires vacant land or underutilized sites at a lower cost or before it comes on the market. State law gives local governments, and non-profits, priority in the purchase of surplus land. When resold or leased to a developer, restrictions for the development of affordable housing can apply.

Growth Control Exemptions: Many jurisdictions have enacted ordinances to control their growth. They may do this by limiting the number of building permits that can be issued each year, limiting growth in specific areas or corridors and encouraging it in others, or restricting major development until certain infrastructure performance standards are being achieved. Although removing these growth limits may be the most effective way to improve overall affordability, the growth control criteria by which projects are permitted can be designed in such a way as to encourage certain types of affordable housing.

Adaptive Reuse: The conversion of outmoded buildings such as old school buildings, train stations, warehouses, factories, and other industrial buildings, can provide the opportunity for new residential uses within a community. [11]

Self-Help Housing: Self-help, or sweat equity, housing enables potential homeowners to build up credit for a down payment on a home by contributing their labor to the construction or renovation. California Housing Finance Agency (CHFA) finances self-help housing by providing below market bond financing for mortgages on homes in urban areas. The Farmers Home Administration Mutual Self-Help Housing program has sponsored many rural projects.

Factory-Built Housing: Factory-built houses are the least expensive to construct. Once built, these prefabricated houses blend with custom housing. Manufactured housing are factory built mobile homes built to the HUD mobile home standards.

Mobile Home Park Preservation: The preservation of mobile home parks allows a community to protect a valuable source of usually irreplaceable affordable housing.

Senior Housing: Typical techniques to meet the housing needs of the elderly include: smaller attached or detached housing for independent living (both market rate and affordable); second units; homesharing for those who wish to stay in their homes; age-restricted, below market rate rental projects; congregate care facilities; lifecare facilities (similar to congregate care, but where occupants own their own condominium or cooperative unit); residential care homes licensed by the State; and skilled nursing homes.

Single Room Occupancy Hotel: Formerly homeless people often find SROs an affordable entry point into the housing market. The availability of low-cost SROs can also protect some people from becoming homeless.

Streamlining Procedures: Recognizing that administrative delay adds to development costs, jurisdictions have reviewed and streamlined their land use and development procedures. The intent is to simplify and coordinate the means of obtaining rezonings, use permits, subdivisions, approval of design and engineering plans, and building permits.

PATH: The energy costs of housing are among the most controllable factors affecting housing affordability. High utility or energy costs could be the final factor that forces a family into homelessness. (Especially considering the current "energy crisis that California faces.) The Partnership for Advancing Technology in Housing (PATH), reduces the cost of building and operating homes by helping to speed the adoption of new technologies in building as well as in saving energy. PATH homes lead to a 20% reduction in the purchase price of a home.

Effective Use of Local Resources for Affordable Housing: Private sources of financing and funding are available, and growing. Foundations, banks, savings & loans, and private investors have become much more active in assisting in the development of affordable housing. California voters have passed several bond measures to fund rehabilitation and construction of a significant amount of affordable housing.

Municipal bonds put the power of public finance to work for affordable housing. Because the holders of municipal bonds pay no taxes on the interest they receive, local bonds have lower interest rates than conventional financing. Local governments can also apply other financing tools to assist in residential development.

State Funding has been given a boost by the passage of two bond measures to make available $450 million statewide for new construction and rehabilitation of affordable housing. Private Resources are available from banks and savings and loans as well as private investors. Commitments to the community, Federal regulations, and the tax code have helped create several financing and subsidy sources for the development of affordable housing.

Package and Advertise Information on HomeBuyer Assistance and Low Cost Rentals: Lack of knowledge of all programs and resources is a final barrier to home ownership. Housing Authorities should have homeownership fairs, seminars and trainings have greatly assisted would be purchasers in sifting through the glut of data and claims made by lenders.[12]

Expand City-County Partnerships: Many cities have established redevelopment areas. Under State law, 20% of gross redevelopment revenues must be set aside into a low-income housing fund (LIHF) and be spent on eligible housing activities. Many cities have substantial funds that have not yet been allocated or encumbered. If counties enter into partnerships with such cities to encourage rehabilitation, new construction or homeownership within an incorporated city, the county should expect to leverage that city's resources in the following ways.

- Counties should undertake efforts to identify all surplus county-owned property with the intention of selling or leasing the land for affordable housing projects, where appropriate and feasible.

- Encourage development of affordable housing on parcels located in the unincorporated areas of the county where land may be cheaper.
- Donate, selling or leasing land at a significant discount when the land is being used for development of affordable housing

The proposed *Affordable Housing Strategy*, 1999, mentions several guiding principles for Orange County. Many of these principles have a general appeal that could be used as general guidelines [13]:

- Given limited resources, do not compete with the private sector.
- Coordinate county efforts in support of city efforts.
- Stimulate activities that would otherwise not occur.
- Help those who are attempting to help themselves
- Help with a hand-up, not with a handout.
- Tackle problems affecting communities, not just individuals.
- Focus on lending, not granting.
- Focus on leveraging other resources, not duplicating them.
- Focus on roles that utilize the strengths of other institutions such as lenders' expertise.
- Focus on efficiency, for example, use Section 8 operating reserves more efficiently.
- Reducing program administration costs by linking programs and designating one lead agency.
- Keep approaches as simple as possible and fill in gaps.
- Maximize the efficiency of housing authority by having outside firms handle routine tasks such as origination, servicing, monitoring, and on-going marketing.

- Reverse neighborhood decline in targeted unincorporated islands in a coordinated effort to encourage their annexation.
- Provide 3 options for loan subsidy approaches to owners who are willing to maintain their rents at affordable levels for 10 years. This will reverse neighborhood decline.

  Option 1: Offer interest write-down grants through existing financial institutions for qualifying rental properties, and market the program jointly with participating lenders. HUD has studied rental programs around the country, and found that this strategy can lead to a high level of efficiency and leverage. The loan would be due in full, possibly with a penalty or higher interest rate, if rents rise above affordable levels. Market the low interest loans jointly with lenders.

  Option 2: The County provides direct second loans to qualifying apartment builders. The second loan would be on a residual receipts basis and forgivable, a tenth at a time, over ten years. Rents would be capped at affordable levels for these 10 years. The county would monitor performance in al these cases.

  Option 3: Set up a loss reserve program. The housing authority would deposit a sum with lenders to be held as a reserve for losses on a second mortgage. Lenders would make loans for needed rehabilitation to qualifying apartment owners. Rents would be limited for 10 years at affordable levels with penalties for non-compliance HOME and redevelopment funds can be used for rental rehabilitation efforts.

4.2 Case Study—Housing Trust of Santa Clara County

Santa Clara County – the heart of the booming Silicon Valley – faces a severe crisis of affordable housing. In Silicon Valley, you are at the poverty level if you are making providing skills, services and opportunities for families to move up and out of poverty.[18] Wheeler Creek embraces the best in Smart Growth policies: infill development, attacking blight, creating open space and encouraging economic development. [19, 20]

5 SPECIFIC POLICY SUGGESTIONS

Considering that in many areas of the state there is a crisis in middle-income housing affordability, the following policy suggestions have been proposed to assist in developing greater low-income housing assistance:

- *Correct counter productive regulations.* The State's housing element approval process has imposed unanticipated constraints on the ability of local governments to jointly respond to affordable housing opportunities. The State Housing and Community Development Department (HCD) is required by law to review each jurisdiction's Housing Element and find it either in or out of compliance with State law. State law requires that each individual community provide the full array of affordable housing development resources (developable land, financing, voter approval, etc.) Given the drive toward regional planning for regional housing needs, it has been a counter productive policy.
- *Correct the number of barriers to low-income housing development that are present in Article 34 of the California Constitution.* Article 34 requires local voter approval of low-income housing developments when units are to be publicly owned, or privately owned but financed by public agencies, and more than 49% of the units are reserved for low-income occupancy. New legislation should require jurisdictions to ensure compatibility of new construction with the character and scale of the surrounding neighborhood. With

this in place, legislation could seek to amend Article 34 so to make it more favorable to development of affordable housing.[21]

- *Revise State guidelines to permit a comprehensive approach to meeting the housing needs of agriculture workers.* State guidelines for agricultural worker housing have restricted the ability of local jurisdictions to use available funding. The agricultural worker population is general engaged in work on a permanent year round basis, as opposed to primarily seasonal or migratory. State funds for agriculture worker housing are devoted solely to the needs of migratory workers.
- *Remove the inconsistencies in CDBG.* Such things as five-year plans vs. one year allocations.
- *Remove CDBG restrains that prohibit the involvement of for-profit housing developers.*
- *Try to change the Davis-Bacon prevailing wage requirements that are incompatible with requirements regarding the use of community based contractors.*
- *Remove inconsistencies between State and Federal laws that restrict development of low to moderate-income housing in California.* For example, in rehabilitation program standards. NEPA (Federal) requires referral of all construction projects to the state office of historic preservation. State Law (CEQA) only requires such referral when the property or any existing structure appears on local, state or Federal historic registers. The extra time (minimum of 30 days) and the amount of unnecessary paper work involved in referring properties with no historical value to the state office of historic preservation, creates unnecessary delays in projects and increases overall cost, thus decreases the affordability of the units being considered.

- *Recognize that Federal procurement standards conflict with some California County standards and add to the cost of new housing units.*
- *Seek assurance from HUD about the continuity of Section 8.* This would allow landlords to be assured that their developments receive a steady flow of income.
- *Increase the percentage of Section 8 certificate allotment that could be converted to project-based Section 8.* (Currently it is upto 15%). County supported developments could use project based section 8 subsidy in a project based to build more affordable housing units.
- *Do not cap the length of the Section 8 subsidy in the short term.* This limits the ability to use it creatively as leverage.
- *Waive the collection of impact fees or development fees.* In a recent study conducted by the Public Policy Institute of California, the researchers found that fees imposed on new construction are significant, typically falling in the range of $20,000 to $30,000 per dwelling. [22] Traditionally, cities and counties have used property taxes to finance infrastructure—such as roads, schools, and parks—for residential development. In turn, new residents, through their property taxes, would help finance infrastructure for others in the future. Proposition 13, enacted in 1978, limits the increase in property tax that homeowners pay. The financing of infrastructure for new homes in California is no longer shared by all property owners in a community, but is borne instead, in different degrees, by developers and new home buyers. If state funds are not used, local governments have only two alternatives: bonds or exactions. Exactions are payments made by a developer to local governments for the right to proceed with a project. Exactions can include development fees, the dedication of public land, the construction

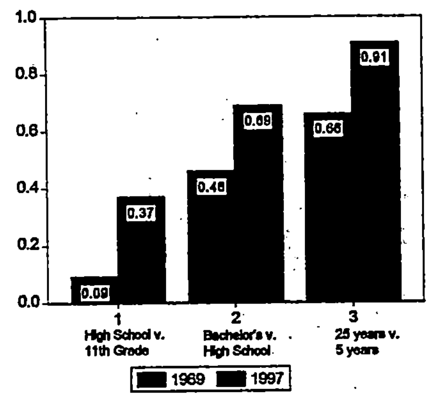
or maintenance of public infrastructure, or the provision of public services. Impact fees raise the cost of building a home. Developers then tend to focus on building expensive homes in order to be able to recoup the development fees.[23] During times of economic boom, such as now, counties are flush with property tax revenue that results from resale of property. Counties can allocate this revenue for infrastructure development so that the use of development fees can be minimized.

- *Provide financing for the construction of new schools*[24]. Until the mid-1980s, only cities and counties could impose development fees, including school fees. In 1986, the legislature authorized school districts to impose their own fees on new construction. Although school fees were capped, based on the square footage of the new development, subsequent court decisions have ruled that the fee limits apply only to fees levied by school districts and not to those imposed by cities and counties. This leads to the possibility that some communities will increase their use of development fees, which in many cases are already substantial. Cities and counties will continue to rely on development fees and exactions unless some other source of funding is provided, especially for the construction of schools. Financing mechanisms that could be harnessed to distribute the burden across the public include state general fund subsidies, as well as state and local general obligation bonds.[25]
- *Try to reduce the widening gap between rich and poor in California.* According to a recent study conducted by Public Policy Institute of California, the widening gap between the rich and poor in California results from not only from rising income among those in the higher income levels, but also from a substantial decline in income among those in the mid to lowest levels of income distribution.[26] In 1969, a native male with a

Bachelor's degree earned 48% more than that earned by a worker without a bachelor's degree. In 1997, the return to a Bachelor's degree was to 69% higher. Figure 8 below shows that the returns to experience have also grown over the past 30 years. In 1969, a native worker with 25 years of experience earned 68% more than native worker with 5 years of experience, and by 1997 he was earning 91% more.

Figure 8

Returns to Education and Experience for Native Males, 1969 and 1997



Source: Public Policy Institute of California, Research Brief.

The study notes that a major reason for the increase in income inequality is the change in the returns to education. The latter results from more from falling wages for men at the bottom of the distribution than for increases for men at the top. The more recent phenomenon of the boom in the hi-tech sector and shortage of computer programmers have caused wages of skilled workers to increase phenomenally and further widen this gap.

One major factor in California, in contrast to the rest of the nation, responsible for the rising income inequality is that the proportion of immigrants in the State's workforce has grown considerably and this has been concentrated at the bottom and lower-middle of the income distribution.

Income inequality can be attributed to the sharp fall in the wages of workers (Reed, *et. al*) with a high school diploma and less. Public policy should increase public awareness of the importance of a good K-12 education followed by entry into college. There is also a need to enhance computer related skills in today's hi-tech world. This can be done at community colleges and IT centers.

Betts notes that California does not have a geographically homogeneous market. Among the areas with the largest spread in earnings between workers with a high school diploma and workers with other education levels were the Los Angeles, Orange County, and the Central Valley Regions.

An important policy concern is the low educational attainment of immigrants living in California. The study done by Betts at the Public Policy Institute of California notes that about three fourths of immigrants in California have permanently ended their schooling before entering the US. Legislation should focus on offering training programs that can help adult immigrants who have not graduated form high school.

- *Enact legislation to favor the retention of skilled workers in California.* It is important that California continue to attract skilled workers. About half of the State's college educated workers come from other states and counties (Betts, 2000). [27] The State needs to undertake policies to ensure that California can continue to attract students and skill from elsewhere. Some of the State's universities face high costs of housing. A recent article in the *Orange County Register* on November 25, 2000 noted that Stanford officials worry that if the campus cannot expand some of the universities 14,000 students and 1,640 faculty will be priced out of the area. The current housing crunch in the Silicon Valley area is adding pressure on them to expand into the hillside. The university wants to build more than 3,000 additional low cost housing units on campus in the next decades to ease the strain on students and staff. They are at a competitive disadvantage with their peer schools because people cannot afford the rents in Palo Alto. A Santa Clara County supervisor wants them to remain undeveloped for the next 99 years. Environmentalists are demanding permanent protection of 1,000 acres of green land, home to the threatened tiger salamander. This issue is currently under consideration by Santa Clara County.

- *Reduce litigation and regulations that especially affect the construction of multi-family housing.*
- *Encourage the formation of housing trust funds similar to what exists in Silicon Valley.* Housing Trust Funds can act as catalysts and promote comprehensive regional solutions in a coordinated framework.
- *Work to increase the Federal government's commitment to housing assistance.* A recent report, *Raising the Roof*, extrapolates future affordable housing needs. According to this report, the number of low-income households needing some form of housing assistance could increase by 1.3 million by 2020 if, the number of California households grows to 16.2 million by 2020, and if the current percentage of households who are both low-income and are over-paying for housing remains constant. If there is no corresponding increase in housing assistance levels, total unmet affordable housing needs in the State will rise to about 3.7 million units in 2020. The report notes that affordable housing needs track with rents. So, a slowdown in rental housing production will cause rents and therefore affordable housing needs to rise. In light of these findings and the findings of the California's Budget Project, it appears that a renewed Federal commitment to

affordable housing including additional financial support is essential to solving California's housing crisis.

- *Generate increased State support for housing affordability.* California's affordable housing crisis cannot be addressed without an increased commitment of public resources from the State. Potential sources of State support include: continued support through the annual budget; using one time moneys to endow the State's housing trust fund and other housing trust funds in crisis areas; and placing an affordable housing bond measure before State voters.

Conclusion

Since public funding either at the Federal level or at the State level is generally scarce and has several competing uses, policy measures should first focus on the other solutions that are outlined above and are geared towards:

- easing regulation,
- providing more opportunity for local jurisdictions to act in a coordinated manner,
- allowing jurisdictions to leverage scarce financial resources more effectively,
- removing distortions in California tax policies that encourage commercial use as opposed to residential use, and
- diminishing the wage gap between skilled and unskilled workers.

Given the scarcity of developable land in key metropolitan areas, and the general scarcity of funds for affordable housing, the measures discussed in the report can help alleviate the low-income housing crisis, without having to divert resources from middle-income affordability.

GOAL 8: LIVABLE COMMUNITIES We create vibrant communities where housing, employment, places of worship, parks and services are located together, and are all linked by transit and other alternatives to driving alone.

37% of New Housing, 32% of New Jobs Are Located Near Transit

WHY IS THIS IMPORTANT?

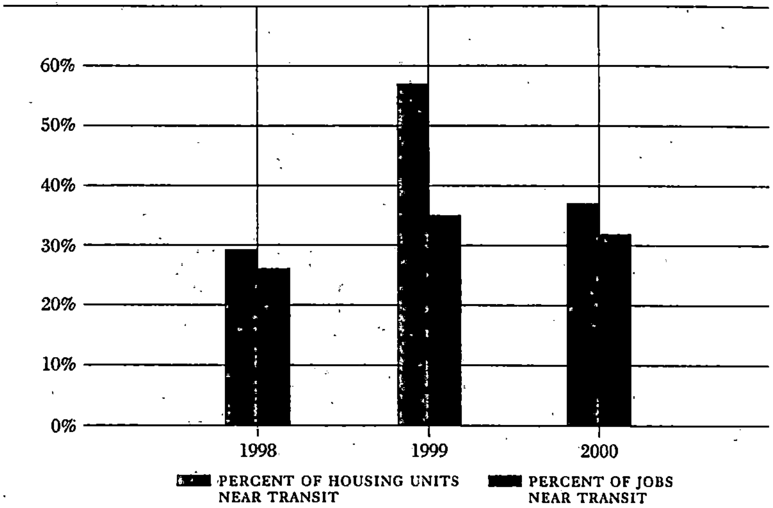
Focusing new economic and housing development near rail stations and major bus corridors reinforces the creation of compact, walkable communities linked by transit. This helps to reduce traffic congestion on Silicon Valley freeways.

HOW ARE WE DOING?

A survey of 25 Silicon Valley cities found that 37% of all new housing units approved in 2000 were located within one-quarter mile of a rail station or major bus corridor. Thirty-two percent of new commercial/industrial developments were also located within one-quarter mile of transit, representing 15,700 potential new jobs.

Approvals near transit declined from the previous year when 57% of new housing units and 35% of new jobs were located near transit.

NEW HOUSING UNITS AND NEW JOBS WITHIN 1/4 MILE OF RAIL STATIONS AND MAJOR BUS CORRIDORS, SILICON VALLEY



Source: Valley Transportation Authority, Congestion Management Program; City Planning Departments

LIVABLE ENVIRONMENT

GOAL 9: HOUSING CHOICES We place a high priority on developing well-designed housing options that are affordable to people of all ages and income levels. We strive for balance between growth in jobs and growth in housing.

Approvals for New Housing Fall by 50%; 1,600 New "Affordable" Units Approved

WHY IS THIS IMPORTANT?

Our economy and community life depend on a broad range of jobs. Building housing that is affordable to lower- and moderate-income households provides access to opportunity and maintains balance in our communities. This indicator measures housing units approved for development by Silicon Valley cities in each fiscal year; this is a more "upstream" measure than actual housing starts.

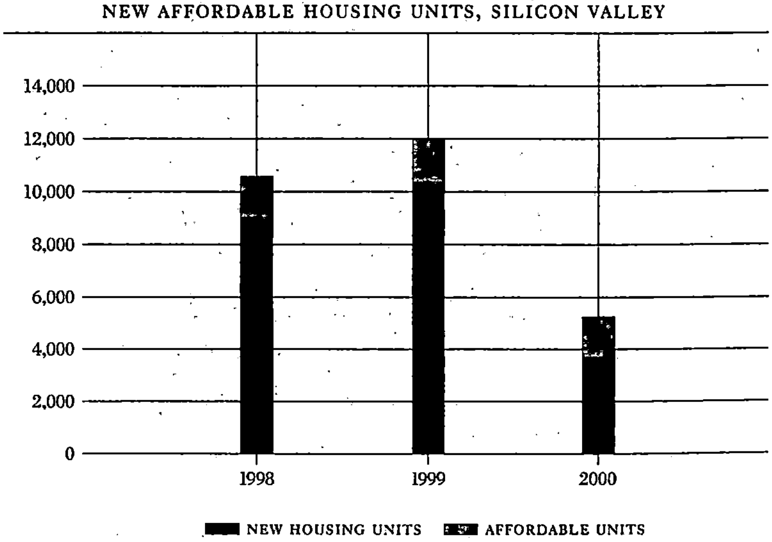
HOW ARE WE DOING?

The number of new housing units approved for development by Silicon Valley cities fell by more than 50%, from 12,060 in fiscal year 1999 to 5,370 in fiscal year 2000.

Despite this overall decrease, the number of new affordable housing units approved remained around 1,600. This number represents 31% of total net new housing units approved.

Affordable rental housing is for households making up to 60% of the median income. These units are primarily developed by nonprofit housing developers or units set aside as "affordable" in market-rate developments.

TOTAL NEW HOUSING UNITS APPROVED, INCLUDING NEW AFFORDABLE HOUSING UNITS, SILICON VALLEY



Source: City Planning Departments

Only 16% of Houses Are Affordable to Median-Income Households; Rents at Turnover Rise 26% in 2000

WHY IS THIS IMPORTANT?

The affordability, variety and location of housing affect a region's ability to maintain a viable economy and high quality of life. Lack of affordable housing in a region encourages longer commutes, which diminish productivity, curtail family time and increase traffic congestion. Lack of affordable housing also restricts the ability of service workers — such as teachers, registered nurses and police officers — to live in the communities in which they work.

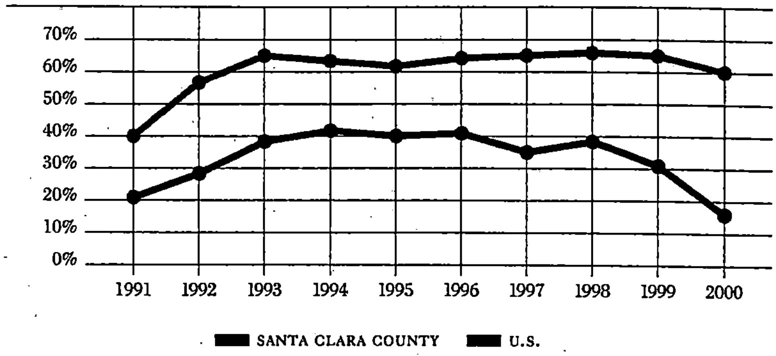
HOW ARE WE DOING?

In 2000, 16% of Santa Clara County houses were affordable for households with the median income, a significant decrease from 31% in 1999. This number contrasts with the national average of 60%. Despite rising home prices, Silicon Valley's home ownership rate of about 60% mirrors the national average for metropolitan areas. Between 1987 and 1999, home ownership rates have ranged from a low of 55% in 1987 to a high of 64% in 1998.

In 2000, average apartment rental rates at turnover increased by 26% in real dollars compared to a 2% increase in median income. The average monthly rent was $1,687 for all types of units. Occupancy rates are at 98.7%, up from 97% in 1999.

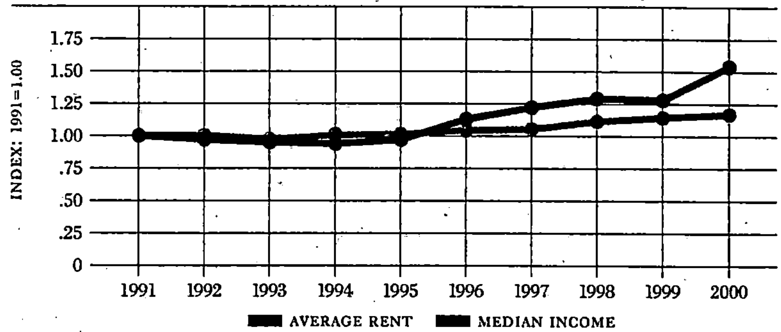
To live in an average one-bedroom apartment in Silicon Valley, a preschool teacher would have to set aside 80% of his or her monthly salary for rent payments. Rent would take up 30% to 38% of monthly pay for public school teachers, police officers and nurses earning average salaries.

PERCENT OF HOUSES AFFORDABLE TO MEDIAN-INCOME HOUSEHOLDS



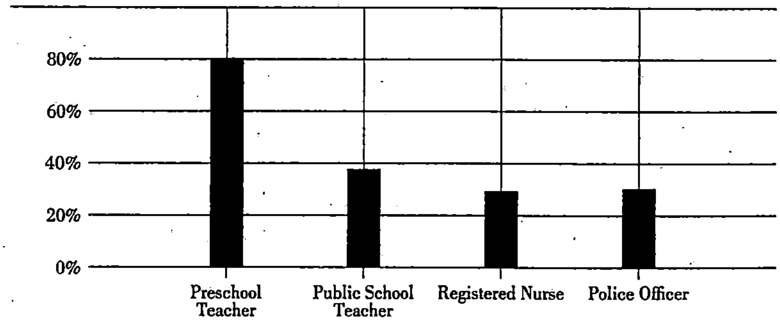
Source: NAHB, Department of Housing and Urban Development

INCREASE IN APARTMENT RENTS AT TURNOVER COMPARED TO INCREASE IN MEDIAN HOUSEHOLD INCOME



Source: NAHB, RealFacts, HUD

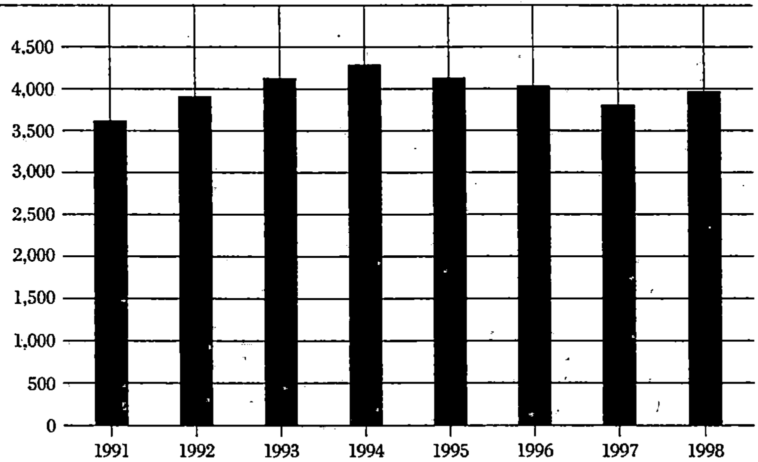
PERCENT OF MONTHLY INCOME TO PAY MEDIAN RENT



Source: RealFacts, Center for Child Care Workforce, California Nurse's Association, California Teacher's Association, Silicon Valley Police and Sheriff Departments

Slight Increase in Engineering Graduates from Local Universities

ENGINEERING DEGREES AWARDED BY UNIVERSITIES SERVING SILICON VALLEY



Source: American Association of Engineering Societies

WHY IS THIS IMPORTANT?

Access to talent is a top factor influencing business location decisions (see Joint Venture's *Internet Cluster Analysis*, 1999.) This indicator shows the potential local pool of engineering talent for technology-based industries.

HOW ARE WE DOING?

The total number of engineering degrees awarded from local universities increased slightly in 1998, from 3,807 to 3,998. Driving this increase was a jump in Masters degrees awarded from 1,621 to 1,935, nearly matching the 1994 high.

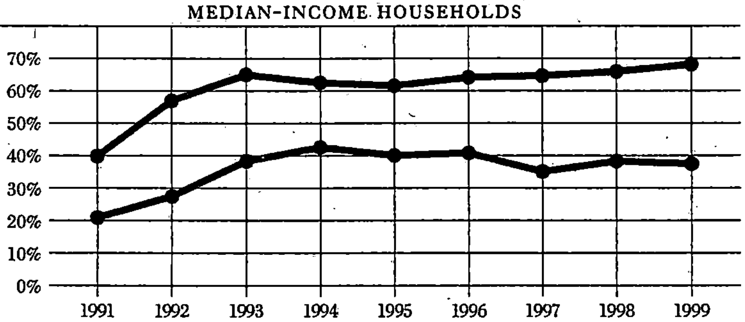
The total number of engineering degrees awarded annually from local universities has decreased 8% from the 1994 high, compared to a 3% decline nationally during the same period.

In 1998, the greatest numbers of degrees were awarded in computer engineering and electrical engineering, 977 and 881 respectively.

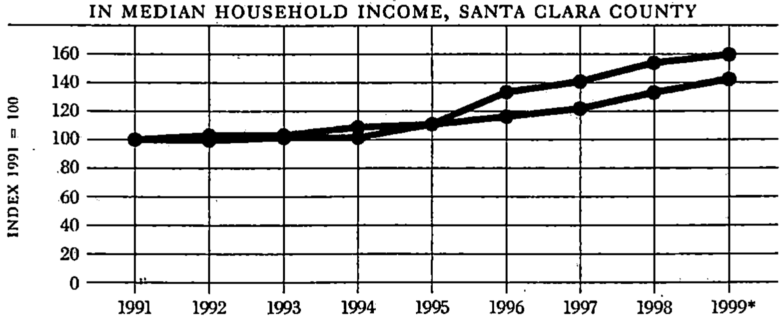
The greatest shift at local schools has been away from electrical engineering degrees (which have declined 21% since 1987) to computer engineering degrees (which have grown 81% since 1987). Asian American students earn 48% of all BS engineering degrees awarded by Silicon Valley engineering programs, Whites earn 37% and Hispanics 6%.

Housing Affordability Declines Slightly; Rental Rates Rise Slowly

PERCENTAGE OF HOUSES AFFORDABLE FOR MEDIAN-INCOME HOUSEHOLDS



INCREASE IN APARTMENT RENTAL RATES COMPARED TO INCREASE IN MEDIAN HOUSEHOLD INCOME, SANTA CLARA COUNTY



Sources: National Association of Home Builders, Realfacts, Department of Housing and Urban Development
*Estimate

WHY IS THIS IMPORTANT?

The affordability, variety and location of housing affect a region's ability to maintain a viable economy and high quality of life. Lack of affordable housing in a region encourages longer commutes, which diminish productivity, curtail family time and increase traffic congestion. Lack of affordable rental housing can cause unsafe occupancy levels and household stress.

HOW ARE WE DOING?

In 1999, 37.6% of Santa Clara County houses were affordable for households with a median income, down from 38.3% in 1998. This number contrasts with the national average of 68.3%.

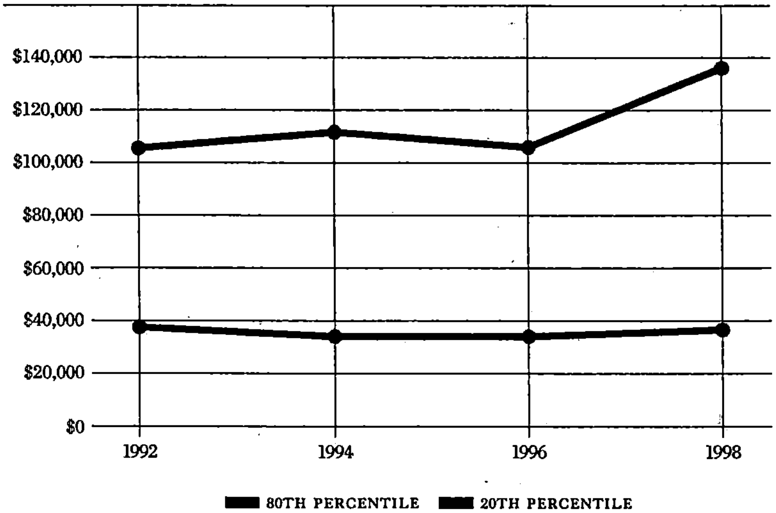
The decline is due to slightly higher interest rates, a slowdown in median income growth and an increase in the median home price of 14% in 1999 to $346,000.

In 1999, average apartment rental rates increased by 4% compared to a 7% increase in median income. The average monthly rent was $1,357. Occupancy rates are at 97%, up from 96% in 1998.

GOAL 3: BROADENED PROSPERITY Our economic growth results in a higher standard of living for lower-income people.

Income of Poorest Households Increases Slightly, but Remains Below 1992 Level

HOUSEHOLD INCOMES OF SANTA CLARA COUNTY RESIDENTS, ADJUSTED TO REPRESENT A HOUSEHOLD OF FOUR, 1998 DOLLARS



Source: Census Bureau

WHY IS THIS IMPORTANT?

This progress measure looks at change in household income at the top 20% and bottom 20% of the income distribution. Household income includes income from wages, investments, Social Security and welfare payments for all people in the household.

Though the data presented are the best available at the regional level, data are derived from an annual sample of as few as 200 households. Thus, these data are more useful for tracking long-term trends rather than specific year-to-year movements.

The indicator compares income available to a representative household at identical points in the distribution over different periods of time (the 80th percentile, the 20th percentile). In fact, over time, specific households and individuals move up and down the distribution. Data on this "mobility" is in the process of being developed at the regional level.

HOW ARE WE DOING?

After remaining at approximately $34,000 during the start of the economic boom (1994–96), inflation-adjusted income of representative households at the lowest 20th percentile of the income distribution has started to rise. Between 1996 and 1998, their household income rose approximately 7.5%. However, the 1998 level of $36,700 remains below the income level earned by the bottom 20% of households in the early 1990s.

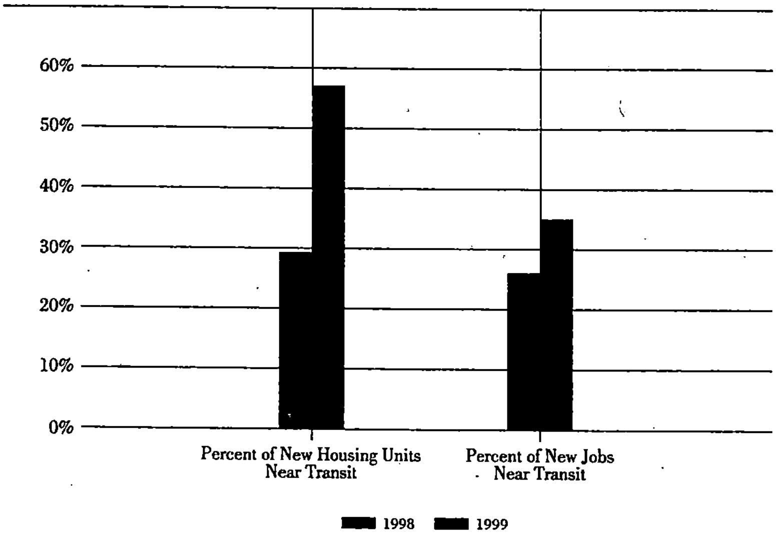
The increase in the lowest 20th percentile follows a national trend where tight labor markets are increasing average wages.

Between 1996 and 1998, inflation-adjusted income of representative households at the 80th percentile increased 28.4%.

GOAL 8: LIVABLE COMMUNITIES We create vibrant communities where housing, employment, places of worship, parks and services are located together and are linked by transit and other alternatives to driving alone.

57% of New Housing, 35% of New Jobs Located Near Transit

NEW HOUSING UNITS AND NEW JOBS WITHIN 1/4 MILE OF RAIL STATIONS AND MAJOR BUS CORRIDORS, SILICON VALLEY



Sources: Center for Urban Analysis, Congestion Management Program/VTA, City Planning Departments

WHY IS THIS IMPORTANT?

Focusing new economic and housing development near rail stations and major bus corridors reinforces the creation of compact, walkable communities linked by transit. This helps to reduce traffic congestion on Silicon Valley freeways.

HOW ARE WE DOING?

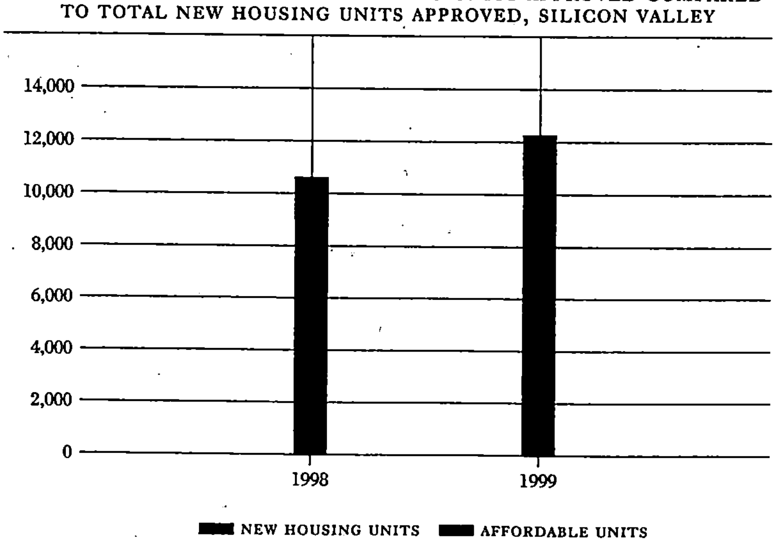
Silicon Valley cities are approving more residential and commercial/industrial development near rail stations and along major bus corridors.

In 1999, 57% of all new housing units approved by Valley cities were on property within one-quarter mile of a rail station or major bus corridor. Thirty-five percent of new commercial/industrial developments were also located within one-quarter mile of transit, representing nearly 18,500 potential new jobs. This compares favorably to the previous year, when 29% of new housing units and 26% of new jobs were located near transit.

GOAL 9: HOUSING CHOICES We place a high priority on developing well-designed housing options that are affordable to people of all ages and income levels. We strive for balance between growth in jobs and growth in housing.

14% of New Housing Is Affordable to Lower-Income Households

NUMBER OF NEW AFFORDABLE HOUSING UNITS APPROVED COMPARED TO TOTAL NEW HOUSING UNITS APPROVED, SILICON VALLEY



Sources: Center for Urban Analysis, Congestion Management Program/VTA, City Planning Departments

WHY IS THIS IMPORTANT?

Our economy and community life depend on a broad range of jobs. Building housing affordable to lower- and moderate-income households provides access to opportunity and maintains balance in our communities.

HOW ARE WE DOING?

In 1999, Silicon Valley cities approved 1,700 new affordable housing units. This number represents 14% of total net new housing units approved (12,200).

Though more units in total were approved, the current year performance represents a slight decline from 1998 when 15% of the 10,600 units approved were affordable.

Affordable rental housing is available to households making up to 60% of the median income. These are primarily units developed by non-profit housing developers, or units set aside as "affordable" in market-rate developments. There are currently 33,000 households on the Santa Clara County Housing Authority's waiting list for affordable housing.

Affordable Housing:
Definitions & Terminology

To determine the need for affordable housing, the population of a geographic area is often divided into the following categories based on household income in relation to the median income for that region:

- Moderate-income **(M)**: 80-120%of the median.
- Low-income **(LI)**: 50-80%of the median.
- Very low-income **(VLI)**: 30-50%of the median.
- Extremely low-income **(ELI)**: 0-30%of the median.

In Silicon Valley*, the median income for the Year 2000 is $87,000. Applying the income categories to this median provides the following ranges:

- **M:** $69,600 - $104,400
- **LI:** $43,500 - $69,600
- **VLI:** $26,100 - $43,500
- **ELI:** $0 - $26,100

"Affordable" housing is commonly defined as housing that costs no more than 30 percent of gross household income.

* "Silicon Valley" is often synonymous with Santa Clara County; in this case, however, the median income figure refers to Santa Clara County and parts of San Mateo, Santa Cruz, and Alameda Counties.

Baseline:
Affordable Housing Needs in Silicon Valley

Shortage of Affordable Units

According to the 1990 Census[1], over 53,000 families-- full one-fifth of San Jose households--are considered ELI or VLI, indicating a major need for affordable housing.

Census data indicate the following specific shortfalls:

ELI	-16,538
VLI	- 9,411
LI	+ 8,988
TOTAL	-16,961

During the last decade, growth in the gap between housing costs and income has dramatically increased. Therefore, the shortage of ELI and VLI units in the 2000 census should be substantially higher.

In fact, The City of San Jose's own pre-census calculations also indicate that from 1999-2006, the need for affordable units will continue to rise[2]:

ELI and VLI units	5,113
LI units	2,345
Total additional 1999-2006	7,458

San Jose's Total need, 1999-2006:
24,419 affordable units

Creating New Housing: Option 1

Inclusionary Zoning

Inclusionary zoning ensures that a portion of the region's housing production is dedicated to creating affordable units. Essentially, inclusionary zoning ordinances, or below market rate (BMR) programs, use municipal authority over land use to require developers to dedicate a percentage of units for moderate-, low-, very low-, or extremely low-income families.

In practice, these measures set an "inclusionary requirement" often ranging between 10 and 30 percent for each development. Some ordinances allow developers to pay an "in-lieu" fee into an affordable housing fund as an alternative to actually building below market rate units.

Cities can create mixed-income communities in a variety of settings by applying inclusionary zoning to developments of single family homes and condominiums, as well as apartment complexes. Although most ordinances require developers to meet the inclusionary requirement only on projects greater than 10 or 20 units, some restrict inclusionary zoning to larger projects of 50 units or more. In order to capitalize on the potential for affordable units in large projects, cities may apply inclusionary zoning to units built on large, so-called "in-fill" sites (vacant or underutilized land in urbanized areas) and land reserves.

Inclusionary zoning ordinances often include a variety of components to assist developers in meeting its requirements. A number of these are listed below:

Density bonuses
This practice allows builders to achieve densities higher than normally accepted in a residential zone. For example, the City of Sunnyvale allows developers to apply for a 15 percent density "bonus" if they provide units below market rate. One recently approved project on Mary Ave. in Sunnyvale expanded from 28 to 32 units as a result of a density bonus[20]. The sale or rental of these "extra" units can help offset the cost to developers of marketing some units at below market-rates.

Fast track
Projects with below market rate units are allowed to move through the city's planning and review process at an accelerated rate, thereby reducing the holding costs to the developer. For example, Monterey County offers an accelerated review process to builders who set aside 25 percent of new units as affordable[21].

Fee waivers
As an incentive to develop below market rate units, fees normally assigned to developments may be reduced or waived entirely. For example, although the City of San Jose has not enacted an inclusionary zoning ordinance, it does waive a number of construction fees, park fund dues and other taxes for affordable housing projects.

Design flexibility

Inclusionary zoning programs may allow a builder greater flexibility in regard to design requirements, such as length of setbacks or parking spaces required per unit. For example, in Montgomery County, Md., flexibility may derive from reduced closet space, unfinished basements, cheaper materials, and off-curb-parking in lieu of covered garages for affordable units.

Direct subsidies

As an added incentive to produce affordable housing, cities may provide direct payments for infrastructure, affordable housing grants or financing at reduced rates. They may also assist developers to secure funds from applicable state programs.

"Inclusionary zoning is in widespread use in California. By 1994, 64 cities and counties in the state had adopted some form of it."

Inclusionary zoning is in widespread use in California. By 1994, 64 cities and counties in the state had adopted some form of it. To date, these efforts have produced more than 23,000 new, affordable units statewide.

One example of a successful program is in Irvine, which enacted a 25 percent inclusionary requirement in 1984. In the first ten years, the program generated a total of approximately 3,000 affordable units. Since 1994, the City of Irvine has lowered its inclusionary goal to 15 percent and generated 390 additional new housing units for very low-income families. Because some affordable units have been converted to market rate units, the total now approximates 3,200.[22]

The inclusionary housing policy in Petaluma in Sonoma County requires 10 to 15 percent of all single and multifamily developments of five units or more to be affordable. Since the adoption of the ordinance, 1,400 affordable units have been created for low-, very-low, and moderate-income families. Petaluma's program offers developers four options: they can produce affordable units; provide land for developing the units; pay an in-lieu fee; or present an "innovative idea" for some other form of contribution.[23]

Another example of a successful inclusionary zoning program can be found in Montgomery County, Md. near Washington, D.C. In 1974, county officials enacted a 15 percent inclusionary requirement. In 25 years since, the program generated over 10,500 units of affordable homes, townhouses and apartments for sale and rental. The qualifying household income ranges from $16,000 to $40,000.

The county's housing commission owns many of the homes rented to extremely low-income families. These houses were sold to the housing commission by the developer at cost (roughly one half of sale price). Land cost is not included in these cost calculations due to a 15 percent density bonus offered to the developer. To secure subsidies for these homes, Montgomery County often takes advantage of low income housing tax credits, as well as state and county bonds. While there are no construction subsidies provided to apartment unit developers, there are ongoing subsidies to maintain affordability requirements on apartments in the form of property tax relief for the affordable units. To provide rental houses to extremely low-income households, the program leverages section 8 subsidies.[24]

Today, eight out of Silicon Valley's 14 municipalities, including Sunnyvale, Los Gatos, Palo Alto and Cupertino, have implemented below market rate housing programs. Sunnyvale adopted an inclusionary zoning ordinance in 1980. It requires that ten percent of new housing be built for moderate-income, LI, and VLI households. The program has already created 774 affordable units.*

Inclusionary zoning can have only limited benefit if it is applied to jurisdictions that are close to build-out. If only a small number of units remain to be constructed in a city, then developing 15 percent or even 20 percent of those units as affordable housing will have only a minor impact. However, the possibility exists of applying inclusionary zoning to San Jose's Mid-Coyote Urban Reserve. City officials believe that the Mid-Coyote Valley has the capacity to become an "urban village" of 25,000 households. If San Jose adopted an inclusionary requirement of 20 percent, that urban reserve could generate 5,000 much-needed affordable housing units.

TABLE 3: Improved Land costs in Mid-Coyote Valley

a) Developable acres

Total acres in Mid-Coyote	Acres reserved for drainage and flood plain	Acres reserved for schools and parks	Acres reserved for streets (1)	Total developable acres	Developable acres as % of total
1,700	250	25	214	1,211	71.25

b) Costs

Cost per acre (2)	Carrying costs, insurance, other costs per acre	Total land cost per acre	Total land cost per developable acre (3)	Total infrastructure costs	Infrastructure costs per developable acre
40,000	40,000	80,000	112,281	100,000,000	82,559

Total cost per developable acre (4) 194,840

1. Acres reserved for streets equals 15% of total acreage minus acres reserved for flood plain and schools.
2. Cost per acre of land is calculated based on average land value, as recorded by the County Assessor, for land parcels purchased between 1990-2000.
3. Calculated by dividing 80,000/acre by 0.71 (proportion of total that is developable), thereby passing on land costs to the developable parcels.
4. Total land cost per acre plus total infrastructure cost per acre.

TABLE 4: Cost per 2 bedroom, 2 bath condominium unit

	Mid-Coyote: 100 units on 4.5 acres; 25 units per acre; on-grade parking (0.5 acre)	Infill: 100 units on 2 acres; 50 units per acre; below-ground parking
Size in square feet	1,150	1,150
Improved land cost (1)	$8,768	$22,000
On-site improvement (2)	$16,500	$17,500
Hard construction costs (3)	$138,000	$157,550
Public fees	$20,000	$20,000
Soft costs (4)	$20,700	$23,633
Contingency fund (5)	$5,750	$5,750
Reserves (6)	$6,900	$6,900
Developers fees and construction management (7)	$59,400	$63,000
Total cost	**$276,018**	**$316,333**
Sale price	**$330,000**	**$350,000**
Profit	**$53,982**	**$33,668**

1. Improved land cost refers to land cost plus some factor for infrastructure costs. See Table 3 for calculations.
2. On-site improvements are estimated as 5% of the sales price.
3. Hard construction costs are estimated to be $120/sq. ft. for Mid-Coyote. They are $137/sq. ft. for infill units, due to the greater costs of underground parking and higher multi-story construction.
4. Assumed to equal 15% of hard costs. Soft costs include architectural, engineering, contractor and developer overhead, financing, and sales/marketing costs.
5. Contingency funds are $5.0/sq.ft.
6. Reserves are $6.0 sq. ft.
7. Developers fees and construction management are 18% of the sales price; development fees are 15%, construction management is 3%.

* 578 rental, 196 ownership.

Evaluation

Public Costs

With the exception of administrative expenses, inclusionary zoning ordinances do not require city expenditures. However, policymakers could choose to assist developers in meeting the ordinance's requirements. Such public expenditures can be justified if an inclusionary zoning policy attempts to reach extremely low-income households. For example, the City of San Jose's current policy of fee waivers for affordable housing projects might result in lost revenue of approximately $1,000,000 for a 100-unit affordable apartment project. A city can also directly subsidize units as part of an inclusionary zoning program with redevelopment or other funds. For example, in the Mid-Coyote Valley the resources per unit provided by either private or public sources needed to produce an apartment affordable to an ELI household are $179,946 (see Table 10). If the City of San Jose elected to use RDA resources to subsidize 50 percent of those costs and the program produced 1,677 ELI units, then the cost to the RDA program would be $149,984,991.

TABLE 5: Condo affordability gap per unit

a) Mid-Coyote

	30% (ELI upper-bound)	50% (VLI upper-bound)	80% (LI upper-bound)
Affordable mortgage over 30 years (1)	27,356	93,341	191,341
Down payment (2)	16,500	16,500	16,500
Total owner contribution	43,856	109,841	207,841
Total development cost (3)	276,018	276,018	276,018
Gap	**-232,162**	**-166,177**	**-68,177**

b) Infill

	30% (ELI upper-bound)	50% (VLI upper-bound)	80% (LI upper-bound)
Affordable mortgage over 30 years (4)	27,356	93,341	191,341
Down payment (5)	17,500	17,500	17,500
Total owner contribution	44,856	110,841	208,841
Total development cost (6)	316,333	316,333	316,333
Gap	**-271,477**	**-205,492**	**-107,492**

1 Assumes 7.0% interest rate.
2 Down payment is 5% of market rate sale price of $330,000.
3 See Table 4 for calculation of development cost. Total development cost equals construction costs plus developer fees and construction management.
4 Assumes 7.0% interest rate.
5 Down payment is 5% of market rate sale price of $350,000.
6 See Table 4 for calculation of development cost.

Private Costs

Independent of any public incentives offered, inclusionary zoning requires developers to absorb costs associated with the generation of specified numbers and types of affordable units.

While the details of individual projects will always vary, Tables 8 and 11 illustrate in general the costs associated with a 20 percent inclusionary zoning requirement for a 100 unit, two-bedroom apartment complex and a 100 unit, two-bedroom condominium complex. The tables also indicate how these costs will vary depending on the mix of income levels the program is designed to benefit.* Examples for an in-fill project and for a project in the Mid-Coyote Urban reserve are included. Tables 6, 7, and 8 illustrate that developers can expect a healthy return on their cash investment.

Scale

When inclusionary zoning policies apply to in-fill sites, they are often limited to larger projects of 50 units or more. Based on this criterion, the adoption of inclusionary zoning for in-fill sites would generate nearly 3,000 units in San Jose

* See Tables 5 and 10 for calculations of the capital gap per unit.

and 660 in Santa Clara, the two major cities that currently lack inclusionary zoning programs.[25]

The City of Milpitas receives substantial funds for affordable housing from its Redevelopment Agency. The Fair Share Housing Inventory in 1998 indicates that between 1988 and 1998, Milpitas produced affordable units that satisfied 24% of VLI need and 59% of LI need. These efforts leave room for significantly increasing the production of affordable units. The city should assess available vacant land and current need to evaluate inclusionary zoning as one strategy for generating affordable housing.

As noted, if the San Jose Urban Reserve is developed as a higher density "urban village," it may include as many as 25,000 units. As a result, a 20 percent inclusionary zoning requirement would thereby generate 5,000 affordable units. If the inclusionary zoning policy divided those units equally amongst ELI, VLI, and LI households, the majority of those units would necessarily be apartments or condominiums.

Longevity of Benefits

Inclusionary zoning measures may require deed restrictions that assure continuing affordability for 20 to 30 years or on a permanent basis. For example, Palo Alto's program preserves the affordability of an ownership unit for 59 years. If, during that time, the property is sold, the affordability is extended for another 59 years. If the occupant sells the property after 59 years, affordability is not preserved.

TABLE 6: Cash on cash analysis per market rate unit (1)

Developer's Expenditures	
Improved land cost	8,768
On-site improvements	16,500
25% of all other costs	62,688
Sub-total	87,956
Carrying costs of construction loan (2)	5,459
Total	**$93,414**

Amount of Construction Loan	
Total development costs	276,018
Subtotal of developer's expenditures	87,956
Construction loan	**$188,063**

Developer's Return	
Sale price	330,000
Construction loan	188,063
(Sale price - construction loan)	141,938
Total developer expenditures	93,414
Cash on cash return 52%	

1Cash on cash analysis compares the cash return against the developer's cash expenditures.
2 Carrying costs equal 2% of the borrowed amount plus 9.5% interest over two years.

TABLE 7: Cash on cash analysis per 100 unit complex in Mid-Coyote

80 units at market rate, 20 units at VLI	
Revenue to developer after paying off construction loan (developer pays half of capital gap for affordable units)	11,452,370
Developer's cash expenditures	9,341,400
Cash on cash return	**23%**

80 units at market rate, 10 units at VLI and 10 units at LI	
Revenue to developer after paying off construction loan (developer pays half of capital gap for affordable units)	11,942,370
Developer's cash expenditures	9,341,400
Cash on cash return	**28%**

80 units at market rate, 20 units at LI	
Revenue to developer after paying off construction loan (developer pays half of capital gap for affordable units)	12,432,370
Developer's cash expenditures	9,341,400
Cash on cash return	**33%**

TABLE 8: Condo capital gap vs. developer profit for 100 unit complex

a) Mid-Coyote	ELI	VLI	LI
Capital gap (1)	-232,162	-166,177	-68,177
Profit per market rate unit	**$53,982**		
	80 Market rate, 20 VLI	**80 Market rate, 10 VLI,**	**10 LI**
Net profit for 100-unit complex assuming the developer pays for half the capital gap	$2,656,790	$3,146,790	
Profit on sales (2)	**8.3%**	**9.9%**	

b) Infill	ELI	VLI	LI
Capital gap (3)	-266,877	-200,892	-102,892
Profit per market rate unit	**$33,668**		
	80 Market rate, 20 LI		
Net profit for 100-unit complex assuming the developer pays for half the capital gap	$1,664,520		
Profit on sales	**5.2%**		

1 Capital gap is calculated in Table 5.
2 Refers to the profit in relation to the sale price, not the investment. For the VLI and LI units, development cost is used instead of sales price.
3 Capital gap is calculated in Table 5.

TABLE 9: Apartment capital cost per 2 bedroom, 2 bath unit

	100 units, 35 units/acre, 4.5 acres, on-grade parking (0.5 acre)	100 units, 50 units/acre, 2 acres, below-ground parking **(INFILL)**
Size in square feet:	1,150	1,150
Improved land cost (1)	$8,768	$22,000
Hard construction costs (2)	$138,000	$157,550
Public fees	$20,000	$20,000
Soft costs (3)	$20,700	$23,633
Contingency fund (4)	$5,750	$5,750
On-site improvement (5)	$9,661	$10,711
Total cost	**$202,879**	**$239,643**

1 See Table 3 for calculation of improved land cost.
2 Hard construction costs are estimated to be $120/sq. ft. in Mid-Coyote. For infill units, hard construction costs are $137/sq. ft. due to underground parking and costs associated with higher multi-story construction.
3 Assumed to equal 15% of hard costs. Soft costs include architectural, engineering, contractor and developer overhead, financing, and sales/marketing costs.
4 Contingency funds are $5.0/sq.ft.
5 On-site improvements are estimated as 5% of all other costs.

Benefit to ELI and VLI Residents

Inclusionary zoning policies may target any income level. For example, Table 12 describes a plan for Mid-Coyote that would produce 1,667 ELI, 1,666 VLI, and 1,667 LI units. However, economic analysis will indicate those levels at which it is unreasonable to expect developers to absorb the full costs of the affordable units and still maintain profitability. As Table 12 indicates, construction of affordable units will require packages including significant incentives and external subsidies as well as developer contributions.*

Leveraging Other Resources

In order to offset the costs of building and maintaining affordable units, inclusionary zoning may be combined with a wide variety of other programs. Included among them are the following:

Section 8:
Families that receive Section 8 vouchers or certificates can be offered access to units constructed through an inclusionary zoning program. Some vouchers may be attached to specific affordable units created through inclusionary zoning, thereby assuring that a federal subsidy will be continuously available to the apartment complex.

Low Income Housing Tax Credit (LIHTC)[26]:
The federal government provides states with a credit of $1.25 per capita. This money is earmarked for projects with 20 percent

* The income figure of $69,600 refers to 80 percent of median income, which includes all three affordable housing categories under scrutiny.

affordability of VLI or below. While there may be competition among programs within the state, non-profit developers in the Bay Area have won at least 16.5 million dollars in federal credits in the last two years.[27] These credits, while often unused by for-profit developers, exist as an incentive for those that choose to build affordable units.

State of California:

Recognizing the high cost of developing housing in California, the legislature authorized a state low-income housing tax credit program to augment the federal tax credit program. The state credit is only available to projects which previously received, or are currently receiving, federal tax credits.[28] Bay Area non- profit developers have won at least 12.7 million dollars in state credits in the last two years.

In addition to California's LIHTC program, California voters have, in the past, approved general obligation bonds for low-income housing development. Though approval is unlikely during the present electricity crisis, those measures could receive a favorable response from voters in the future. The California Department of Housing and Community Development also operates a $60 million multi-family rental and transitional housing program, which could be accessed for affordable housing in Silicon Valley.

RDA:

As previously noted, state law requires that 20 percent of RDA funds be used to provide subsidies for below market rate housing. While much of that money is earmarked for current programs, additional funding may be available as tax increment levels increase to subsidize part of the cost of affordable housing. Together with state bonds, these funds could be directed to the housing most difficult to subsidize units at affordability of 30 percent of median, or ELI.

TABLE 10: Apartment capital cost vs. supportable debt

Per unit monthly costs	ELI	VLI	Market rate I (1)	Market rate II
Gross Operating Income (Monthly rent)	653	1,088	2,200	2,500
Utility	75			
Vacancy allowance (5% of GOI)	33	54	110	125
Effective Operating Income (EOI)	545	1,034	2,090	2,375
Operating expenses ($4000/year per unit)	333	333	333	333
Net operating income (NOI)	212	700	1,757	2,042
Debt service (NOI/1.2)	**177**	**584**	**1,464**	**1,701**
Reserves (5% of EOI)	27	52	105	119
Net cash flow	8	65	188	222
Capital gap per unit - Mid-Coyote				
	ELI	**VLI**	**Market Rate**	
Supportable debt (assumes 8.0% interest rate, 25 year loan period)	22,933	75,666	189,682	
Development cost per unit (2)	202,879	202,879	202,879	
Capital gap per unit	**-179,946**	**-127,213**	**-13,197**	
Capital gap per unit - Infill				
	ELI	**VLI**	**Market Rate**	
Supportable debt 22,933 (assumes 8.0% interest rate, 25 year loan period)	75,666	220,389		
Development cost per unit (3)	$239,643	$239,643	$239,643	
Capital gap per unit	**-216,710**	**-163,977**	**-19,254**	

1 Market rate I refers to apartments in Mid-Coyote; Market rate II refers to apartments downtown or in other infill sites.
2 Calculated in Table 9.
3 Calculated in Table 9.
Note: No LI apartments are proposed for Mid-Coyote or infill sites. All LI units proposed are condominiums.

Housing Trust of Santa Clara County: HTSCC has dedicated one third of its resources to help finance affordable units in San Jose. Given the large subsidies these units require, the HTSCC's program of gap financing can fill the "holes" between affordable rents and development costs that other subsidies may not completely cover.

TABLE 12: Total resources needed for 5,000 affordable units in Mid-Coyote

Units	Total capital gap
1667 ELI apartments	$299,969,982
833 VLI apartments	$105,968,429
833 VLI condominiums	$138,425,441
1667 LI condominiums	$113,651,059
Total resources	**$658,014,911**

TABLE 11: Capital gap per 100-unit apartment complex

Mid-Coyote	20 ELI units, 80 market rate	10 ELI, 10 VLI, 80 market rate
Capital gap for complex	-4,654,680	-4,127,350
Present value of cash flow from rents (1)	10,787,498	10,939,548
Present value of sale price of complex after 25 years (2)	17,351,048	17,664,936
Annual rate of return	13.27%	13.89%
Infill	20 ELI units, 80 market rate	10 ELI, 10 VLI, 80 market rate
Capital gap for complex	-5,874,520	-5,347,190
Present value of cash flow from rents (2)	11,748,023	12,248,081
Present value of sale price of complex after 25 years (4)	19,992,251	20,306,139
Annual rate of return	12.76%	13.30%

1 From separate cash flow chart, not shown.
2 Sale price of complex is the net operating income in year 25, divided by a capital rate of 8%.. The capital rate for a complex ranges from 6.5% to 8%; the latter produces more conservative results.
3 From separate cash flow chart, not shown.
4 Sale price of complex is the net operating income in year 25, divided by a capital rate of 8%..

Feasibility

As noted, inclusionary zoning programs have been adopted in over 60 jurisdictions in California and eight in Silicon Valley. The strategy has a proven track record, and a number of model ordinances are available for review and/or modification.

Creating New Housing

Implementing Inclusionary Zoning

Mid-Coyote Valley

Inclusionary zoning in Mid-Coyote offers the opportunity to achieve much larger numbers of affordable units than virtually any other feasible strategy. Assuming build-out is 25,000 units, a 20 percent requirement equally distributed amongst income categories would generate 1,667 ELI, 1,666 VLI, and 1,667 LI units.

The relatively low land costs in the urban reserve will allow developers to absorb much of the price of an inclusionary requirement. The average cost of land purchased since 1990 is only $40,000 an acre, while the cost of residential land in central San Jose is approximately $1,100,000 an acre.* Thus, even including the substantial infrastructure expenses associated with opening the region to development, the land costs per dwelling unit are $8,768 compared to $22,000 per unit in more developed areas.

While land costs in the Mid-Coyote Valley are relatively low, the price of homes that can be built on that land has risen dramatically. The results of combining these factors are shown in Tables 3 and 4. Even including management and development fees at 18 percent of sales price, the cost of constructing a condominium equals $276,018. The market price of such a unit is at least $330,000. Under this scenario a developer would enjoy a surplus of $53,982 per unit. If half the capital gap for 20 VLI units in a 100 unit complex was subsidized with tax credits and the other half with developers' profits, 20 units could be offered to VLI families with the developer still earning 8.3% profit on sales.**

Given that the urban reserve is undeveloped, developers can be offered greater flexibility in design and density to offset some of the costs of the affordable units. If density bonuses may not be of value in the region (because of the initial high densities planned for the area), another incentive may be to link the inclusionary requirement for VLI or ELI families to the opportunity to build single family detached housing in the urban reserve. Single family detached housing would likely be included in the "urban village," and the opportunity to participate in those developments could be targeted to those who have met the inclusionary requirement.

Despite the relatively low land costs in Mid-Coyote, it is not reasonable to expect developers to fully absorb the costs of ELI units, all of which are likely to be apartments. Table 12 indicates that the total resources needed for 1,667 ELI units will be $299,969,982. If the city chose to accept the obligation for half this amount, it would need to commit $150 million to the ELI program.***

* This excludes land purchased prior to 1990 at even lower prices. In fact, between 15-20 percent of the land in Mid-Coyote Valley was purchased over 20 years ago. 50 percent of the land was purchased in 1995 or earlier, according to County Assessor records.
** See Table 8.
*** This amount can be compared to unallocated growth in the RDA housing program: $85,900,000 of bonded revenue from 2001-2005 growth, and, if RDA is extended, an additional $50,000,000 of the five percent TIF from 2005-2010. Thus, almost all of the 50% subsidy could be covered by RDA funds

The remainder of the cost of ELI units would be generated from Section 8 projects, the California Multi-Family Housing Program or other forms of state assistance, tax credits, HTF contributions and reductions in developer cash flow.

San Jose and Santa Clara

Inclusionary zoning is more difficult to implement in in-fill sites because projects must be compatible with existing infrastructure and neighborhood characteristics. As a result, it is prudent to apply inclusionary zoning only on large sites where the potential scale of affordable units generated justifies the challenge of this strategy.

San Jose has nearly 60 sites that can accommodate 50 units or more. A 20 percent inclusionary requirement could generate 2,958 affordable housing units. Santa Clara has eight such sites; a 20 percent requirement applied to them would produce 660 units. As indicated in Table 13, the cost of this approach would approximate $540,322,560.*

The cost for developing 5,000 units in Mid-Coyote Valley would be $650 million. When combined with the $550 million, the cost of developing 3,600 units in infill areas, the total cost for an inclusionary zoning initiative would be $1.2 billion.

Increasing The Percentage of RDA Tax Increment Allocated To Affordable Housing

Redevelopment agencies are likely to remain the primary source of funds available for affordable housing in the region. San Jose already allocates nearly 25 percent of its tax increment to affordable housing, but it could be raised to 30 percent. This increase is particularly important given the city's new and much needed emphasis on housing for extremely low-income residents.

As noted in Option 3, Subsidized Housing, a number of other cities in the region also have redevelopment agencies, albeit much smaller than San Jose's. Increasing the housing allocation from 20% to 30% in each of these cities would produce a total of $19.1 million a year in tax increment for affordable housing.
An evaluation of the extent to which the RDA allocation could be increased should be related to the anticipated growth of tax increment. An increase to 30% could be sustained even if tax increment growth stabilized at 5% per year. If growth should be higher, as it has been during peak periods in the history of San Jose's RDA, an increase above 30% would be warranted.

* This estimate is based on the following housing unit allocation: 20 percent ELI apartments, 40 percent VLI apartments, and 40 percent LI condominiums. See Table 10 for figures used to calculate.

Creating New Housing: Option 2

Increasing Supplies of Market Rate Housing

Theoretically, a massive increase in the supply of market rate housing would cause prices to fall, increasing affordability. However, this market dynamic is extremely unlikely to occur in Silicon Valley. First, future job growth will dwarf all projections of housing growth. The Association of Bay Area Governments' (ABAG) projections indicate that Santa Clara County will see approximately 231,000 more jobs created by the year 2020.[29] However, housing construction is expected to increase by only 74,300 units in Silicon Valley, defined as Santa Clara County and parts of Santa Cruz, San Mateo, and Alameda Counties.[30] Secondly, since the remaining land available for residential development is relatively small, even rapid development of vacant parcels will fail to have a major impact on the price of the much larger developed base.

Comparing the possible construction of new units to the increased demand for housing reveals that reliance on market forces alone will exacerbate the housing crisis for the next two decades. In 1999, the Silicon Valley Manufacturing Group (SVMG) evaluated the amount of land available for residential construction in Silicon Valley. Given current land use regulations, it was projected that 74,300 units could be added before "build-out" occurs. An increase of that kind will be valuable to a portion of the region's growing workforce, permitting economic expansion to continue and offsetting price inflation. However, with demand for housing projected at 112,000 to 146,000 units over the next 20 years, this gain would meet only 50 to 65 percent of projected need. To meet growing demand, the SVMG report recommends changing land use policies to accommodate more units. These changes could produce an additional 36,700 units: an improvement, but one that barely meets the predicted demand. In consequence, it cannot reduce the existing shortage or bring down excessive prices associated with it.

TABLE 13: Total resources needed for 3,600 infill apartments and condominiums in San Jose and Santa Clara

Units	Total capital gap
720 ELI apartments (1)	$156,031,200
1440 VLI apartments	$236,126,880
1440 VLI condominiums	$154,788,480
Total resources	**$546,946,560**

1. ELI units are 20% of the total here (as opposed to 1/3 in the Mid-Coyote proposal) due to the much higher cost of ELI infill construction.

Evaluation

Public Costs

Market rate housing is built without direct public subsidy. However, because California's public finance system severely limits taxes on real estate, housing development cannot pay for the basic municipal services required of a unit's residents. For example, as noted in the previous section "A Crisis of Our Own Making", the total of property tax for San Jose in 2000 equaled half of the police department's operating budget. As a result, expanding the market rate housing supply requires indirect subsidies either in the form of taxes on other activities (retail sales, use of utilities, etc.) or in a reduction in per capita levels of public services.

Private Costs

Private sector firms provide market rate housing through their own investments and financing strategies. Through fees, these units pay for public infrastructure directly related to new developments.

Scale

Given current land use policies, no more than 74,300 new units could be developed in Santa Clara County.

Longevity of Benefits

The price of market rate units varies with the dynamics of supply and demand. Although these will rise and decline to some extent in relationship to business cycles, the severe structural imbalance between supply and demand in the region suggests that prices will continue to rise.

Benefit to Extremely Low-Income and Very Low-Income Residents

Market rate units are priced at levels well above the incomes of extremely low-income and very low-income residents. Even a family at the upper end of the VLI range, earning 50 percent of median income ($43,500) would spend over 50 percent of its gross pay for an average apartment.*

Leveraging Other Resources

Increasing the supply of market rate units does not leverage resources for affordable housing in any areas except Redevelopment Project areas that employ tax increment financing. In those areas, 20 percent of property tax increment is reserved for affordable housing.

Feasibility

Opposition to market rate housing developments tends to derive from two sources. As previously noted, city governments are discouraged from approving new developments because of their tax consequences. In addition, neighborhood groups often oppose new developments, particularly those of higher density, fearing impacts such as traffic congestion, increased library and park usage, etc. These pressures may reduce the actual amount of new construction below the Silicon Valley Manufacturing Group's estimate.

* Average rent on an apartment in Santa Clara County in December 2000 was $1,903, or $22,836 annually. Average rent includes below market rate and rent controlled apartments. There are no figures for average market rate units; however, two bedrooms often start at $2,500.

Creating New Housing: Option 3

Subsidized Housing

The provision of subsidized housing from either public or private sources is the principal strategy currently used in Silicon Valley. Increasing our community's reliance on it further hinges on the extent to which new subsidies can be generated. The major current sources for subsidies are noted below.

Redevelopment Agencies

Redevelopment agencies, or RDAs, are mandated to eradicate blight in California's cities. They do so by accumulating property taxes in Redevelopment Project Areas, bonding these revenues and investing the bond proceeds in new buildings and infrastructure. Under state law, RDAs must allocate 20 percent of the tax increment they receive for low- and moderate- income housing. Using these resources, over the past 13 years, the City of San Jose and the local redevelopment agency have invested $317 million to build more than 10,000 units of affordable housing. More than 85 percent of these units went to families earning less than 64 percent of the median local income. Because they seek to leverage the RDA investment, during the past six years alone, local officials have also secured almost $175 million in tax credits and $3.7 million in tax exempt bond authority for affordable housing development.

In FY 2000, San Jose's RDA produced annual tax increment in excess of $140 million. In addition to 20 percent of this annual tax increment, the San Jose City Council allocated another $10 million in RDA resources for affordable housing. When combined with a small amount of federal and state support, these resources will enable the San Jose Housing Department to allocate $240 million to fund the construction of 6,000 affordable units by 2004.[31]

Other cities in the region also have RDAs. Their tax increment, however, is much smaller.

In FY 1999-2000, the RDA tax increment revenues of other cities in the county in millions of dollars reached the following levels:

Milpitas	24.2
Santa Clara	17.4
Morgan Hill	14.1
Campbell	2.4
Mountain View	1.58
Sunnyvale	2.08
Los Gatos	2.017

Based on the legal requirement that 20 percent of tax increment must be allocated for affordable housing, these cities together could generate $12.28 million for affordable housing development.*

Two factors inhibit availability of San Jose's RDA funds. First, current San Jose tax increment revenue has already been bonded to secure the funds needed to meet the city's 6,000-

* 12.8 million is derived from 20 percent of the total RDA tax increment for all cities.

TABLE 14: Additional 5% of San Jose RDA revenue available, 2006-2010

	TIF (1)	Growth in TIF	80% of growth	20% of growth	20% of growth bonded (2)	Additional 5% of TIF (3)
01-02 (base year)	$149,055,072					
02-03	$162,392,494	$13,337,422	$10,669,938	$2,667,484	$23,195,517	$8,119,624.70
03-04	$173,315,543	$10,923,049	$8,738,439	$2,184,610	$18,996,607	$8,665,777.15
04-05	181,659,454	$8,343,911	$6,675,129	$1,668,782	$14,511,150	$9,082,972.70
05-06	190,742,427	$9,082,973	$7,266,378	$1,816,595	$15,796,474	$9,537,121.34
06-07	200,279,548	$9,537,121	$7,629,697	$1,907,424	$16,586,298	$10,013,977.40
07-08	210,293,525	$10,013,977	$8,011,182	$2,002,795	$17,415,613	$10,514,676.27
08-09	220,808,202	$10,514,676	$8,411,741	$2,102,935	$18,286,394	$11,040,410.09
09-10	231,848,612	$11,040,410	$8,832,328	$2,208,082	$19,200,713	$11,592,430.59
Total	**$1,720,394,877**	**$82,793,540**	**$66,234,832**	**$16,558,708**	**$143,988,765**	**$78,566,990**

1 TIF estimates from RDA 2002-2004; Annual growth 2004-2010 estimated using 5% average growth rate per year
2 Includes 1.15 coverage ratio
3 To reach this amount, funds could be taken from bonded proceeds (column 4), or, if TIF growth is substantially higher than these projections, from 80% of growth in tax increment funds directly (column 5)

unit target. As a result, the 20 percent of tax increment fundsæfunds earmarked for affordable housing for the next 30 yearsæhave already been allocated. Additionally, since the RDA is legally required to issue no future debt after 2004, the City of San Jose cannot commit tax increment funds above 20 percent after 2005.

However, there is another strategy available to secure RDA money for affordable housing. Current RDA policy dedicates 25 percent of tax increment to affordable housing; raising this level to 30 percent or greater could generate over $8 million annually. The mechanism of increasing funding as well as the amount should depend on the rate of growth of tax increment dollars. If the growth rate is projected to be consistently high, then a percentage of tax increment could be allocated directly to housing. However, if growth is sluggish, more revenue could be generated from taking the additional 5 percent from the proceeds after the city bonds tax increment growth. Either way, for the additional 5 percent to be available after 2005, legislation must be introduced to allow the RDA to collect tax increment funds for an additional period of years.*

Against this backdrop, the potential for significant RDA resources in the future clearly exists.

Evaluation

Public Costs

All RDA revenues are public funds. Since they can be used for other capital projects which benefit blighted areas, RDA dollars allocated for housing that exceed the legally mandated 20 percent impose an opportunity cost on the community.

* See Table 14.

Private Costs

Private housing developments in redevelopment areas are required to provide 15 percent of their units for low-to-moderate income households. Also, the RDA can seek to negotiate subsidies for affordable housing from private developers when it invests public funds in their projects

While subsidized housing projects vary in their costs, San Jose's RDA strives to use its investments to encourage developers to create as many affordable housing units as possible. Based on past experience, for every $10 million of RDA resources allocated, the city is likely to generate either 254 LI units or 209 VLI units. The economics of ELI units are more complex. Because affordable housing payments by ELI families are so low, the combined financing sources in a project are often inadequate to cover the needed subsidy. Therefore, the other units in a complex essentially help subsidize the ELI units. Under these circumstances, the number of units generated will depend on the specific characteristics of a project.

Benefit to VLI and ELI Residents

RDA funds can be targeted towards VLI and ELI residents. However, in the absence of additional funding, there is an inverse relationship between the number of ELI units constructed and the total number of affordable units developed. For example, $10 million could generate 209 VLI units. Based on average city subsidies for ELI units (other than single room occupancy), if one third of that subsidy were allocated for housing affordable to ELI families, the total number of units created would drop to 169.* In the past, the RDA has placed little emphasis on creating units affordable to ELI residents. This year, however, the San Jose City Council chose to increase funding for housing for ELI families for a one-year period.

Leveraging Other Resources

RDA funds are often combined with tax credits or other sources of capital to increase the number of affordable units in a project. On average, the San Jose Housing Department achieves a leverage ratio of three. In many cases, a major source of additional financing is federal and state low-income tax credits. However, competition for tax credits is tight. In 2001, the State's first round allocation of tax credits for multi-family projects indicated $393.87 million would be available. Total applications exceeded $660 million. Despite stiff competition, over the last six years San Jose has secured $176 million in tax credits.

Feasibility

An extension of the bonding capacity of the San Jose RDA beyond 2004 depends on state legislative action. If the extension is granted, it could include an expansion of the portion of the RDA tax increment used for affordable housing. Both state legislators and Santa Clara County officials may press to increase it beyond the current 20 percent requirement.

* $39,000 for LI; $47,700 for VLI; $116,000 for ELI; figures from San Jose Housing Authority.

The Housing Trust

The Housing Trust of Santa Clara County (HTSCC) is a public/private partnership, coordinated by the County of Santa Clara, Silicon Valley Manufacturing Group, Collaborative on Husing and Homelessness and Community Foundation Silicon Valley for the purpose of raising funds for affordable housing. Over the past 21 months, the HTSCC has raised $19.1 million, with two thirds coming from the private sector and the remainder from public funds. The HTSCC has a current goal of raising $20 million.

HTSCC leaders plan to allocate these funds equally to address the following three different housing priorities: the construction of new, affordable rental units; assisting first-time home buyers through low-interest loan opportunities; and offering homeless people transitional assistance and longer-term placement in more stable housing. With $6.67 million, the HTF estimates its "First-Time Homebuyers" program can assist as many as 800 families achieve home ownership. Another $6.67 million will provide funding for the development of transitional housing and shelter for roughly 1,000 homeless persons.

It should be noted that the Housing Trust does not intend to be the primary funder for building new, affordable housing. Instead, it will focus on "gap" financing exclusively for non-profit developers, using its resources to make up the difference between funds generated from other sources and the full cost of the project. The HTSCC estimates it can provide this type of "gap" financing to help complete approximately 3,000 units. With available funding of $6.67 million, 3,000 units would receive an average subsidy per unit of approximately $2,250. For this strategy to be effective, it will be necessary for other sources to provide the substantial subsidies needed to construct apartments affordable to ELI households.

Evaluation

Public Costs

The Housing Trust Fund has received contributions from the following public entities:

City of San Jose	$1,000,000
Santa Clara County	$1,000,000
City of Milpitas	$500,000
City of Palo Alto	$500,000
City of Sunnyvale	$500,000
City of Campbell	$250,000
City of Cupertino	$250,000
Town of Los Gatos	$250,000
City of Santa Clara	$250,000
City of Morgan Hill	$100,000
Town of Monte Sereno	$15,000

Private Costs

Corporations have contributed $12.8 million to the HTSCC. Adobe Systems, Advanced Micro Devices, Applied Materials, Cisco Systems, Hewlett Packard, Intel and Knight-Ridder have each contributed at least $1 million.

Scale

By using $6.67 million to provide "gap" financing, the HTSCC provides low/no interest loans to a large number of units.

Longevity of Benefits

Since the HTSCC is not a primary funder for apartment construction it is not attempt to stipulate the length of time projects will remain affordable.

Benefit to VLI and ELI Residents

The HTSCC intends to target its funds for new construction towards 3000 individuals and families with 40 to 60 percent of median income. Its homeless assistance program will benefit approximately 1,000 extremely low-income people.

Leveraging Other Resources

The HTSCC intends to leverage its resources by combining its funds with tax credits and subsidies from local, state and federal governmental sources. As a result of the high subsidies required for affordable ELI and VLI units, the HTF support will be approximately only 1.25 percent of the total subsidy for ELI units and 1.8 percent of the total subsidy for VLI.*

Feasibility

With $19.1 million already in hand, the feasibility of the HTSCC reaching its $20 million dollar goal is excellent.

* See Table 10: calculations are based on WPUSA calculation of the capital gap

Creating New Housing: Option 4

Tax Increases for Affordable Housing Development

Additional revenues for affordable housing could be secured by raising sales taxes, utility taxes, conveyance taxes or by issuing general obligation bonds which can be paid for through property taxes. In each case, the state constitution requires such measures to be placed on the ballot and approved by a two-thirds vote.

Evaluation

Public Costs

By definition, any tax increase strategy generates funds from private sources for public purposes. The government acts as a conduit, managing the expenditure of funds. Minor administrative costs are associated with tax increases. If the tax is placed on the ballot at a regularly scheduled election the costs of adoption will be minimal.

Private Costs

In order to determine the potential size of a tax increase for affordable housing construction, it is necessary to establish the desired target number of units and calculate the costs of subsidies for those units. For the purposes of this analysis, the goal will be equal to the number of units that might be generated in Mid-Coyote Valley through inclusionary zoning (see Table 12). Based on those estimates, a target can be set as follows:

Units	Subsidy
Apartments	
1667 ELI apartments	$299,969,982
833 VLI apartments	$105,968,429
Condos	
833 VLI condos	$138,425,441
1667 LI condos	$113,651,059
5000 total units	**$658,014,911**

The discussion below evaluates the ability of various tax strategies to raise this amount of capital.

Utility taxes

San Jose's utility tax of 5 percent on gas, electric, and inter-state phone bills generated revenues of $53,426,000 in 1999. This amount is expected to increase substantially as a result of rapidly rising prices for electric power and natural gas bills. In order to generate $658 million, the tax would have to increase to approximately 11 percent. A tax of that scale would generate an additional $65.8 million, which, if used as debt service for revenue bonds, could produce $658 million in capital for housing development.

Sales tax

The sales tax in Santa Clara County is 8 percent. On a countywide basis, taxable sales generated $30,348,644,000 in 1999.[32] A county-wide increase in the sales tax by a half of one percent would generate $151;743,220. Over the course of approximately four years a half cent tax could generate $606,972,880 for housing development.

Conveyance tax

San Jose's conveyance tax on real estate transactions produces $1.65 for every $500 of value transferred. Tax receipts vary over time. While the number of properties sold changes in accordance with business cycles, the value of real property in the region tends to increase steadily. Assuming that the current tax rate will generate an average of $20 million a year, the tax would have to be increased to $6.60 for every $500 to produce an additional $65 million. That amount, in turn, could be bonded to secure a total of $650 million.

General Obligation Bonds - property taxes

Property taxes can be increased to pay for General Obligation bonds. As prescribed by Proposition 13, property taxes are fixed at 1 percent of assessed valuation, $677 million in 2000. To reach $658 million, an increase of 7.76 cents for every $100 of assessed value is required (about $310 annually for the average homeowner). This would yield $52,530,000 annuallyæthe payments for a 30-year bond of $658 million.

Scale

The number of units constructed would vary with the size of the tax increase. As noted above, the sample tax rates just described would generate 5,000 affordable units.

Longevity of Benefits

Through deed restrictions, subsidized units can remain affordable for any specified period or indefinitely.

Benefit to ELI and VLI Residents

The taxing agency can specify the proposed benefits to ELI and VLI residents in the measure placed before the voters. The program noted above would produce 1,667 ELI apartments, 873 VLI apartments, 873 VLI condominiums and 1,667 LI condominiums.

Feasibility

The feasibility of singular tax increases of this size being approved by two-thirds of the electorate must be considered problematic. For example, to reach the $658 million target, conveyance taxes would need to be increased four times. Regarding utility tax increases, skyrocketing electricity rates makes an increase in residential utility bills politically unfeasible.

However, as demonstrated by last year's approval of property tax-based bonds for parks, libraries and flood control, San Jose voters are clearly willing to invest in the betterment of their community. This is particularly true among middle and higher income homeowners who value the deductibility of property taxes from their federal income taxes. It would be an error to "sell short" San Jose families and their commitment to improving the quality of life in Silicon Valley.

In a similar vein, the most popular form of local levy, Santa Clara County's sales tax, is only slightly above the statewide average. Last year, sales tax dropped statewide by a quarter of a cent. Silicon Valley voters could consider a temporary, four-year half cent county sales taxæthat alone would generate enough capital to fund almost the entire project.

"It would be an error to 'sell short' San Jose families and their commitment to improving the quality of life in Silicon Valley."

Protecting Existing Housing: Option 1

Rent Control

Where their enactment is permitted, sensible rent controls can effectively protect large numbers of tenants against excessive rent increases. By doing so, they prevent the existing number of affordable housing units from being reduced due to price inflation. In this sense, while rent controls do not "create" new housing, they allow those programs that do construct new affordable units to increase the "net" supply of affordable housing in the region.

San Jose first enacted rent control over 20 years ago. However, the city's ordinance exempts all single family homes, duplexes, and apartment units built after 1979. Still, rent control protects residents of approximately 44,000 apartments and 10,000 mobile home spaces. In general, the ordinance limits rent increases to eight percent for apartments and three percent for mobile homes. In stark contrast, last year rent increases for exempt units averaged 37 percent.*

State legislation prohibits San Jose from extending rent control to units built after 1979. Other cities that have never adopted rent regulations cannot apply rent control to any housing built after 1995. In most Silicon Valley cities, the vast majority of rental housing was built prior to 1995 offering the potential of restricting escalation in the housing costs for many renters.**

Evaluation

Public Costs

The costs of rent control laws are limited to administrative expenses and occasional legal expenses associated with litigation against local ordinances. Fees on rental units generally cover administrative costs.

Private Costs

The private costs of rent control are principally the loss of excessive rent increases. Conceptually, these increases represent the difference between market rents and the rent levels established in the local ordinance. Constitutionally, rent control laws must provide property owners with a fair and reasonable return on their investment.

Scale

Rent controls can cover substantial numbers of tenants even within the limits of state law. Enactment of rent control ordinances in Mountain View, Palo Alto, Sunnyvale, and Santa Clara could cover approximately 58,506 households.***

Longevity of Benefits

Though rent control policies may be overturned by future city councils or by voters through the initiative process, their popularity once enacted in Santa Clara County is beyond question. In fact, no local rent control measure has ever been revoked or overturned. Rent control can be modified by state law or by court decisions that

* Rents increased 70 percent from 1996-2000; source: REALFACTS.
** Costa Hawkins bill adopted in 1995.
*** See Table 15.

modify previous interpretations of the constitutional protections afforded to property owners.

In addition, state law mandates that local rent control laws must include vacancy decontrol provisions. Vacancy decontrol permits owners to raise rents to market levels whenever a tenant voluntarily vacates a unit. Thus, over time, an increasing percentage of units move towards market levels.

Benefits to VLI and ELI Residents

The majority of VLI and ELI residents of Silicon Valley communities are renters. For these families, rent control offers the only safeguard against being forced to compete for the extremely small number of new, affordable units.

However, rent ordinances have several limitations. First, it is difficult for rent control laws to reduce rents, as opposed to simply restricting increases. If controls are enacted after rents are already prohibitively high in relation to ELI and VLI resident incomes, they can do no more than stop a difficult economic situation from becoming even worse.* Second, in San Jose and some other cities, the burden for enforcing rent control rests with the tenant. Unless renters are educated to their rights under rent control, landlords can easily increase rent beyond the legally mandated 8 percent per year with little fear of legal repercussions. In addition, as noted elsewhere in this report, by exempting units from rent control after they become vacant, state law creates an incentive to force long term tenants to leave their units.

TABLE 15: Rent control and potential new rental units

a) Number of potential beneficiaries of rent control

	Current No. of apartments(1)	Estimate of No. of apartments built before 1995(2)	Average No. of persons per household as of 1990 (3)	No. of renters potentially covered by rent control
Mountain View	17,000	15,470	2.24	34,653
Palo Alto	7,274	6,474	2.24	14,501
Santa Clara	16,439	15,453	2.50	38,632
Sunnyvale	23,000	21,160	2.43	51,419
Total	63,713	**58,557**		**139,205**

b) Number of potential new rental apartments before build-out 4

Mountain View	1159
Palo Alto	1000
Santa Clara	569
Sunnyvale	2825
Total	**5553**

1 Estimates of the current number of apartments units in each city were obtained from Planning or Housing Dept. personnel in each city and California Dept. of Finance projections. All numbers are **approximate.**
2 Assuming the proportion of the current stock of multifamily housing built before 1995 equals the proportion of the current stock of apartments built before 1995; data on new multifamily construction is from the Construction Industry Research Board. Because of the Costa-Hawkins law, only apartments built before 1995 would be covered by a rent control ordinance.
3 According to the 1990 Census, as reported by www.baynet.com
4 Estimated for Sunnyvale and Mountain View assuming that the current proportion of apartments will remain constant through the production of new units. Estimate for Palo Alto is from the Palo Alto Planning Dept. The figure for Santa Clara is estimated using the January, 2001, vacant land survey prepared for the Home Builder's Association of Northern California.

* Rent controls have only a limited ability to offer special protection to low income tenants. The US Supreme Court upheld provisions in San Jose's rent policy to take into consideration "hardship" to tenants when establishing a legal rent level. However, this "hardship clause" could only be considered after the property owner had been assured a rent increase sufficient to provide a fair and reasonable return on his investment [Pennell v. City of San Jose, 108 S. Ct. 849 (1988)]. Therefore, significant increases could still be approved even if the resulting rents were beyond a tenant's ability to pay.

Leveraging of Other Resources

Rent controls do not normally attract additional resources for the development of affordable housing. Some opponents have claimed that rent control discourages private investment in new rental housing. This assertion has little validity given the State's prohibition on rent control for units built since 1995. Additionally, all of the urban cities without rent control in Silicon Valley (Palo Alto, Mountain View, Santa Clara, and Sunnyvale) are approaching build-out. It is estimated that only 5,500 apartment rental units can be built on remaining vacant land.

Feasibility

Despite the financial clout of the rental housing industry, the broad appeal of rent control makes its defeat anything but certain. Rent control ordinances have been beaten in elections in Palo Alto, Mountain View, and Sunnyvale, while city councils in San Jose and Los Gatos have each approved apartment rent control. The Cities of San Jose, Milpitas, Gilroy, and Morgan Hill have mobile home rent control ordinances, and the City of Campbell has a Mediation Ordinance that discourages "excessive" rent increases and retaliatory evictions and provides mediation services to resolve rent disputes.[33] On two occasions in the past twenty years, industry campaigns to prohibit rent controls on apartments or mobile parks throughout California have been placed on the statewide ballot. Both measures were soundly defeated.

Protecting Existing Housing: Option 2

Just Cause Eviction

Under California law, a landlord is not required to have justification for terminating a tenancy. If a renter challenges an eviction in court, the property owner, with few exceptions, need only demonstrate that proper notice has been given, the notice has expired, and the tenant is still on the premises.

For a tenant facing eviction, the consequences are enormous. In a tight housing market, the task of finding another unit in a brief period of time is often insurmountable. To compound the problem, most landlords will automatically refuse to rent an apartment to anyone who has recently been evicted. Therefore, eviction can become a de facto sentence to homelessness or even leaving the region.

However, there is another consequence to evictions that impacts our entire community. Since property owners are not required to reveal reasons for evictions, it is difficult to prove what their true motives may be. A landlord may even evict a low-income tenant in order to raise the rent. As previously noted, this rationale for eviction is increasingly likely in the wake of state law requiring the rent "decontrol" of units that have been voluntarily vacated. Though San Jose's rent control ordinance specifies that rent cannot be raised if the former tenant was evicted, this restriction has proven to be essentially unenforceable. In this respect, through evictions landlords gradually transform affordable units into more costly ones.

To respond to this concern, at least twelve jurisdictions in California have adopted a "just cause" eviction policy.* While these measures may differ in detail, they have as a core element the requirement that evictions may only be executed for enumerated reasons. These just causes include, but are not limited to: failure to pay rent, breach of a legal lease clause, use of the premises for an illegal purpose, nuisance behavior, unauthorized subletting and occupancy by the owner or an owner's relative. The goal of the ordinance is to provide owners with the ability to remove tenants when they have legitimate reasons for doing so. At the same time, renters are offered some minimal level of security in their apartment if they pay the rent promptly and abide by all the stipulated rules.

"Eviction can become a de facto sentence to homelessness or even leaving the region."

Evaluation

Public Costs

Just cause eviction ordinances impose administrative costs onlocal government. For example, owners must be informed of the provisions of the measure. Enforcement of the measure is ultimately the responsibility of the courts. However, to the extent the measure is clearly drafted, it can discourage violations.

* These include Berkeley, Beverly Hills, East Palo Alto, Hayward, Los Angeles, San Francisco, Santa Monica, and West Hollywood..

Private Costs

Although landlords often claim they will forfeit their ability to evict renters, in truth they will retain their right to issue evictions for any reason that imposes costs on the property. Therefore, private costs must be considered to be negligible.

Scale

The following cities in Santa Clara County have large numbers of apartment renters:[34]

San Jose	169,400
Palo Alto	14,544
Mountain View	34,508
Sunnyvale	51,432
Santa Clara	38,606
Total	**308,490**

If just cause eviction measures were adopted by all of these cities, then 308,490 tenants would achieve greater levels of economic security.

Attempts to calculate the number of renters actually subject to eviction each year, and hence the number immediately likely to benefit from these ordinances, is hampered by inadequate record keeping on this subject. The Santa Clara County Superior Court reports that between 250 and 350 unlawful detainer actions are filed each month. Interviews with Legal Aid Society attorneys in San Jose suggest that between 10 percent and 25 percent of 30 day notices to vacate result in unlawful detainer filings. In that light, it is estimated that anywhere from 12,000 to 42,000 households experience eviction each year. In light of the region's small inventory of vacant apartments, even the lower figure indicates large numbers of families experiencing serious hardship.

In comparison, San Francisco, which has enacted a just cause eviction ordinance, reported 2,761 evictions in 1999-2000. Adjusted for population differences, that would have produced 6,275 evictions in Santa Clara County, a figure almost half the current number.

Longevity of Benefits

Just cause measures are established by local ordinance. Unless the ordinance has a sunset clause, it will remain in place unless overturned by a decision of the city council.

Benefit to ELI and VLI Residents

Just cause ordinances provide the same protections to all renters covered by the measure, regardless of their income level. However, the effects of these measures are particularly beneficial to ELI and VLI families who generally have fewer housing alternatives.

Feasibility

As noted, just cause ordinances have been adopted in a dozen jurisdictions in the state, including four in the Bay Area. No obstacles to their enactment have been identified.

Meeting the Need for Affordable Housing

Few problems in America are as costly as the need to develop affordable housing; but almost none are more expensive to ignore. As this report described, the housing crisis in Silicon Valley grew from a series of policy choices during an era where the San Jose area was transformed from a quiet cannery town to the center of the new, global economy.

Our challenge as a community isn't to find any one solution to the housing crisis. There isn't one. Instead, it is to identify the components of a solution: options that enable Silicon Valley to begin to answer the two most pressing aspects of the crisis we face: maintaining the viability of the affordable housing we have, while creating the new affordable housing we need.

Clearly, some problems are beyond the scope of action by our community alone. For example, state fiscal policies that discourage cities from promoting housing development in favor of strip malls can only be addressed by lawmakers in Sacramento. However, there is much that our community can do -- and should do -- to preserve and expand affordable housing for Silicon Valley's families.

Our review of the available options suggests that a successful strategy to develop affordable housing in Silicon Valley must include the following elements:

Creating New Housing

- Implementing Inclusionary Zoning
- Increasing the Percentage of RDA Tax Increment
- Allocated to Affordable Housing
- Creating an Affordable Housing Superfund

Protecting Existing Housing

- Preservation of HUD Financed Affordable Housing
- Enacting Rent Controls in Urban Communities
- Enacting a Just Cause Eviction Ordinance and Establishing a Rent Relief Task Force for San Jose

"The two most pressing aspects of the crisis we face: maintaining the viability of the affordable housing we have, while creating the new affordable housing we need."

Enacting Rent Controls in Urban Communities

Though options for expanding the pool of affordable housing clearly exist, the current structural imbalance between supply and demand of housing continues to make spiraling rental costs inevitable. Through the enactment of reasonable rent controls, including just cause eviction guarantees, rent increases can be limited to those justified by cost increases and a fair rate of return to owners. As previously noted, rent controls would protect a total of 58,500 households if applied to rental units in the major urban cities lacking ordinances: Palo Alto, Mountain View, Santa Clara and Sunnyvale. Since the number of additional rental units likely to be built in these cities is small, the potential loss of new units resulting from the imposition of controls must be considered minimal.

To reduce the extent to which these measures produce inconvenience or costs to property owners, the cities noted should take pains to involve both tenants and owners represented to assist in all aspects of designing fair rent control and just cause eviction policies.

Enacting a Just Cause Eviction Ordinance and Establishing a Rent Relief Task Force in San Jose

Under state law, San Jose is prohibited from extending rent control to additional new housing units. However, the city can still take significant steps to increase the security of tenants, reduce the hardship associated with escalating rents, maintain housing quality, and discourage excessive rent increases.

By enacting a just cause eviction measure, San Jose can prevent evictions in rent controlled units for the purpose of increasing rents, an action that is already prohibited by the city's rent control law, but which is largely unenforceable. Such a measure would also extend protection to renters in units that are exempt from rent control.

In addition, San Jose can establish a rent relief task force with the mission of crafting strategies to improve the economic conditions of the city's tenants despite the restrictions of state law. As in the case of other cities, the task force should include representation from both owners and tenant advocates. Tenant protection measures are only effective to the degree that renters are cognizant of them. Therefore, a primary focus of the task force could be to determine ways that the protections under San Jose's current rent control law can be more firmly guaranteed and expanded. For example, the city could initiate widespread education programs to inform renters of their right to contest high rent increases.

"Tenant protection measures are only effective to the degree renters are cognizant of them."

Also, the city could aggressively enforce the current provisions of the ordinance, particularly the prohibition against rent increases on units from which the prior tenant had been evicted. A full review of the current ordinance is also needed to determine the extent to which the level of rent increases permitted under its provisions should be adjusted downward. Other possible strategies to be evaluated might include mandating code enforcement inspections when rent increases grow beyond a predetermined level, or assisting tenants to pay the high initial costs of renting an apartment (an amount that often exceeds $5,000).

As noted earlier, tenant protection measures are only effective to the degree renters are cognizant of them. For example, though residents of HUD projects built prior to 1979 are protected by San Jose's rent control measure, scant effort has been made in the past to guarantee its enforcement. For this reason, an educational component must be incorporated into any renters' rights measures enacted locally. In this regard, Santa Clara County officials could play an effective role in developing a joint effort among San Jose and other municipalities that have approved similar measures.

Protecting Existing Housing

Creating An Affordable Housing Superfund

As described earlier, financing an affordable housing initiative on a scale necessary to ease the Silicon Valley's housing crisis would require what would amount to an affordable housing "superfund" of $1.2 billion. Sources for financing 50 percent of this fund have already been identified: developer contributions would provide approximately $200 million; RDA funds from all cities with agencies could offer an additional $200 million; while tax credits could contribute another $200 million. The source for the other half of the fund, $600 million, would be provided by temporary sales tax increases and general obligation bonds.

"Affordable housing will only be recognized as a necessary investment if public officials and other opinion leaders begin to address it as one."

As noted earlier, San José and area residents have demonstrated a clear willingness to provide support for necessary public investments. However, it is also evident that affordable housing will only be recognized as a necessary investment if public officials and other opinion leaders begin to address it as one.

Preservation of HUD Financed Affordable Housing

In order to protect the thousands of low income units in apartment complexes that may be converted to market rates, the city should investigate carefully all proposed conversions to determine if any prior subsidy or land use decision had been premised on a commitment of longer term affordability. In addition, the city could make clear that all of such units constructed after 1979 will be immediately subject to the San Jose rent ordinance as soon as the contract with HUD has been terminated.

6. City's Monitoring Plan

ANNUAL ACTION PLAN

Federal Sources

San José is an "entitlement" city and receives federal funds from the following programs

- Community Development Block Grant Program (**CDBG**)
- HOME Investment Partnership Program (**HOME**)
- Housing Opportunities for People with AIDS Program (**HOPWA**)
- Emergency Shelter Grant Program (**ESGP**)

The following describes the proposed uses of federal funds for FY 2001:

HOPWA FUNDS -- $723,000 will be distributed to two housing and service providers with a reserve of 3% for operating costs and administration. Allocations will be $350,655 to the AIDS Resources, Information and Services (ARIS) program, and $350,655 to Health Connections Aids Services, formerly known as the Visiting Nurse Association's AIDS project.

HOME PROGRAM FUNDS – A total of $4,317,000 will be committed to project sponsors for property acquisition in connection with new construction of rental units for ELI/VLI households and other special needs populations, as well as for homeownership programs. Of this amount, fifteen percent (or $647,550) will be set-aside for Community Housing Development Organizations (CHDOs). An additional five percent may be used to support operating expenses of CHDOs working on a housing development. Ten percent ($431,700) will be for administrative costs of the Participating Jurisdiction.

CDBG -- Total funding of $15,996,000 will be available in FY01/02 consisting of $12,996,000 from the City's 2000 Entitlement grant, $1,500,000 in projected 2000 program income, and $1,500,000 in prior year funds. San José will establish a reserve of $100,000 for a contingency reserve for cost overruns and/or later programming. Fifteen percent (15%) of entitlement funds and $225,000 in prior year funds will be targeted to human service and housing projects. Eighty-five percent (85%) of entitlement funds, all 2000 program income and the remaining available funds will be allocated for community development improvements including housing rehabilitation, fair housing, capital improvements, code enforcement and small business assistance.

EMERGENCY SHELTER GRANT (ESG) FUNDS – A total of $443,000 is available. Of this amount, 70% will be allocated for shelter operating costs ($310,100), and 30% will be allocated for support services ($132,900). Up to 20% of the funds will be set-aside for the County's Cold Weather Shelter Program. Remaining funds will be made available to existing shelters, day care centers, and homeless service providers.

The federal government provides additional funds for both interim/transitional and more permanent housing facilities, supportive services, and prevention programs for the homeless through the **ESG**. Various nonprofit service providers in the City also receive ESG funds directly from the State and County.

Other federal funds for the homeless include:

- **Federal Emergency Management Agency (FEMA)**
- **Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)**
- **Transitional Housing**
- **Permanent Housing for the Handicapped Homeless**
- **Section 811 Program funds - Supportive Housing for Persons with Disabilities** (formerly part of the Section 202 Program for the Elderly and Handicapped)

The Santa Clara County Housing Authority (which administers the City of San José Housing Authority's programs by legal agreement) also receives federal funds, part of which are targeted to residents of San José needing assistance. These programs include:

- **Certificate and Voucher** rental assistance programs (Section 8) - the Housing Authority, in collaboration with the Homeless and Family Self-Sufficiency consortia, works to provide supportive services for participants by acting as the local conduit for Section 8 funding.
- **Shelter Plus Care** rental assistance program for homeless persons with disabilities, particularly mental illness, chronic alcohol and/or drug addition, and AIDS
- **Family Unification** and **Family Self-Sufficiency Programs** - two supportive housing programs.

The Santa Clara County Housing Authority further plays a direct role in developing affordable housing units. Acting as a nonprofit housing developer, the Housing Authority will continue to apply for funds from the City and a spectrum of State, federal, and private sources for its various development projects.

State and Local Sources

California State Redevelopment Law requires that where there are local redevelopment areas, the property tax revenues generated by increases in assessed value within these areas after the adoption of the redevelopment plans be allocated to the redevelopment agency to carry out its redevelopment programs. State law further requires that at least 20% of these "tax increments" be set aside for the development, maintenance and preservation of housing affordable to low- and moderate-income households. A local jurisdiction need not limit the use of the funds to redevelopment areas only, but may use the "20% funds" more broadly within its entire jurisdictional boundaries, provided that the assistance is of benefit to redevelopment areas. The City of San José allocates its 20% Housing Funds -- as well as the housing rehabilitation portion of its CDBG funds -- for affordable housing development throughout the City according to five-year objectives in which 85% of the dollars are targeted to affordable housing for ELI, VLI and LI households, and 15% for housing affordable to MOD households.

In FY 2001-2002, the City will receive **approximately $26 million dollars in 20% tax increment funds,** as well as additional 20% Housing Funds in the form of loan repayments and interest, and supplemental agency funding in the form of bond proceeds. The amount of tax increment financing is projected to increase steadily over the next five years. In order to maximize its 20% Housing Funds, the Department of Housing **expects to receive $60 million in borrowed funds** (including long-term bonds and a short term line of credit) during the fiscal year 01/02-- secured by the future stream of tax increment -- for additional affordable housing development. Federal Matching requirements will be met with 20% Housing Funds and, to a lesser extent, through **locally imposed exemptions from construction-related taxes and fees** for ELI/VLI projects. In providing financing for affordable housing development, the City of San José policy is to provide financial assistance in the form of low-interest loans and grants. Moreover, the City emphasizes **gap financing rather than primary financing.**

The City further requires that **project sponsors leverage City funds with funds from non-City sources to maximize the investment** in affordable housing. As with current projects in the City pipeline, project sponsors will be expected to leverage City funds with funds from various programs such as **(TCAC), (CDLAC),** the **California Housing Finance Agency (CHFA)** and the **State Housing and Community Development Department (HCD).** These include the **Rental Housing Construction Program (RHCP)** and the **California Housing Rehabilitation Program for Rental Units (CHRP-R),** two programs on which local sponsors heavily depend for other leveraging.

Private Sources

The City also expects its funds to be leveraged through a variety of private sources, including the following:

- **Affordable Housing Program (AHP) of the Federal Home Loan Bank Board;**
- **Community Reinvestment Programs of private lenders;**
- **Other conventional lenders;**
- **Tax-exempt bond proceeds (e.g., 501(c)(3) bonds);**
- **Taxable bond proceeds;**
- **Mortgage Credit Certificates; and**
- **California and federal low-income housing tax credits.**

Anticipated Sources of Funds for FY01/02

The table below indicates the anticipated amount of funding expected to be received from all sources for the upcoming fiscal year.

At the State level, the City expects to continue receiving, either directly or indirectly (through sponsors of affordable housing projects or nonprofit service providers), funding for affordable housing rehabilitation efforts and programs to assist the homeless. Locally, the City expects to commit its annual share of tax increment funds for new affordable housing projects Citywide. The following table highlights the anticipated amounts of funding for FY00/01, showing a total of $231.8 million in expected activity (both locally controlled and outside funding).

Anticipated Sources of Funds for FY01/02

Funding Source	Amount Expected to be Received by Jurisdiction ($000s)	Amount Expected to be Received by Other Entities ($000s)
A. Formula/Entitlement Programs		
HOME	4,317	
CDBG	12,996	
ESG	443	
HOPWA	723	
Subtotal -- Formula Programs	**18,479**	
B. Competitive Programs		
Shelter Plus Care		1,200
Moderate Rehab SRO		74
Rental Vouchers		22,279
Rental Certificates		27,514
Public Housing Comp Grant		646
HOPWA Competitive	1346 (over 3 years, 00-03)	
LIHTC		98,230
Lead-Based Paint Abatement		
SAFAH		
Supportive Housing		
FEMA		
RRP (loan repayments)	*100*	
HUD 202		4,523
Mortgage Credit Certificates		
Subtotal Competitive Programs		
Total - Federal		
CHFA		
Total - State		
Tax Increment	24,049	
Bond Proceeds (net)	119,983	177,100
Tax Increment Loan Repayments	4,038	
Interest Income	4,645	
Miscellaneous	443	
Housing and Homeless Funds	100	
Total - Local		
Conventional Constr. Financing		29,834
Conventional Permanent Financing		29,834
AHP		
Owner Equity		0
Total - Private		
GRAND TOTAL	**153,258**	**391,234**

ACTIVITIES TO BE UNDERTAKEN

As noted in the Strategic Plan, there are several priority needs which the City of San José' intends to address over the next five years. The first step in accomplishing the overall five-year plan is to establish objectives for the upcoming fiscal year – 2001/2002. The one-year targets for FY01/02 are based on a reasonable assessment of the opportunities and constraints the City of San José is likely to experience in the upcoming year. The table below identifies the City's priority needs and one-year objectives, which may be measured in terms of units funded or lower- and moderate-income households assisted[1] as well as funding estimated to go towards each need.

PERFORMANCE OBJECTIVES FOR FY01/02

Priority Need	One-Year Objective	Units/HHs	Est. $
Need #3 – Public Housing Assistance, Need #5 Preservation VLI/LI Large Renter HHs, including Senior Renters, Disabled Renters, Homeless, and others with Special Needs	vouchers	1400	
Need #1 ELI/VLI/LI Housing, Need #8 Disabled, Need#9 Senior, Homeless Need			
ELI Large Renter HHs, Senior Renters, Disabled Renters, Homeless, and Others with Special Needs	New Construction	58	$6,670,000
VLI/LI Large Renter HHs, Small Renter HHs, Seniors, and Others with Special Needs	Acquisition/Rehab	187	$1,870,000
VLI/LI Large Renter HHs, Small Renter HHs, Seniors, and Others with Special Needs	Rehabilitation	255	$4,100,000
VLI/LI Large Renter HHs, Small Renter HHs, Seniors, and Others with Special Needs	Paint Grants	1063	$2,657,500
Need#4 Overcrowding, Need #6 Substandard Units, Need #7 Geographic Distribution ELI/VLI Large Renter HHs including Districts 3 and 5	New Construction Acquired/Rehabilitation	1,625 187[2]	$101,562,500
Need#2 Home Ownership MOD Owner HHs including seniors LI/MOD-income teachers	New Construction Purchase Assistance Purchase Assistance	100 100 TBD	$6,000,000 $900,000 $4,000,000
Homeless Need Families with children, Domestic Violence	New Construction	75	$2,472,500
TOTALS ELI = 0-30% of median VLI = 31-50% of median LI = 51-60% of median MOD = 61-100% of median	rental assistance new construction acq/rehab rehabilitation paint grants first time homebuyers ELI units TOTAL	1400 1,858 187 255 1,063 100 58 4,921	$9,372,500.00

[1] It should be noted, however, that the City's performance in meeting the targets should be assessed at the completion of the Five-Year Strategy, since the complexities of financing affordable housing development mean that, in any given year, the specific targets shown may not be met.

[2] 187 acquisition/rehabilitated units address needs#1, #4, #6, #7, #8, #9

GEOGRAPHIC DISTRIBUTION

New Construction -- The City's successful dispersion policy has ensured that areas of the City with high concentrations of lower-income households are not further impacted by the construction of new housing affordable to lower-income households. While new affordable units are being built in impacted areas, the emphasis is to build the majority of affordable units elsewhere in the City. Below is a table of the new construction projects for FY 2000-2001, specifying the Council Districts in which the project is to be built:

2001-2002 Completions

Project	**District**	Type	Fund Res.	Projection	Completion
Midtown Townhomes	**6**	For-Sale	93-94	31	To be completed 5/01
Siena Court	**3**	For-Sale	94-95	15	completed 11/00
Italian Garden Family	**7**	Family	97-98	146	To be completed 6/01
Helzer Courts	**7**	Family	98-99	153	completed 3/01
Ohlone-Chynoweth	**9**	Family	98-99*	192	To be completed 8/00
Vista Park Senior I	**7**	Senior	97-98	82	Completed 6/00
Piedmont & Sierra	**4**	Senior	98-99	95	To be completed 3/01
Vista Park Senior II	**7**	Senior	97-98	82	Completed 11/00
2001-2002 TOTALS				**715**	

HOMELESS AND OTHER SPECIAL NEEDS

In addition to the production objectives to meet the homeless needs noted in the Strategic Plan, the following homeless/special needs activities are anticipated to be undertaken:

HOPWA Funds

The City works directly with the Santa Clara County HIV Planning Council and the other entitlement jurisdictions in Santa Clara County to determine the appropriate allocation of funding according to need. The $723,000 in HOPWA funds are proposed to be distributed among the following housing and service providers, with a reserve of 3% for operating costs and administration ($21,100):

$350,655 to AIDS Resources, Information and Services (ARIS) of Santa Clara County, which provides HIV/AIDS prevention and support services countywide. ARIS will provide low-cost housing for people disabled by HIV who are homeless or at risk of homelessness, food and nutritional programs, practical home support, and one-to-one and group efforts.

$350,655 to Health Connections Aids Services, formerly known as Visiting Nurse Association's AIDS project, which provides assistance to persons with HIV/AIDS in accessing private and public benefit/entitlement programs as well as housing subsidies and support services to obtain long-term housing. VNA provides individual counseling, case management and psychosocial assessments to assure stable housing as well as short term emergency assistance with rent and utility expenses.

Emergency Shelter Grant Funds

Of the $443,000 in ESG funds awarded to the City for the upcoming fiscal year, the funds will be allocated as they have been for the past four years: 70% for shelter operating costs ($310,100) and 30% for support services ($132,900). A committee comprised of staff from the Department of Housing, the Department of Parks, the City Attorney's Office, the Mayor's Office, the County of Santa Clara's Homeless Coordinator, the Santa Clara County Office of Human Relations, and a homeless or previously homeless person, reviewed the proposals for funding and recommended awards. The program selection priorities were as follows:

1. Up to 20% of the funds will be set-aside for the County's Cold Weather Shelter Program at the Emergency Housing Consortium Reception Center.
2. Remaining funds will be available to existing shelters, day care centers, and service providers having extraordinary needs for assistance in paying utilities, insurance, rent, etc. Emphasis will be given to those agencies that attempt to coordinate their services with other shelter and service providers.

The committee's recommendations reflect a commitment to ensuring that agencies that provide actual shelter will receive priority for funding, given that the need is great. Additionally, at the recommendation of the committee, the Housing Department will be establishing more stringent standards for reporting reasonable and measurable outcomes to ensure that these limited funds will continue to be allocated to those agencies that demonstrate exceptional performance.

The following table depicts the recommended allocations for FY01/02: **To-be-updated**

AGENCY	ACTIVITY	AMOUNT REQUESTED	PROPOSED FUNDING
Emergency Housing Consortium	for the Cold Weather Shelter Program to provide for transportation, meals, referrals and services	$85,000	$66,750
Sacred Heart Community Center	for rental and motel assistance to families who are homeless or are at-risk of becoming homeless	$75,000	$58,250
Unity Care Group	to provide for staff and rent costs	$25,000	0[1]
Montgomery Street	for maintenance and operation expenses of the shelter	$60,000	$45,000
Georgia Travis Day Center	for maintenance and operation expenses of the Day Center	$40,000	$29,750
Commercial Street	for maintenance and operation expenses of the shelter	$35,000	$25,500
Next Door: Solutions to Domestic Violence	to provide food for the clients and to pay for food, shelter maintenance and utilities	$45,600	$35,253
Homeless Care Force	to provide food, general expenses related to food operations, and clothing and personal hygiene items to homeless street people	$64,988	$34,000
Concern for the Poor	for maintenance and operation expenses of the Family Shelter	$56,820	$48,297
Community Technology Alliance	to pay for ongoing costs associated with Project S.H.A.R.E., the shelter hotline, and other programs for the homeless	$38,000	$27,200
Bill Wilson	for maintenance and operation expenses of the shelter	$30,000	$20,000
St. Vincent de Paul	for rental and motel assistance to families who are homeless or are at-risk of becoming homeless	$30,000	$17,000
Loaves and Fishes	to provide food to the homeless	$12,000	0[2]
Unity Care Group	for transitional shelter for six to ten youths	$25,000	0[3]
Unity Care Group	for a supplemental program that provides safe and confidential shelter for battered women and their children	$80,520	0[4]
Tending The Flock	to provide food and food vouchers	$2,000	0[5]
Volunteers of America	to provide food, lodging and case management services	$44,000	$13,000
City of San José	to provide emergency services to the homeless such as bus passes and emergency hotel vouchers	$25,000	$25,000
	TOTAL	$773,928	$445,000

[1] Unity Care was not funded because their proposal did not meet the minimum criteria with respect to providing shelter.

[2] Loaves and Fishes was not funded because they are a new agency seeking funding and the Committee determined that, since total ESG funding was the same as last year, it was unable to fund new activities.

[3] Unity Care was not funded because this project is not for emergency housing.

[4] Asian American was not funded because they are a new agency seeking funding and the Committee determined that it was unable to fund new activities.

[5] Tending The Flock's application was incomplete.

The amount of matching funds provided by the City for the ESG program has, in the past, at least equaled and usually exceeded the amount of the grant from the federal government. The City's match may not include amounts that have been counted as an ESG match previously. In general, the City matches the ESG funds with funds from the City's Housing and Homeless Fund.

Homeless Prevention Activities

The following additional actions to address the housing needs of the homeless and special needs are proposed for the coming year:

1. The City has a Rental Assistance Program, which offers a one-time monetary assistance for people who are at-risk of becoming homeless. This program has been beneficial to several thousand individuals and families on the verge of becoming evicted. The City will continue to support this program, and increase the funding if needed.
2. The City offers move-in costs to individuals and families who are moving to permanent housing.
3. The Welfare- to-Work program provides tenant-based Section 8 rental assistance to help eligible families make the transition from welfare to work. This program has many steps that a voucher recipient has to follow: self-identification for the welfare to work voucher program, Initial screening orientation for the program, verification of eligibility, workshops, counseling, and housing search activities, and employment plans for prospective program participants, Housing screening committee, sign the Welfare-to-Work Housing Contract, apply for housing assistance, housing search, and finally sign-up for the Family Self-Sufficiency Program. These steps are intended to prepare people to enter back into the workforce and become self-sufficient.

Other Programs to help in the transition to permanent housing

The City will continue to fund shelters that provide counseling and other case management assistance to prepare individuals and families for the transition from emergency and transitional housing to permanent housing.

Several of the shelters in San Jose provide case management, and preparation courses such as resume writing, skills training, financial planning, parenting, and many others. These courses provide a foundation on which people can begin a new life. The City funds many of these shelters, and will continue supporting them and encouraging them to be innovative and reinventive in the development of their courses.

OTHER ACTIVITIES

Based on the findings of the two studies conducted on the housing needs of persons with disabilities and seniors, the following additional activities are proposed:

Seniors

1. Investigate opportunities for market rate congregate or life care housing through zoning and planning policies. *Department of Planning, Building and Code Enforcement*
2. Determine whether existing density bonus policies could be made more effective in encouraging the development of market rate senior housing. *Department of Planning, Building and Code Enforcement*
3. Continue to collaborate with Project Match on finding a suitable site to house homeless seniors in permanent housing. *Department of Housing*

Disabled

1. Continue to seek projects that provide group housing for persons with disabilities to maximize options that provide residents with their own bedrooms. *Department of Housing*
2. The City will work with other agencies to develop more outreach services for the hardest-to-serve homeless population. *Department of Housing*
3. The City will continue to work with Housing Choices Coalition to meet their needs in helping persons with disabilities. *Department of Housing*
4. The City will finance the rehabilitation or assist in obtaining financing for Casa Feliz to provide housing for persons with mental disabilities. *Department of Housing*

OTHER ACTIONS

Public Policies

In addition to its production objectives, the City is strongly committed to improving the affordable housing delivery system. Some policy actions in this year's plan include efforts begun last year which require further analysis, as follows (responsible parties shown in *italics*):

1. Continue implementation of a community education effort for affordable housing. *Department of Housing*

2. Complete a study of the feasibility of creating a housing trust fund that would provide an ongoing, dedicated source of revenue for affordable housing efforts, such as a General Obligation (GO) Bond. *Department of Housing*

Institutional Structure

In the upcoming year, the following actions will be undertaken to improve the delivery system and eliminate identified gaps in the institutional structure:

1. Continue to apply for federal and State funds to maintain and increase funding for affordable housing projects. *Department of Housing*

3. Continue to seek solutions to address federal regulatory barriers to the production and rehabilitation of affordable housing (e.g., cost-prohibitive relocation benefits required by federal regulations). *Department of Housing, Office of Intergovernmental Relations, City Council*

4. Continue to prepare Neighborhood Improvement Plans as part of the Strong Neighborhood Initiative (SNI). Areas include 13th Street, Five Wounds/Brookwood Terrace, East Valley/680 Communities, Mayfare, Spartan/Keyes, Burbank/Del Monte, Tully/Senter, Winchester, Whaley, Josepha/Auzerais, Gardner/Atlanta. The plans will seek strategies to renovate existing homes and to provide opportunities to identify infill sites.

   Continue to update existing Neighborhood Revitalization Plans. As part of the process, staff will continue to look for new housing opportunity sites. Areas include Santee, University, Washington, Rockspring, and Edenvale/Great Oaks. *Department of Planning, Building and Code Enforcement, Department of Parks, Recreation and Neighborhood Services, Department of Housing, Police Department, and other City departments.*

5. Continue coordination with and assistance to the San José Neighborhood and Housing Services. *Department of Housing*

6. Advocate changes in federal laws to improve San José's position in applying for scarce public dollars. *Department of Housing, Office of Intergovernmental Relations, City Council*

7. Continue implementation of the Alviso Community Plan to address land use, economic development, affordable housing, and other issues to enhance and protect the existing character of the area, including the existing affordable housing stock. *Department of Planning, Building and Code Enforcement, Department of Housing, Department of Parks, Recreation and Neighborhood Services, and other City Departments*

8. Continue to Implement a first-time homebuyer program for teachers. *Department of Housing*

9. Develop processes and procedures to maximize the delivery of housing services and to improve coordination between various City Departments as part of the City Council's direction to increase production by 50%. As part of this, continue implementation of a Housing Action Team (HAT), made up of staff from various Departments, to facilitate the development of affordable housing. *Department of Housing, Department of Planning, Building and Code Enforcement, City Attorney's Office, Department of Parks, Recreation and Neighborhood Services, Department of Public Works, Fire Department, and other City Departments*

10. Implement an aggressive program to acquire suitable surplus sites to help meet the increased production goals in the future. As part of this, the City will make it a priority to use City surplus land for affordable housing purposes as appropriate. *Department of Housing, Department of Public Works, Department of Planning, Building and Code Enforcement, City Attorney's Office, Department of Parks, Recreation and Neighborhood Services, and other City Departments*

11. Continue to identify vacant and underutilized parcels, particularly along Transit-Oriented Development Corridors, suitable for higher density and/or mixed-use development as part of the Housing Opportunity Study. *Department of Planning, Building and Code Enforcement*

12. Expand Rehabilitation Program in Strong Neighborhoods. *Department of Housing, Redevelopment Agency*

13. Increase Predevelopment funding for nonprofit developers. *Department of Housing, Budget Department*

14. Review Inclusionary Zoning and possible development of ordinance. *Department of Housing, Department of Planning, Building and Code Enforcement*

15. Work with San Jose State University on joint projects for housing. *Department of Housing, Redevelopment Agency*

16. Reanalyze assumption that housing is not paying its fair share of taxes, and analyze feasibility of using industrial sites for affordable housing development. *Department of Planning, Building and Code Enforcement*

17. Explore the use of air rights above publicly owned properties. *Department of Planning, Building and Code Enforcement*

Fair Housing

1. Complete an Analysis of Impediments to Fair Housing, including recommendations for further action. *Department of Housing, Department of Parks, Recreation and Neighborhood Services, fair housing service providers, and others involved in this issue*

2. Complete a Countywide Fair Housing Needs Assessment. *Department of Housing, other entitlement jurisdictions in the County of Santa Clara*

Lead-Based Paint Strategy

The Department of Housing has updated its policies and procedures to conform to the *Final HUD Regulation on Lead-Based Paint Hazards* that was supposed to become effective September 15, 2000, but was extended to March 15, 2001. The new regulation is contained in 24 CFR Part 35.

The new regulations require that any HUD-funded project exceeding $5,000 must include measures to make the entire dwelling "lead-based paint safe." This requirement significantly affects the costs, timeframes, and processes in which rehabilitation projects are administered by the Housing Department. All residential buildings constructed before 1978 may contain lead-based paint. The neighborhoods identified in the "Strong Neighborhoods Initiative" target areas are predominately pre-1950 indicating an extremely high likelihood of lead-based paint contamination. Any work where lead-based paint (or presumed lead-based paint) will be disturbed falls under the new regulations. The amount of Federal funding per project also dictates at what level the problem(s) are to be addressed ($5,000 or less, over $5,000 but less than $25,000, and over $25,000). Again the age and condition of the dwellings within the SNI neighborhoods would indicate that the majority of rehabilitation projects will exceed $25,000, thus falling under HUD's most stringent category for lead based paint.

In support of the government's goal of eliminating lead-based paint hazards in housing, the Housing Rehabilitation Program has been testing all pre-1978 projects for lead-based paint, whether or not federal funds are used. Through this testing (and remediation), San Jose has begun to develop an accurate database of dwellings with lead-based paint hazards and data which will help staff determine the scope of the problem on a city-wide basis. For the fiscal year ending June 2001, San Jose will have spent approximately $125,000 in its efforts to identify and eliminate hazards associated with lead-based paint in residential structures.

Public Housing

The Housing Authority of the County of Santa Clara, utilizing federal HUD funds allocated for the County of Santa Clara, built and manages 4 conventional (public housing) buildings, two of which are for Seniors and persons with disabilities, and the other two are family units. The four sites comprise of 234 public housing units, for which the Housing Authority provides on-site management, maintenance and landscaping services. The public housing wait list has over 5000 names on it.

<u>Section 8</u>

The Housing Authority, in partnership with the County Social Service Agency, received 1066 vouchers, targeted to people on the Section 8 wait list who are currently receiving TANF (Temporary Aid to Families in Need), qualified by income to receive TANF, or have received TANF services in the past two years. The program provides case management, workshops in money management, landlord/tenant law, and other supportive services. In order to receive and keep the voucher, a family must be employed or in training to become employed. As of 2/22/01, 968 families had secured housing. It is anticipated that this set aside funding will be fully utilized by March 15,2001.

The Housing Authority also anticipates on receiving an allocation of 1200 vouchers to be used throughout the City and County on a first come, first serve basis. The current wait list for Section 8 has 24,975 names on it. Approximately 800 vouchers have been issued for this allocation to date. An application for 1000 new vouchers was submitted in January, 2001.

The Housing Authority also received 100 vouchers for Main Stream funding, set aside funding for persons with disabilities. This was the second allocation for this program received by the Housing Authority. All of these vouchers have been utilized.

The Family Unification Program consists of an allocation of 250 vouchers intended to be used by families with an open welfare case that are in danger of losing their children due to lack of housing. Approximately 166 of these vouchers are being utilized with the balance to be issued by June30, 2001.

Section 8 project- base funding may be available for landlords who are willing to provide housing units for families who qualify for vouchers or families who have vouchers, and are looking for a unit. Information about project-base opportunities will be available by June 1,2001. Federal regulations for the project- base program are being finalized as of February, 2001.

Section 8 Homeownership

The tenant may use section 8 Housing Assistance Payments to purchase a home. The Housing Authority intends to administer a pilot program targeted to the participants of the Family Self Sufficiency Program. The program will be implemented after July 1,2001.

Affordable Housing

The Housing Authority of the County of Santa Clara recently opened a new complex, Helzer Courts Apartments (155 Family units) by using a variety of financial resources, including funds from the City of San Jose Housing Department. Land has been purchased to build a 125-unit complex for Senior citizens in SW San Jose. 47 Units of Family housing were purchased and rehabilitated in central San Jose. The rents are affordable in all complexes. The Housing Authority has built/ rehabilitated and manages 12 complexes for families, persons with disabilities and seniors in the City of San Jose. The wait list for Housing Authority affordable units throughout the County is approximately 41,000 persons or families.

PROGRAM - SPECIFIC REQUIREMENTS

CDBG

AVAILABLE FUNDS – FY01/02

It is expected that total funding in the amount of $15,996,000 will be available in FY01/02 consisting of $12,996,000 from the City's 2001 Entitlement grant, $1,500,000 in projected 2001 program income, and $1,500,000 in prior year funds.

Projected Use of Community Development Block Grant Funds for the First of Three Years – FY 01-02
The following section outlines the City Administration's recommendation submitted to the CDBG Steering Committee on projects proposed to be implemented with the funds available in 2001-2002 fiscal year. During this one-year period, the City proposes to utilize 99% of these funds to serve low and moderate-income persons.

In FY01/02 San Jose proposes to establish a reserve of $100,000 for a contingency reserve for cost overruns and/or later programming. San Jose proposes to allocate 15% of the entitlement funds and $225,000 in prior year funds to human service and housing projects administered by community based organizations. Eighty-five percent 85% of entitlement funds, all 2001 program income and the remaining available funds are proposed to be allocated for community development improvements including housing rehabilitation, fair housing, capital improvements, code enforcement and small business assistance. The proposed allocation of available funds by category is as follows:

<u>CONTRACTUAL COMMUNITY SERVICES</u>
- PUBLIC SERVICES (14%)

<u>COMMUNITY DEVELOPMENT IMPROVEMENTS</u>
- FAIR HOUSING (3%)
- PROGRAM ADMINISTRATION AND PLANNING (14%)
- HOUSING IMPROVEMENT PROGRAM (21%)
- ECONOMIC DEVELOPMENT (4%)
- CODE ENFORCEMENT AND INTERIM ASSISTANCE (16%)
- PHYSICAL IMPROVEMENT PROJECTS (27%)

<u>RESERVE</u> (1%)

<u>CONTRACTUAL COMMUNITY SERVICES (CCS) CATEGORY</u>

Within this category, $1,949,000 in Entitlement funds and $225,000 in prior year funding is allocated to public service projects. All projects serve low and moderate-income persons on a citywide basis. Programs marked by an asterisk are also receiving funding from the City's

General Fund.

<u>PUBLIC SERVICES</u> (15% of Available Funds)

ALLIANCE FOR COMMUNITY CARE
<u>Community Support Recreation</u> ($21,000)

Projects provide recreational and support activities to adult residents of San Jose with persistent mental illnesses. Services include support groups, educational presentations, recreation activities, self-help activities, outreach and coordination with mental health treatment staff.

BILL WILSON MARRIAGE & FAMILY COUNSELING CENTER
<u>Runaway and Homeless Youth Shelter</u> ($40,000)

Project provides a range of services for runaway and homeless youth and their families including food, emergency shelter, individual and family counseling, recreation activities, medical care and education services.

CATHOLIC CHARITIES OF SAN JOSE
<u>Shared Housing</u> ($80,000)

Project involves providing information and referrals to San Jose residents about affordable housing opportunities through home sharing.

<u>YES' Young Women's Empowerment Project</u> ($66,743)

The project fosters the healthy development of young women to prevent teen pregnancy and dating violence. The project uses a multi-level approach, which includes support groups, peer education/mentorship, career/educational development workshops, mother daughter-activities and individuals to carry out project activities.

HOUSING AUTHORITY OF THE CITY OF SAN JOSE
<u>Family Self-Sufficiency</u> ($30,089)

Project assists families in subsidizing housing to achieve economic self-sufficiency by linking them to training and employment retention support services.

COMMUNITY TECHNOLOGY ALLIANCE
<u>Project Share</u> ($21,069)

The project provides communication tools as supportive services to homeless and at-risk individuals seeking shelter, permanent housing, employment and community voicemail.

CONCERN FOR THE POOR
<u>Case Management</u> ($29,400)

Project provides case management to homeless families with children. The project's goal is to assist families in removing barriers to self-sufficiency. . Services include job counseling, referrals to educational programs basic computer skills, help with money management and general counseling as needed.

CROSS-CULTURAL COMMUNITY SERVICES CENTER

Youth Employment Services and Placement ($43,000)

Project provides limited English proficient youth ages 16-21, with 12 weeks of employment readiness skills and computer training in three non-repetitive cycles a year.

DEAF COMMUNITY, ADVOCACY, AND REFERRAL AGENCY

DCARA Health & Community Support Services ($28,076)

The project provides health, benefit and daily living services to deaf, deafened, deaf-blind and hard-of-hearing persons. Clients receive services in ASL or the communication mode most usable by them. .

EMERGENCY HOUSING CONSORTIUM (EHC)

H.O.M.E.S. ($61,000)

The project provides extensive housing location assistance, life skills training, employment services and informational resources to help homeless San Jose residents gain and maintain permanent housing and stability. .

ETHIOPIAN COMMUNITY SERVICES

Ethiopian Community Center ($34,904)

Project provides translation/interpretation, outreach and counseling services to low/moderate individuals/families residing in the City of San Jose to become self-sufficient.

FILIPINO-AMERICAN SENIOR OPPORTUNITY DEVELOPMENT COUNCIL, INC.

Northside Community Center ($35,000)

Project provides services catered toward helping seniors overcome language barriers, obtain Veterans Benefits, entitlements, income maintenance and others.

FRIENDS OUTSIDE IN SANTA CLARA COUNTY

School Advocate Project ($30,000)

The project provides a variety of services to youth between the ages of 7 and 14 with AD/HD or other learning disabilities, which are causing problems at school and home. The project also provides services to parents to help them understand and assist with the challenges their children are experiencing.

INNVISION

Cecil White Center ($47,000)

Project provides homeless people with essential services, employment readiness training, job search and placement, case management, basic medical care, mental health referrals, substance abuse assessment, education, counseling and computer training.

Julian Street Inn ($25,000)

The project provides direct services to homeless and severe mentally ill persons. The project links these persons to service providers, volunteers and government agencies in the community to meet the multiple needs of this population.

Community Inns ($24,000)

Project provides 15 shelter beds at community churches on a rotating basis, three meals per day, case management and supportive services to homeless people. A caseworker works with the homeless person to identify, obtain and retain employment in the community and link them to comprehensive support services.

LEGAL AID SOCIETY OF SANTA CLARA COUNTY

Legal Aid Society Housing Counseling ($139,285)

The project provides counseling, legal assistance and landlord seminars to address housing related problems.

LIVE OAK ADULT DAY SERVICES

Senior Adult Day Care/Respite ($29,483)

The project provides a specialized program of Adult Day Care to enrich the quality of life of disabled seniors by providing them with socialization opportunities to assist in preventing or delaying institutionalization.

LOAVES AND FISHES FAMILY KITCHEN

Loaves and Fishes Project ($20,000)

The project serves no cost hot meals five days a week to low-income persons.

MEXICAN AMERICAN COMMUNITY SERVICES AGENCY

Casa MACSA Adult Day Health Services ($30,911)

The project provides comprehensive day care and rehabilitative services for frail and elderly adults.

MACSA Youth Center Services ($$144,900)

The project provides education, recreation, employment development and mental health services for youth ages 6 to 18.

Youth Opportunities Unlimited ($147,000)

The project provides service programs such as academic support, computer literacy, art, recreation and social development for low/moderate income students.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE

Shelter Next Door ($80,000)

The project provides intensive case management, advocacy, counseling, support groups, educational workshops, parenting support and legal services for victims of domestic violence and their children. Children are provided with educational advocacy, support, counseling and recreational opportunities.

OUTREACH & ESCORT

Special Needs Transportation ($46,000)

The project provides door-to-door transportation to frail seniors and disabled adults. Funds from the project will be used to subsidized .35 cents of the $2.50 per ride fare charged.

PORTUGUESE ORGANIZATION FOR SOCIAL SERVICES & OPPORTUNITIES

Minority Senior Service Providers Consortium ($126,028)

The project will provide wellness and recreational activities, respite senior day care services, language assisted transportation, escort, social services information, referrals and immigration services to limited English speaking seniors in the City.

PROJECT MATCH

Senior Citizen Housing Match/Homelessness Prevention ($97,000)

The project "Matches" seniors offering a room in their home (Providers) with individuals who need a room to rent (Seekers).

RESPITE, RESEARCH FOR ALZHEIMER'S DISEASE

Alzheimer's Activity Center ($30,000)

The project provides therapeutic activities and activities of daily living to extremely low- and low moderate-income seniors suffering Alzheimer's Disease and related illness. The therapeutic activities include encouraging physical mobility, enhance and use of cognitive skills. Additionally, the project provides assistance in the areas of nutrition, personal hygiene and stability.

SACRED HEART COMMUNITY SERVICES

Comprehensive Services Project ($25,000)

Project provides emergency food boxes, sack lunches, employment placement, clothing and information and referral service for low-income persons and families.

SAN JOSE FIRST UNITED METHODIST CHURCH

San Jose First Community Services ($19,000)

Project provides outreach programs such as basic human needs, vocational and employment development, rental assistance and emergency relief to homeless and very low-income families of San Jose.

SANTA CLARA COUNTY ASIAN LAW ALLIANCE

Asian Law Alliance ($54,000)

The project provides multilingual and culturally sensitive legal counseling and preventative community education services to low-income residents of San Jose. The project has two components: legal services and community education.

MENTAL HEALTH ADVOCACY PRJECT OF THE LAW FOUNDATION OF SILICON

Residential Care Ombudsman ($24,000)

The project assists persons with mental and developmental disabilities in resolving legal problems in residential care housing and independent living such as evictions, substandard living conditions, verbal, physical and financial abuse.

SANTA CLARA/SANTA CRUZ COUNTIES COUNCIL OF CAMP FIRE
Camp Fire Teen Leadership Corp. (TLC) ($31,614)

The project recruits teenagers from low-income neighborhoods identified as "at risk" of dropping-out of school and into gangs and substance abuse and trains them to become teachers, role models, and mentors for younger children. The project provides the support system for these persons needed to help them stay in school, stay employed, and access if necessary to social services needed to help them handle personal or family problems.

SANTA CLARA UNIVERSITY
East San Jose Community Law Center ($27,000)

The project assists low-income people to understand and enforce their legal rights in employment, immigration, and consumer matters through group workshops, drop-in clinic interviews, and individual representation and community education.

SANTA CLARA VALLEY BLIND CENTER
Blind and Visually Impaired Client Services Delivery ($27,000)

The project provides social, recreational and educational programs for the blind and visual impaired. The project provides information regarding products for the visually impaired, financial information, transit information, educational opportunities and referrals to other social service agencies.

SECOND HARVEST FOOD BANK
Operation Brown Bag ($18,000)

The project is a self-help program that assists very low-income seniors with their food needs. Through this project seniors receive a bag of groceries each week at various City locations.

SENIOR ADULT LEGAL ASSISTANCE (SALA)
Legal Assistance to Elders ($88,000)

The project provides free legal services to elderly clients through on-site appointments at twelve San Jose senior centers.

SERVICES FOR BRAIN IMPAIRED (SBI)
Continuum Of Care ($20,000)

The project provides rehabilitative services such as day treatment, assessment, case management and information/referral to severely, traumatically brain-impaired survivors.

SILICON VALLEY INDEPENDENT LIVING CENTER (SVILC)
Housing Program for Persons with Disabilities ($10,000)

This project is a housing referral/advocacy/placement service that addresses the special housing needs of persons with disabilities.

SUPPORT NETWORK FOR BATTERED WOMEN
Services for Battered Women and Children ($40,000)

The project provides a support network for battered women and their children. The project provides bilingual service, a 24- hour toll free crisis hot line, emergency shelters, legal advocacy and counseling for women and children.

VIETNAMESE VOLUNTARY FOUNDATION
Vietnamese Elderly Services Senior Center ($60,000)

The project works to enhance the quality of life for elderly adults of limited English proficiency. Services include ESL/Citizenship classes, case management, field trips, recreation activities; health services interpreting and translating services.

Vietnamese Youth Gang Prevention/Intervention Program ($21,250)

The program consists of SAGE/school-based counseling, mentoring, support groups and recreational activities.

WOMEN AND THEIR CHILDREN'S HOUSING (WATCH)
WATCH ($33,000)

The project provides a safe living environment for victims of domestic violence and a system of support services that includes therapeutic interventions, case management, recreation, mentoring and educational support.

YWCA IN SANTA CLARA VALLEY
YWCA Child Care ($169,248)

As part of a nine non-profit childcare consortium, the project provides high quality subsidized childcare services at fifteen sites throughout San Jose. The project also provides counseling, assessment of children, short-term intervention, parent workshops and information and referral services.

COMMUNITY DEVELOPMENT IMPROVEMENTS (CDI) CATEGORY

Within this category, a total of $11,047,000 in 2001-2002 entitlement funds, $1,500,000 in anticipated 2000 program income, and $1,275,000 in prior year funds is available for housing rehabilitation, fair housing, capital improvements, code enforcement and small business assistance programs. All projects serve low and moderate-income persons and are Citywide unless noted.

FAIR HOUSING PROJECTS (3%)

LEGAL AID SOCIETY OF SANTA CLARA COUNTY
Legal Aid Society Fair Housing Project ($150,000)

The project will provide 24 free Fair Housing Seminars at various locations throughout the City.

SAN JOSE FAIR HOUSING CONSORTIUM

Fair Housing and Enforcement Services ($307,274)

The project provides comprehensive fair housing education, investigation and enforcement services.

PROGRAM ADMINISTRATION AND PLANNING (16%)

DEPARTMENT OF PARKS, RECREATION AND NEIGHBORHOOD SERVICES

CDBG Program Development & Monitoring ($1,112,273)

The project provides program development/evaluation, project implementation/monitoring and technical support in managing 100 projects per year.

Strong Neighborhoods Initiative (SNI) Organizing and Implementation Team ($320,227)

The project is a partnership of the City of San Jose, Redevelopment Agency and the community to build, clean, safe and attractive neighborhoods with strong, independent and capable neighborhood organizations.

Therapeutic Recreation & Wellness Facility Pre-Development Study ($200,000)

The project consists of initiating a pre-development study to address the need for a centralized recreation and wellness facility for persons with disabilities. The study will address site location, facility design and development of architectural drawings.

DEPARTMENT OF PLANNING, BUILDING & CODE ENFORCEMENT

Environmental Review of CDBG Proposals ($72,770)

The project consists of research of all potential environmental impacts for CDBG project, including fieldwork, analysis and documentation of each project's consistency with NEPA standards for each impact category.

Neighborhood Revitalization Program ($348,469)

The project has two parts: Neighborhood Revitalization Plan Preparation and Neighborhood Revitalization Plan Coordination. The Plan Preparation component consists of preparing several comprehensive community-based revitalization plans in troubled low/moderate income neighborhoods. The Plan Coordination component coordinates, implements and monitor existing and future neighborhood revitalization plans.

DEPARTMENT OF FINANCE

Accounting for CDBG ($169,172)

The project provides financial administration and record keeping for the CDBG program.

HOUSING IMPROVEMENT PROGRAM (24%)

ECONOMIC & SOCIAL OPPORTUNITIES (ESO)
Housing and Energy Services Program ($600,000)

The project assist low/very low income persons of San Jose by providing services such as the identification and correction of hazardous and unsafe conditions, providing safety inspections and testing, performing lead paint hazard screening and education and minor home repairs.

DEPARTMENT OF HOUSING
Housing Rehabilitation ($2,439,865)

The project provides low-interest and deferred loans to low-income borrowers and loans to rental property owners to improve their properties occupied by low - moderate-income households.

COMBINDED ADDICTS AND PROFESSIONAL SERVICES (CAPS) Vermont House ($320,000)

The project involves acquiring two residential structures serving as transitional housing for 28 extremely low-and very low-income persons.

ECONOMIC DEVELOPMENT (5%)

DEPARTMENT OF PARKS, RECREATION AND NEIGHBORHOOD SERVICES
San Jose Smart Start Family Child Care ($218,550)

The project consists of expanding early childhood development/child care spaces, creating new businesses and filling vacant spaces in existing businesses.

OFFICE OF ECONOMIC DEVELOPMENT
Revolving Loan Fund Expansion ($50,000)

The project consists of creating and retaining jobs for San Jose residents, increasing investment in blighted areas and vacant facilities, developing businesses operated by economically disadvantaged residents.

SANTA CLARA UNIVERSITY
Small Business Consulting Group ("SBCG") ($27,000)

The project consists of expanding support beyond legal services to include business related services to assist low-income persons interested in starting or developing their own small businesses. Project will provide financial planning, marketing and business strategies to enhance the opportunities for low-income entrepreneurs to succeed in achieving economic self-sufficiency.

SILICON VALLEY ECONOMIC DEVELOPMENT (SVED) CORPORATION
Small Business Institute/ Business Assistance Center ($263,287)

The project provides general business assistance, technical assistance, loan packaging and financial assistance to low-income residents starting up businesses that will create new jobs.

Entrepreneurship Training Program ($72,528)

This project will provide training for entrepreneurs who will then create jobs for low-income persons. Along with entrepreneur training the project will also provide business plan development and one-on-one business development mentoring.

CODE ENFORCEMENT AND INTERIM ASSISTANCE (18%)

DEPARTMENT OF PLANNING, BUILDING & CODE ENFORCEMENT

Community Improvement Program (CIP) ($487,535)

The project consists of preserving and improving the quality of existing affordable housing units in low-income neighborhoods through enhanced code enforcement inspection services. The project utilized owner and tenant education and neighborhood beautification projects to improve low-income neighborhoods.

Concentrated Code Enforcement Program (CCEP) ($779,626)

The project consists of preventing or eliminating slum and blight conditions in targeted low/moderate income areas in San Jose. The project uses a systematic proactive inspection and application of code enforcement code to correct health and safety violations.

Neighborhood Action Center (NAC) ($470,327)

The project consists of providing Code Enforcement services to two Project Crackdown areas and two Neighborhood Action Centers.

Project Crackdown ($542,293)

The project consists of providing law enforcement services, improving the physical conditions of neighborhoods through Code Enforcement activities, Community Organization and education and outreach.

SAN JOSE CONSERVATION CORPS.

Corps Community Projects ($216,044)

This project consists of improving the appearance of neighborhoods through health and safety activities and clean up activities. Services included in this project also pertain to fire hazard reduction, repairing fences, disposal of furniture, re-landscaping, park rehabilitation design and installation of irrigation system.

PHYSICAL IMPROVEMENTS (33%)

BOYS & GIRLS CLUBS OF SILICON VALLEY

Eastside Clubhouse Capital Project ($750,000)

The project involves building a new community ball field and renovating an outdated 5,000 square foot clubhouse.

DEPARTMENT OF PARKS, RECREATION AND NEIGHBORHOOD SERVICES6th & Bester Park Site Development (80,000)

The project consists of developing a neighborhood park to serve the Spartan/Keys neighborhood.

Anti-Graffiti Program ($442,010)

The project consists of decreasing the presence of graffiti blight in San Jose through prompt removal of graffiti from both public and private property with an emphasis on low-income areas.

Guadalupe-Washington Alley Reconstruction ($260,000)

The project consists of improving the function, appearance and safety of an alley in the Guadalupe-Washington area. The improvement will consist of redesign and reconstruction of the alley.

Roosevelt Roller Hockey Rink Renovation ($202,000)

The project consists of renovating an existing roller rink.

DEPARTMENT OF PLANNING, BUILDING & CODE ENFORCEMENT

Walnut Grove Area Site Improvement Project II ($820,000)

The project consists of reconstructing two private driveways and parking areas behind fourplexes in the southern (Dubert Lane) and eastern (Crucerro Drive) portions of the Walnut Grove area of Santee neighborhood.

DEPARTMENT OF PUBLIC WORKS

Mayfair Streetlights Phase III ($200,000)

The project consists of modifying the present lighting system in parts of the Mayfair Improvement Initiative area.

Project Crackdown Street Lightening ($120,000)

The project consists of modifying the present lighting system in parts of Project Crackdown areas.

EMERGENCY HOUSING CONSORTIUM

Transitional Housing Rehabilitation Project Phase II ($204,000)

The project consists of renovating two buildings serving as transitional housing units at 1089 North Fifth Street and 282 E. Younger Street.

HOUSING FOR INDEPENDENT PEOPLE, INC. (HIP)

Disabled Housing Preservation ($211,920)

The project consists of preserving 25 units of affordable housing, by way of rehabilitation, occupied by low-income persons with disabilities.

MEXICAN AMERICAN COMMUNITY SERVICES AGENCY, INC.

MACSA Enrichment and Development Center ($495,000)

The project consists of rehabilitating a donated residence and adjacent building for office space to be used for youth service programs.

SAN JOSE DAY NURSERY

Nursery Renovation Project ($194,000)

The project consists of pre-construction steps to rehabilitate an 84-year old building used for child development services.

YWCA IN SANTA CLARA VALLEY

Franklin-McKinley School District Child Care ($575,830)

The project consists of installing two modular buildings at two school sites in the Franklin McKinley School District: Robert F. Kennedy and George Shirakawa Sr..

RESERVE (1%)

An operating reserve of $100,000 is proposed.

HOME PROGRAM FUNDS

A total of $4,317,000 is available, to be used for a variety of housing-related activities.

New Construction – Given the current and projected shortage of affordable housing, new construction of affordable housing units is the City's highest priority for housing assistance. The City proposes to use HOME funds for property acquisition and construction of rental units for ELI/VLI and LI households and special needs populations such as single parents, seniors, the disabled, people living with HIV/AIDS and people at risk of homelessness. Participation in the HOME Program will enhance the City's funding sources for new construction, at the same time providing greater flexibility in determining the use of funds in our overall gap-financing program.

Homeownership – The need to assist low-income qualifying households in purchasing single-family housing is a high priority that the City proposes to meet by utilizing HOME funds for assistance with down payment, closing costs or gap financing by providing subordinate City loans. The complete program guidelines are available for public review at the City of San Jose Housing Department.

Planning and Administrative Costs – Ten percent of the total allocation (or $431,700) will be used for planning and administrative costs associated with administering and managing activities assisted by HOME funds by the PJ.

Included in administrative cost is a proportionate amount to be paid for a consultant who will produce a Fair Housing Study. This study, mandated by HUD, is being undertaken in conjunction with all entitlement jurisdictions in the County of Santa Clara.

Community Housing Development Organizations – In compliance with HOME statute and regulations, the City of San Jose will set aside a minimum of 15% (or $647,550) for Community Housing Development Organizations (CHDOs) to carry out HOME-eligible activities.

An additional 5% (or $215,850) may be used to support operating expenses of CHDOs working on a development if this is necessary to allow the developer to proceed with their plan to provide affordable housing.

Most of the nonprofit housing developers with whom the City has worked in the past do not meet the federal definition of a CHDO. Specifically, these nonprofit organizations need to satisfy the requirement for maintaining accountability to low-income residents as well as the board composition requirement. Many of these nonprofits are currently investigating ways and means of reorganizing to meet CHDO requirements. The City is ready to provide assistance and technical recommendations to assist nonprofits in becoming CHDOs.

HOME PROGRAM FUNDS

Summary of Matching Contributions – In accordance with the match requirements, the City of San Jose will provide a 25% match.

BMR Information for Santa Clara County cities							
City	Got BMR?	Required Affordability Period (in years)	No. of Units in Current Housing Supply	Number Estimated to come online in 2001	Number Estimated to come online in 2002	BMR Program Contact Name and Phone	Comments
Los Gatos	Yes	Ongoing	33	1	4	Housing Authority Rita Benn 364-0994	Deed of Trust affordability requirement is ongoing.
Los Altos	Yes	30 years	approx. 75	10	10	James Walgren (650) 948-1491	Developers must provide BMR units in any multifamily projects, projected 10-20% future requirement.
Cupertino	Yes	99 years	140	20-30	?	Vera Gil (408) 777-3251	Developers pay a fee for a fraction of a unit. Otherwise, units must be provided on-site.
Palo Alto	Yes	59 years	151 owner & 101 rental (Includes 63 new in 2001)	63 rental units; About 8 resale owner units	No New Owner Units; Estimate of 8 resales; No new rentals	Cathy Siegel Housing Coordinator (650) 329-2108	BMR Program is a Housing Element Policy, not an ordinance; in-lieu fees allowed in some situations.
Santa Clara	Yes	30 years	38	8	8	Jeff Pedersen (408) 615-2491	*Applies only if Redev Agency subsidy provided to defray loss of market rate.
Sunnyvale	Yes	20 years	761	4	2	Barbara Rigney (408) 730-7254	Developers allowed to pay "in lieu" fee if fewer than 20 units in development.
Campbell	Yes	25 years	13	4	6	Sharon Teeter (408) 866-2137	BMR requirement for redevelopment project areas only.
Gilroy	Yes (also Housing Trust Fund)	30 years	58	9	40	South County Housing 842-9181	Some Housing also provided by Housing Trust, borrower's own labor is included.
Milpitas	Yes	55 years	668	28	162	Felix Reliford 586-3071	BMR Units required in Redevelopment Areas.
Mountain View	Yes	55 years	0				Developers allowed to pay 10% "in lieu" fee for not meeting 10% requirement. No money has been collected to date.
San José	No	-	-	-	-	-	* * *

2 THE HOUSING CRISIS IN CALIFORNIA

2.1 COMPARISONS

2.1.1 Comparison of California with the US

Figure 2 shows that over the past 12 years the median home price has always been higher and also more volatile in the Western region of the US. Figure 3 compares the median home price in California with that of the US over the period 1968-1999. It is interesting to note that until 1974, home prices in California exceeded that of the US by a small margin only. California home prices started diverging rapidly from that of the US in 1974 – the period marking the escalation of defense contracts awarded to CA. Figure 4 shows that the path of home prices in California followed the path of prime defense contracts awarded to California.[2]

Even though California's median household income and rate of job creation has always been larger than that of the US, housing affordability has always been significantly lower in California. Figure 5 compares the affordability indexes of CA and US over the past 12 years. The path of affordability is the inverse of the path of home prices. The fall in affordability in California from 1988 to 1989 and again from 1998 onwards is much steeper in California. Nevertheless affordability has always been lower in California.

The National Association of Realtors (NAR) measures the ability of the median income family (or first time homebuyer) to qualify for a mortgage on the median priced home (or a starter home). The index used by the California Association of Realtors (CAR), measures the share of homes within a specific market that a typical household can afford. For example, according to the CAR affordability index, only 31% of Californian households can afford a median priced single-family California home. For the US as a whole, 53% of US households can afford a median priced single-family US home.

Figures 2-5

Median Home Prices: US vs. the Four Broad Regions, 1998-2000

Median Home Prices: US vs. CA, 1998-2000

CA Home Price and Prime Contract Awards to CA, 1960-1998

Affordability Indexes: US vs. CA, 1988-2000

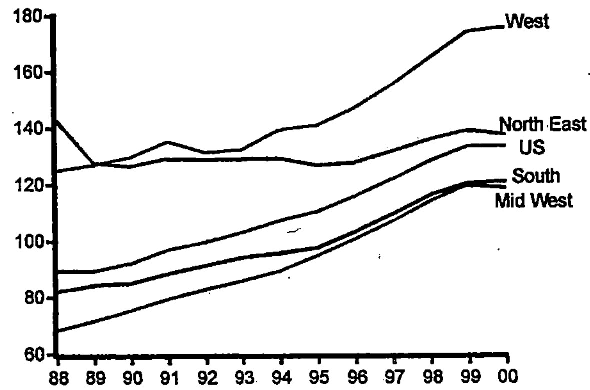


Figure 2 Median Home Prices: US and 4 Broad Regions

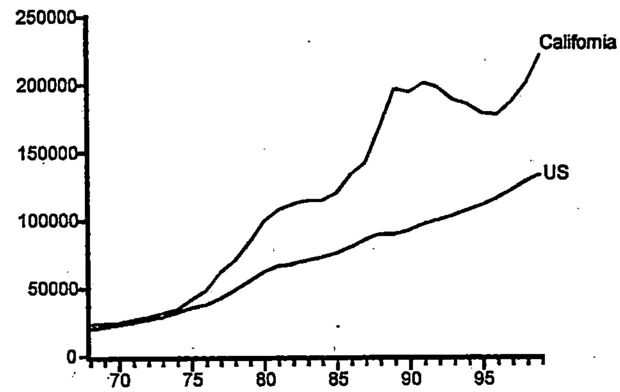


Figure 3 Median Home Price: CA vs US

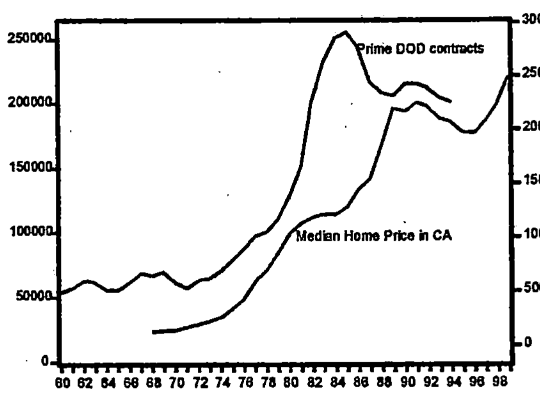


Figure 4 CA Home Price and Prime Contract Awards to CA

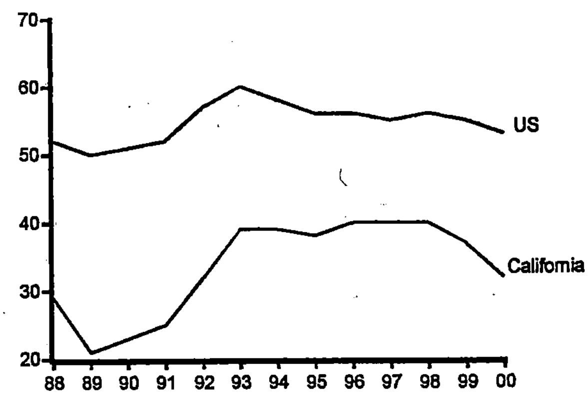


Figure 5 Affordability Indexes: US and CA

Sources of Data:

Median Home Price of US and Four Regions: National Association of Realtors (NAR)

Median Home Price in CA and Affordability Indexes: California Association of Realtors (CAR). Prime DOD Contracts: Department of Defense.

Figure 6

Affordability Indexes: US vs. CA, 1999-2000

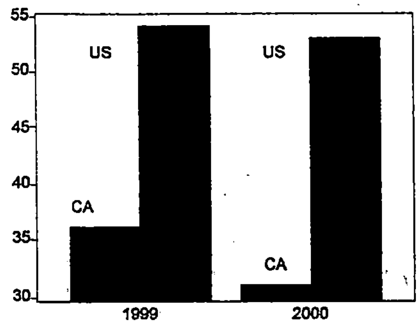


Figure 6 shows that between1999-2000, affordability in California fell by a larger amount than it did for the US as a whole.

The National Association of Homebuilders found that eight of the nation's ten least affordable housing markets in the fourth quarter of 1999, and 14 of the top 25, were in California. Overall, these 14 markets, indicated in Table 1 below, accounted for more than two-thirds (72 percent) of the State's total population. The least affordable markets include virtually all of California's coastal metropolitan areas from Santa Rosa to San Diego. Surprisingly, the areas of Chico-Paradise and Stockton-Lodi were also included among the 25 least affordable metropolitan areas.

Table 2 ranks the states based on the two-bedroom housing wage. This is the hourly wage needed in a 40 hour week, to be able to rent a 2-bedroom apartment, with housing expense not exceeding 30% of the household income. The higher the rank, the less affordable is the state. On this criterion, California is 7th most expensive state in the US.

However a look at Tables 3 and 4 below indicate that the majority of least affordable MSAs and counties nationwide are in California. This points to the high variation in affordability within the State of California.

Table 1

The Nation's Most Expensive Housing Markets

1	San Francisco, CA
2	Santa Cruz - Watsonville, CA
3	Eugene-Springfield, OR
4	Santa Rosa, CA
5	San Jose, CA
6	San Luis Obispo, CA
7	Salinas, CA
8	Portland - Vancouver, OR, WA
9	Lowell, MA
10	San Diego, CA
11	Laredo, TX
12	Oakland, CA
13	Santa Barbara, CA
14	Portsmouth - Rochester, NH, ME
15	Salem, OR
16	Los Angeles, CA
17	Flagstaff, AZ
18	Greeley, CO
19	New Bedford, MA
20	Vallejo-Fairfield-Napa, CA
21	Ventura, CA
22	Orange County, CA
23	Provo-Orem, UT
24	Chico-Paradise, CA
25	Stockton, Lodi CA

Source: National Association of Home Builders (1999)

Table 2
State Ranks Based on Two Bedroom Housing Wage

Rank	State	2 BDR Housing Wage
51	New Jersey	$16.88
50	District of Columbia	$16.60
49	Hawaii	$16.52
48	Massachusetts	$16.43
47	New York	$16.04
46	Connecticut	$15.67
45	**California**	**$15.22**
44	Alaska	$15.18
43	New Hampshire	$14.15
42	Maryland	$13.42
41	Nevada	$13.39
40	Illinois	$12.79
39	Delaware	$12.65
38	Washington	$12.62
37	Colorado	$12.34
36	Rhode Island	$12.28
35	Florida	$12.20
34	Virginia	$12.04
33	Arizona	$11.95
32	Vermont	$11.91
31	Utah	$11.69
30	Oregon	$11.67
29	Minnesota	$11.56
28	Michigan	$11.34
27	Pennsylvania	$11.26
26	Texas	$11.16
25	Georgia	$11.13
24	Maine	$10.83
23	Wisconsin	$10.60
22	Ohio	$10.30
21	Indiana	$10.23
20	North Carolina	$10.16
19	New Mexico	$10.04
18	Tennessee	$9.58
17	Nebraska	$9.56
16	South Carolina	$9.54
15	South Dakota	$9.51
14	Montana	$9.45
13	Wyoming	$9.42
12	Kansas	$9.30
11	Idaho	$9.25
10	Iowa	$9.10
9	Missouri	$9.03
8	Louisiana	$9.03
7	North Dakota	$8.98
6	Kentucky	$8.65
5	Oklahoma	$8.62
4	Alabama	$8.61
3	Arkansas	$8.27
2	Mississippi	$8.17
1	West Virginia	$8.12

Source: Out of Reach, National Low Income Housing Coalition, October 2000

Table 3

Least Affordable Counties in the US

County	County Housing Wage for Two Bedroom FMR
Marin County, CA	$28.06
San Francisco County, CA	$28.06
San Mateo County, CA	$28.06
Nantucket County, MA	$25.54
Santa Clara County, CA	$25.15
Darien, CT	$22.62
Greenwich, CT	$22.62
New Canaan, CT	$22.62
Norwalk, CT	$22.62

Source: Out of Reach, National Low Income Housing Coalition, October 2000

Table 4

Least Affordable Metropolitan Statistical Areas (MSAs) in the US

MSA	Housing Wage for Two Bedroom FMR
San Francisco, CA	$28.06
San Jose, CA	$25.15
Stamford-Norwalk, CT	$22.62
Nassau-Suffolk, NY	$22.56
Westchester County, NY	$22.00
Santa Cruz-Watsonville, CA	$20.98
Oakland, CA	$18.94
Orange County, CA	$18.85
Boston, MA-NH	$18.83

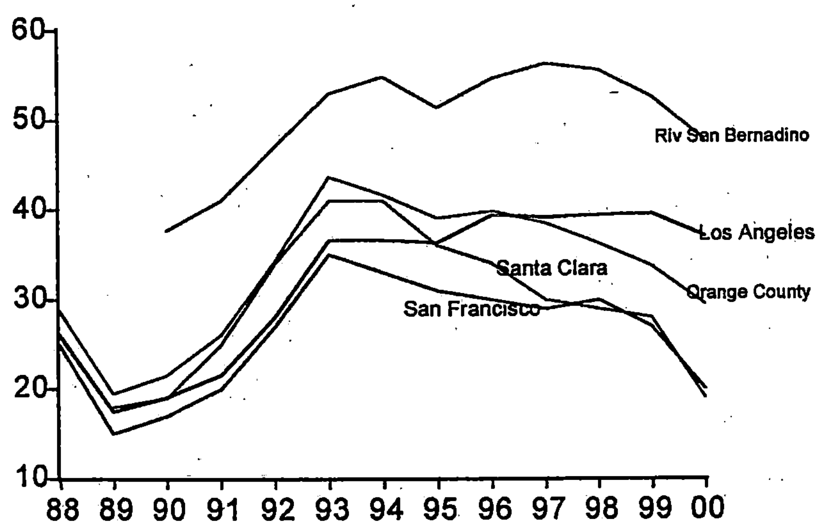
Source: Out of Reach, National Low Income Housing Coalition, October 2000

2.1.2 Comparison Across California

Figure 7 compares affordability over the period 1988-2000 for five key areas of California. San Francisco, Santa Clara, San Diego, Orange, and Los Angeles are areas where affordability is significantly lower than the state average. In contrast, Riverside-San Bernardino has always ranked high in affordability.

Figure 7

Affordability Indexes across California, 1998-2000



Data Source: California Association of Realtors

Table 5 below focuses on the affordability index across California over the past year.

Table 5

Affordability Indexes Across California

Region	Affordability Index (9/00)	Affordability Index (9/99)
US	53	54
CA	31	36
Monterey	14	27
N. Wine Country	17	19
San Francisco Bay Area	18	25
Santa Clara	20	26
San Luis Obispo	21	31
San Diego	24	30
Orange County	27	32
Ventura	32	39
Los Angeles	34	38
Lower Desert	36	44
Central Valley	46	51
Riverside San Bernadino	47	49
Sacramento	51	56
Hi Desert	67	72

Source: California Association of Realtors, October 2000

According to the report *Raising the Roof*, California's raw land availability and development capacity vary by area, with several major metropolitan counties being the most constrained. With appropriate reserves being maintained, Los Angeles, Orange and Santa Cara counties will lack sufficient vacant suburban land to accommodate projected household growth through 2010. For other counties, Alameda, Contra Costa, San Diego and Ventura, will start running low on land after 2020.

Within California, Table 6 ranks the MSAs in descending order in terms of the number of hours a minimum wage worker has to work in order to pay the median rent. Column 13 indicates how many hours a minimum wage worker needs to work per week in order to be able to afford a 2 bedroom apartment at fair m market rent. Columns 4 and 5 indicate the maximum affordable monthly housing cost at 30% and 50% of the area median income respectively. Comparing these columns with Column 11, the fair market 2 bedroom apartment rent, indicates the gap between what these families can afford and what they have to pay. The percentage of people whose rent is more than 30% of the household income for a 2-bedroom apartment is indicated in column 12. Under Federal standard adopted in 1981, housing is affordable if it consumes no more than 30% of household income. In sum, Table 6 shows that housing problems are most heavily concentrated among families with incomes at or below 50% of the AMI.

Table 6

Profile of Low Income Renters Across California (National Low Income Housing Coalition, 2000)

1	2	3	4	5	6	7	8	9	10	11	12	13	14
MSA	**MEDFAM**	**MEDINCMO**	**30M**	**50M**	**80M**	**100M**	**RMEDM**	**RAFF**	**FMR2**	**FMR3**	**%_2**	**HRS2**	**2BRCH**
San Francisco, CA	$77,486	$6,457	$581	$969	$1,550	$1,937	$4,245	$1,273	$1,459	$2,001	56%	195	20.02%
San Jose, CA	$91,634	$7,636	$687	$1,145	$1,833	$2,291	$4,817	$1,445	$1,308	$1,792	46%	175	12.94%
Santa Cruz-Watsonville, CA	$62,408	$5,201	$468	$780	$1,248	$1,560	$3,286	$986	$1,091	$1,517	55%	146	12.54%
Oakland, CA	$69,555	$5,796	$522	$869	$1,391	$1,739	$3,323	$997	$985	$1,350	49%	132	12.58%
Orange County, CA	$73,732	$6,144	$553	$922	$1,475	$1,843	$3,926	$1,178	$980	$1,364	42%	131	11.12%
Santa Rosa, CA	$60,387	$5,032	$453	$755	$1,208	$1,510	$3,147	$944	$946	$1,315	50%	127	12.38%
Santa Barbara-Santa Maria-Lompoc, CA	$54,938	$4,578	$412	$687	$1,099	$1,373	$2,780	$834	$897	$1,250	54%	120	3.36%
Vallejo-Fairfield-Napa, CA	$54,319	$4,527	$407	$679	$1,086	$1,358	$2,741	$822	$857	$1,190	52%	115	12.14%
San Diego, CA	$54,927	$4,577	$412	$687	$1,099	$1,373	$2,830	$849	$839	$1,167	49%	112	13.11%
Ventura, CA	$71,857	$5,988	$539	$898	$1,437	$1,796	$3,692	$1,107	$829	$1,103	38%	111	4.34%
Los Angeles-Long Beach, CA	$52,912	$4,409	$397	$661	$1,058	$1,323	$2,876	$863	$782	$1,055	46%	105	4.25%
Salinas, CA	$51,216	$4,268	$384	$640	$1,024	$1,280	$3,101	$930	$773	$1,074	42%	103	3.47%
San Luis Obispo-Atascadero-Paso Robles, CA	$48,000	$4,000	$360	$600	$960	$1,200	$2,332	$700	$752	$1,045	54%	101	3.33%
Yolo, CA	$56,654	$4,721	$425	$708	$1,133	$1,416	$2,512	$754	$688	$953	46%	92	3.48%
Sacramento, CA	$53,919	$4,493	$404	$674	$1,078	$1,348	$2,571	$771	$645	$894	42%	86	4.95%
Riverside-San Bernardino, CA	$47,601	$3,967	$357	$595	$952	$1,190	$2,422	$727	$621	$861	43%	83	3.87%
Stockton-Lodi, CA	$46,527	$3,877	$349	$582	$931	$1,163	$2,325	$698	$613	$853	44%	82	3.46%
Modesto, CA	$44,715	$3,726	$335	$559	$894	$1,118	$2,265	$680	$592	$825	44%	79	3.38%
Chico-Paradise, CA	$37,514	$3,126	$281	$469	$750	$938	$1,784	$535	$584	$800	54%	78	3.39%
Merced, CA	$37,301	$3,108	$280	$466	$746	$933	$2,012	$604	$557	$770	46%	75	3.38%
Redding, CA	$37,901	$3,158	$284	$474	$758	$948	$1,849	$555	$538	$747	48%	72	3.54%
Bakersfield, CA	$38,700	$3,225	$290	$484	$774	$968	$1,960	$588	$526	$731	44%	70	3.41%
Visalia-Tulare-Porterville, CA	$35,714	$2,976	$268	$446	$714	$893	$1,846	$554	$524	$731	47%	70	3.44%
Fresno, CA	$38,004	$3,167	$285	$475	$760	$950	$1,887	$566	$517	$720	46%	69	3.24%
Yuba City, CA	$36,923	$3,077	$277	$462	$738	$923	$1,847	$554	$505	$704	46%	68	3.41%

Explanation of Abbreviations in Table 6

MEDFAM	2000 Estimated Annual Median Family Income (HUD)
MEDINCMO	2000 Estimated Monthly Median Family Income (HUD)
30M	Max. Affordable Monthly Housing Cost at 30% of family median
50M	Max. Affordable Monthly Housing Cost at 50% of family median
80M	Max. Affordable Monthly Housing Cost at 80% of family median
100M	Max. Affordable Monthly Housing Cost at family median
RMEDM	2000 Estimated Monthly Renter Median Income (NLIHC)
RAFF	Max. Affordable Monthly Housing Cost at renter median
FMR2	Fair Market Rent for a unit with two bedrooms
FMR3	Fair Market Rent for a unit with three bedrooms
%_2	Estimated % of Renters Unable to Afford FMR for 2 BR Unit
HRS2	Work Hours per Week Necessary at Minimum Wage to Afford 2 BR Unit
2BRCH	Percent change in 2BR Housing Wage, 1999-2000

Source: National Low Income Housing Coalition

2.1.3 Ramifications of the Affordable Housing Crisis

An article, in the *Los Angeles Times* on January 7, 2001, describes how the affordable housing crisis is affecting residents in terms of commute time and displaced families in California, and businesses in terms of rising costs[3]

- A Santa-Cruz paramedic has a two-hour commute to his job.
- The mayor of San Carlos resigned because he had not been able to find an affordable place in that small Bay Area city.
- In Stockton, a family with thousands of dollars to spend lives for weeks in a shelter for the homeless before finding an apartment.
- In San Luis Obispo, college students take classes in interviewing with landlords. Many rent by the bed instead of the room.
- In the farm town of Los Banos, a third of the residents rise before dawn for a bumper-to-bumper commute to the Silicon Valley—nearly 100 miles—because living closer would cost so much more.

- Where a family could once afford at least a cheap apartment in a transitional area, now they are doubling up, or bunking 10 to a motel room along places like "the Strip" in Salinas.
- A fire captain for Santa Cruz County lives in trailer home with his four kids.
- An accountant in San Jose moves to Los Banos in order to be able to afford a five-bedroom house.
- An assistant professor of electrical engineering at San Jose State University simply cannot afford to buy a house there.
- An administrative assistant at the University of California at Irvine College of Medicine commutes a 4-hour round trip from her home in Riverside County.
- A couple—both teachers—with a combined income of $100, 000 per year can only afford a crammed apartment in Mountain View for $1,300 a month.
- The effects of the squeeze are spreading the costs to businesses: driving up retails lease costs, and are pushing companies to relocate to find housing that their employees can afford
- In Santa Cruz, three teachers who had accepted job offers in the district reneged as soon as they started looking for homes

2.2 Estimates of the Number of Low Income Families

In order to respond to the growing population and household growth of the State, and ensure the availability of decent affordable housing for all income groups, the State of California enacted law requires each Council of Governments (COG) to periodically distribute the State identified housing need for its region. The Department of Housing and Community Development (HCD) is responsible for determining this regional need, and initiating the process by which each COG must then distribute their share of statewide need to all jurisdictions within its region. Table 7 presents the projected needs of housing by income category, and has been constructed from data provided by the COGs across the State.

Table 7

Construction Need of Housing Units by Income Category in the Areas with a Middle Income Affordability Problem

Jurisdiction	Total Projected Need (7.5 or 5 yrs)	Very Low Income	Low Income	Moderate Incomes	Above Moderate	Average Yearly Need	Land Area (Sq. Miles)	Persons Per Sq. Mile
Marin County	6,515	1,241	618	1,726	2,930	869	520	455.5
San Francisco City/County	20,372	5,244	2,126	5,639	7,363	2,716	47	15,990
San Mateo County	16,305	3,214	1,567	4,305	7,219	2,174	449	1563
Santa Clara County	57,991	11,424	5,173	15,659	25,735	7,732	1,291	1275.9
Oakland	7,733	2,238	969	1,959	2,567	1,031		
San Jose	26,114	5,337	2,364	7,086	11,327	3,482		
Vallejo-Fairfield-Napa	10,423							
Santa Rosa	7,654	1,539	970	2,120	3,025	1,021		
Orange County	75,502	15,047	9,725	16,074	34,657	10,067	790	3,496.2
Los Angeles County	181,885	42,356	29,174	36,179	74,212	24,251	4,060	2,298
Riverside County	120,663	27,518	18,376	24,411	50,359	16,088	7,208	212
San Bernadino County	93,568	21,685	14,842	18,765	38,244	12,475	20,062	83.2
Ventura County	20,641	4,595	2,721	4,536	8,790	2,752	1846	403
San Diego	95,479	20,051	16,231	21,960	37,237	19,058	4205	670.9

Notes:
The time period for rows 1-7 is January 1999-June 30, 2006, and the data is from Association of Bay Area Governments ABAG website. The time period for rows 8-13 is from January 1998-June 30, 2005, and the data is from Southern California Association of Governments. The time period for the last row, San Diego, is a 5-year period from July 1999-June 2004, and the data is from the San Diego Association of Governments (SANDAG). Land Area is for 1990, and the data is from California Quickfacts from the U.S. census Bureau website. Persons per square mile is for 1999, and the data is from California Quickfacts from the U.S. census Bureau website. For the sake of comparison it may be noted that the persons per square mile is 212.5 for California and is 77.1 for the US.

It can be seen from Table 7 that the counties with the greatest projected growth in terms of average annual need are: San Diego County, Los Angeles County, San Bernadino County, and Riverside County.

Table 8 estimates the percentage of low-income, moderate income, and above moderate-income households in key regions in California, based on the 1990 census data. The proportions in Table 8 have been constructed from data on the number of households provided by The Comprehensive Housing Affordability Strategy (CHAS), in a study commissioned by HUD in order to provide local housing personnel with useful housing data. The limitation of this study and all other studies that focus on the *entire* State is that the data is based on the 1990 census. Table 9 of this report uses the proportion listed in Table 8, and obtains the number of low-income households for 1999. Research conducted by the Public Policy Institute of California (Reed, 1999) points to widening of the income gap between the rich and the poor. It therefore appears very likely that the estimates in Table 9 underestimate the number of low-income households. In the absence of the availability of Census 2000 numbers, these are the best estimates that can be constructed on a *uniform* basis across the key regions in California.

Table 8

Estimates of the Proportion of Households that are Low Income

(Calculated from 1990 census data)

County	Income Range	Households	Renters with any Problems	Owners with any Problems
Los Angeles	V Low Income (0-50% of AMI)	27.83%	17.95%	4.1%
	Low Inc (51%-80% of AMI)	15.28%	7%	2.89%
	Mod Income (81-95% of AMI)*	8.1%	2.3%	1.74%
	Above Mod Inc (>95% of AMI)	48.79%	3.81%	8.95%
	All Households	100%	31.06%	17.66%
Marin	Very Low Income	17.27%	8.5%	3.9%
	Low Income	7.9%	3.3%	1.6%
	Moderate Income	6.8%%	2.33%	1.49%
	Above Moderate Income	75.03%	3.85%	13.89
	All Households	100%	17.98%	20.88%
Orange	Very Low Income	19%	10.53%	4.22%
	Low Income	9.6%	4.52%	2.1%
	Moderate Income	8%	2.6%	1.92%
	Above Moderate Income	63.4%	3.85%	13.09%
	All Households	100%	21.48%	21.33%
San Diego	Very Low Income	20.6%	12.69%	3.57%
	Low Income	17.53%	7.5%	3.1%
	Moderate Income	8.48%	1.7%	1.8%
	Above Moderate Income	53.42%	2.60%	10.10%
	All Households	100%	24.49%	18.57%
San Francisco	Very Low Income	30.87%	19.83%	2.6%
	Low Income	10.24%	4.9%	1%
	Moderate Income	8.57%	2.9%	0.78%
	Above Moderate Income	50.32%	4.56%	5.52%
	All Households	100%	32.19%	9.9%
Santa Clara	Very Low Income	18.81%	10.45%	3.68%
	Low Income	7.5%	4.8%	1.%
	Moderate Income	7.22%	2.26%	1.62%
	Above Moderate Income	66.48%	2.88%	14.20%
	All Households	100%	20.39%	21%
Santa Cruz	Very Low Income	24.66%	12.20%	5.5%
	Low Income	14.17%	5.3%	2.76%
	Moderate Income	8.28%	2.1%	2.3%
	Above Moderate Income	52.89%	2.73%	12.19%
	All Households	100%	22.33%	22.75%

Source: Constructed from data provided by CHAS. Notes: percentages are with respect to total number of households. *Most other sources typically extend the range for moderate income to 120% of the AMI.

It can be seen from Table 8 that the percentage of households that are 0-80% of the HUD specified Area Median Income varies among counties (based in the 1990 census). As a percentage of total households in that county it is 43.11% in Los Angeles, 41.11% in San Francisco, 38.83% in Santa Cruz, 38.13% in San Diego, 28.6% in Orange County, 26.31% in Santa Clara County, and 25.17% in Marin County. It can also be seen that in most cases, the single category with the largest proportion of households with any housing problems is the category: very low-income renters. However, in Marin County and Santa Clara County the single category with the largest proportion of households that have any housing problems is the category: owners with incomes above 95% of the AMI. In the county of Santa Cruz these two categories are equal in size, and in Orange County, the proportion of very low-income renters is only slightly larger than the proportion of above moderate homeowners with any problems.

Table 9 presents the estimated number of very low-income and low-income households and the number of renters and owners in these categories with any housing problems in 1999. These estimates have been calculated by multiplying the proportions provided in Table 8 with the estimated number of households in 1999. The estimated number of households is obtained by taking the estimated population for 1999 from California Department of Finance website and dividing the population by 2.94, which is the e number of people per household for CA for 1999.

Table 9

Number of Low Income Households in 1999 (Estimated)

County	Income Range	Households	Renters with Any Problems	Owners with any Problems
Los Angeles	Very Low Income	926,720	597,722	133,197
	Low Income	508,813	233,095	96,235
Marin	Very Low Income	14,491	7,132	3,272
	Low Income	6,628	2,769	1,342
Orange	Very Low Income	181,837	100,776	40,387
	Low Income	91,875	43,258	20,097
San Diego	Very Low Income	202,041	124,461	35,013
	Low Income	171,931	73,558	30,404
San Francisco	Very Low Income	83,706	53,770	7,050
	Low Income	27,766	13,286	2711
Santa Clara	Very Low Income	109,891	61,050	21,499
	Low Income	43,816	28,042	8,764
Santa Cruz	Very Low Income	21,254	10,515	4,740
	Low Income	12,213	4,568	2,378

Source: US Census Bureau, California Department of Finance, and Comprehensive Housing Affordability Strategy

From Table 9 it can be seen that Los Angeles tops the list in terms of the number of total very low-income and low-income households; very low-income and low-income renters with any problems; and very low-income and low-income owners with any problems. This is followed by San Diego County and Orange County.

3 LOW INCOME HOUSING ASSISTANCE

The first part of this chapter (Section 3.1) provides an overview of the major forms of low-income assistance that are being used by local housing authorities in California. The second part of this chapter (Section 3.2) examines whether these forms of assistance will be impacted by planned middle-income housing assistance.

3.1 Types of Housing Assistance

In general the types of low-income assistance available to a local housing authority in California can be classified into: (A) Federal Housing Funds that are usually formula-based and apportioned directly to the jurisdiction, (B) Redevelopment Housing Set-Aside Funds at the county or city Level, and (C) funds that are accessible to a housing authority through application and competition, or forming partnerships with agencies that control the funds.

3.1.1 Federal Funds that are Formula Based

1. Section 8 Rental Assistance Program

Federal housing programs started in the 1930s as production programs. Construction of public housing created jobs during the Depression and increased the stock of affordable housing. Nationwide there has been very little construction of public housing since the 1970s. The production of low-cost units was supported for a period of time primarily under the Section 8 program created in 1974, after the government stopped funding the production of public housing. Under this program, private entities receive subsidies from the Federal government to build and own projects. The Federal government also subsidizes the rent of tenants in these projects for a period of time, generally 20-40 years. New construction of these projects halted in the early 1980s.

Since the early 1980s, most new housing commitments have been in the form of tenant-based subsidies, under the Section 8 and voucher and certificate programs. Congress had frozen the program at zero new vouchers for five consecutive fiscal years between 1994-1998. The bill in Fiscal 2001 is expected to fund 79,000 additional Section 8 vouchers nation wide, up from 60,000 last year, and renew all expiring vouchers. This marks the 3rd straight increase in Section 8.

HUD has two main engines for making rental housing affordable: the Section 8 program, which subsidizes rents, enabling low-income families to rent privately owned housing; and public housing units owned and operated by local authorities of public housing. Program efforts in these and related areas include new incremental housing vouchers, revitalizing distorted public housing (HOPE program). The HOPE VI awards grants to local housing authorities to address creatively the physical, social, and fiscal problems of poor-quality public housing.

HUD Section 8 funds are transferred to the account of the local housing authority monthly. The housing authority then disperses rent payments to the landlords who participate in the program. The housing authority receives as a part of the transfer a certain amt (for example, $59 in Orange County) in operating reserves for administrative fees. If efficiently operated this more than pays for the admin expense and the surplus can be accumulated.

2. Community Development Block Grants (CDBG)[4]

Each housing authority or entitlement city receives an annual allocation from HUD, which it then distributes through an annual application cycle. The cap on administrative expenses in CDBG is 20% of the annual grant. In general, CDBG is the most flexible program as long as activities meet one of the 3 national objectives:

- Offers benefit to low- and moderate-income people.
- Aid in the prevention or elimination of slums and blight.
- Meet other community development needs that present a serious and immediate threat to the health or welfare of the community.

3. HOME Investment Partnership program

The Federal government established the HOME program in 1990 to improve and/or expand a jurisdiction's affordable housing stock, and a jurisdiction must invest all HOME Investment Program funds in affordable housing. The administrative fee allowed for programs using HOME grants 10% of each grant. HOME funds must be matched 25% by non-federal sources. HOME program require deeper affordability than CDBG, i.e. it reaches lower income families.[5] HOME funds can be used for the following activities that promote affordable rental housing and lower-income home ownership: acquisition, new construction and reconstruction, moderate or substantial rehabilitation, homebuyer and tenant based assistance, and planning and support services.

4. *Homeless Assistance funds, including SuperNOFA and Emergency Shelter Grant*

HUD funds many homeless needs through annual notifications of funding availability (SuperNOFA). The Federal government also grants jurisdictions Emergency Shelter Grants. ESG funds are granted to jurisdictions in proportion to the previous year's CDBG allocation.

3.1 .2 Redevelopment Tax Increment Housing Set-Aside Funds and County/City Owned Property

Many counties and cities as well have established redevelopment areas. Under State law, 20% of gross redevelopment revenues must be set aside into a low-income housing fund and be spent on eligible housing activities. Cities and counties typically focus their programs on households earning less than 80% of adjusted AMI, although redevelopment dollars can serve households with incomes up to 120% of AMI.

Counties and cities typically own several properties such as shelters, community centers, housing developments, and rental projects. The most recent Housing Element for Orange County notes that virtually all parcels under county control "present serious development obstacles" such as proximity to unsuitable uses (inactive solid waste disposal sites) or difficult site conditions.[6]

3.1.3 Other Sources of Funding [7]

These are accessible to counties through application and competition or through forming partnerships. They can be subdivided into the following forms:

Federal Tools

Tax Credits: Since the mid 1980s, subsidies for the production of new rental housing have generally been provided under the Low Income Housing Tax Credit, in addition to the and the HOME program. The Low Income Housing Tax Credit, LIHTC, created in 1986, is a dollar for dollar tax credit from the Federal government, taken over ten years by investors in qualified housing developments. To qualify, the housing must, at a minimum, have 20% of the units affordable to those at 50% of the area median income (AMI), or 40% affordable to households at 60% of AMI. The Federal government allocates a certain amount of tax credits every year to each system on a per capita basis. The State of California then runs a competition to award these credits to sponsors of housing for low-income households. The Federal government allows two forms of subsidy: "nine percent" and "four percent." The terms 9% and 4% refer to the rough percent of the total qualified development costs that may be taken each year for the 10-year period. This is a large contribution of equity money, which unlike a loan doesn't to need to be repaid. Therefore rents need not pay as large as a first mortgage, as would otherwise be needed. Therefore, the rents can be lower, so lower income people can consequently afford the rents.

Large shares of the units supported through the LIHTC or the HOME program are not affordable to poor families. Moreover most of the poor renters who live in these units can do so only because they receive a rental subsidy to help them pay the rent.

Tax-Exempt Bonds: Cities, counties, housing authorities, and redevelopment agencies can issue tax exempt bonds to finance the construction or acquisition and rehabilitation of rental housing, or to assist first time homebuyers with mortgages for the purchase of new or existing housing. Borrowers then pay off the bonds with revenue form rents. The issuers are not responsible for the bond payments. As in the case of the LITC, a certain amount of bond allocation authority for tax-exempt "private activity bonds" is granted on a per capita basis to each state. The State of California then allocates bond issuance authority to users through a set process.

Multifamily requirements: The entire property must be maintained as rental housing for as long as bonds are outstanding, but in no case for less then 15 years. Federal law has established 2 alternative income standards. Either 20% of the units must be affordable to households at or below50% of the AMI or 40% of the units must be affordable to households below 60% of the AMI. An issuer may also request and receive a private activity bond allocation from the California Debt Limit Allocation Committee (CDLAC) prior to issuance. Such allocations are very competitive.

Single-Family Requirements: The income of the borrower may not exceed 90-115% of the median income depending upon household size and whether homes are new or existing houses. The maximum eligible sales price is established by the IRS based upon 90% of the average area purchase price.

Section 202 Supportive Housing for the Elderly: Capital advances are made to eligible private, nonprofit sponsors to finance the development of this type of assisted living rental housing. The advance is interest free and does not have to be repaid, so long as the housing remains available for very low-income seniors for at least 40 years. Project rental assistance covers the difference between the HUD-approved operating cost per unit and the amount the resident pays.

Section 811 Supportive Housing Program for the Disabled: Provide capital grant funding for projects and rental assistance to disabled households.

FHA Title 1 Home Improvement Loans: These loans require no equity from the borrower. They are government-backed by the Federal Housing Administration. They reduce risks for lenders, and consequently, lenders reduce underwriting standards. Current market interest rates are 12-14%. Using bond financing, the rate can be subsidized to below 7%. FHA title 1 loans offer counties a home improvement loan tool that readily attract private partners and stretch county resources.

HUD also provides funding for the Self-Help, Homeownership Opportunity Program, which uses "sweat equity" to produce affordable homes for new homebuyers

<u>State Tools</u>

State Tax Credits: The State of California has also established a low-income housing tax credit program, which parallels many of the provisions of Federal tax credit rules. The California Tax credit Allocation Committee (TCAC) allocates this program in conjunction with an allocation of Federal tax credits. The tax credit awarded equals 30% of basis, taken over 4 years. As for Federal tax credits, completion of State tax credits is very high.

California Housing Finance Agency programs: CFA administers much of rental and ownership housing programs funded with the proceeds of tax-exempt bonds.

Combination of City, State and Federal Tools for Home Ownership

The majority of the homebuyer programs fall in to one of 3 types: Silent Second Loans, Credit Certificates, and Mortgage Revenue Bonds.

Silent Second Loan: (known also by other names such as Gap Loan, Shared Equity Loan, etc.) is a loan that provides the difference between what a home costs and what the buyer can afford to pay for it (the first mortgage plus down payment). Because this loan requires no monthly payments in initial years (is silent), and is secured in second position (second) by a recorded Trust deed, it is called a "silent second" loan. The payback comes later, when the household will probably be more able to afford it.

Mortgage credit Certificates: MCC is not a loan; it provides individual homeowners with a tax credit of up to 20% of the interest on a mortgage. This program is very constrained due to competition for CDLAC allocation. Mortgage lenders take the extra income resulting from the MCC into account when underwriting the loan, thus increasing the possible loan amount.[8]

Mortgage Revenue Bond Loan (MRB): This is a first mortgage with a fixed-rate, 30-year term and a lower than market interest rate, therefore lower monthly payments.

The *Southern California Guide to Homebuyer Programs* illustrates that a family, which wants to buy a $150,000 home with $5,000 of savings, would be making monthly payments of $1,014 without any assistance. They would be paying $909 with a Silent Second, $879 with a 15% MCC, and $916 with an MRB loan. According to Affordable Housing Applications, Inc. In the year 1998, over $400 million was allocated to help state and local agencies fund their MCC and MRB programs, statewide. In spite of being heavily funded, many homebuyers have not heard of these programs, according to AHA, because small government offices, which have no money for advertising, offer them.

<u>Private Tools</u>

The Federal National Mortgage Association Down Payment Assistance Program, , called "Fannie Mae," offers a program to provide second mortgages to homeowners. This second mortgage can serve as the down payment and closing costs on home purchases. The program requires a city or county to post a reserve fund equal to 20% of an amount than Fannie Mae then makes available for such second mortgages. Resources are leveraged at a minimum of 5:1. Flexible income restrictions permit use by households above 80% of the AMI

Each county has private lenders who are eager to lend on new development, home improvement, home purchase and building rehabilitation. Many of these institutions are also motivated to get CRA (Community Reinvestment Act) credit by lending in lower income areas or for community development projects. Counties may find opportunities for leverage among these individual programs perhaps in conjunction with other programs such as Fannie Mae's downpament assistance programs.

Through Ginnie Mae, and by setting housing goals for Freddie Mac and Fannie Mae, the FHA Department provides a broad range of mortgage products and increases the liquidity of the mortgage market. These activities increase the attainability of mortgage credit, especially for first-time, low-income, minority, and central-city homebuyers. The FHA also guides potential homeowners through the complex process of home buying and will more efficiently provide information and assistance to FHA's clients, lenders, and borrowers.

In FY 2001, FHA is proposing to develop a new hybrid adjustable-rate mortgage. (This is expected to enable FHA to help 55,000 additional families become homeowners in FY 2001.) HUD is also proposing to continue the Administration's Partnership for Advancing Technology in Housing (PATH), a public-private initiative that helps creates communities by spurring improvements in techniques for housing design and construction.

3.2 Proliferation of Middle Income Assistance and Impact on Low Income Housing Assistance

Home prices are rising faster than incomes, creating the "Food Chain Effect" or the "Non-Trickle Down Effect." Because home prices are rising faster than incomes, especially for incomes at the lower to middle portions of the scale, many so called middle-income buyers are now forced to buy homes that were previously bought by low-income households. As moderate-income buyers dip into the housing market of low-income buyers, the stock of affordable homes available to the low-income buyers rapidly depletes, causing their prices to rise even further. More specifically, in the case of the Mortgage Credit Certificate Program, discussed above, middle-income households that qualify will attempt to buy homes that are priced at or slightly below the allowable threshold ($204,937 in Orange County). This will increase the price of say a $190,000 home to the threshold value of $204,937.

The proliferation of middle-income housing assistance has been typically occurring in the following three ways:

(1) Explicit relaxation of Federal funding rules. In recent years, some of the Federal funding assistance that is available has begun to shift from poor families toward families at somewhat higher income levels. From 1988-1996, Federal law targeted a majority of the housing assistance becoming available through turnover or new subsidy commitments under the Section 8 and public housing programs to families who met "Federal preference rules." Typically, that meant households who paid more than 50% of their income for rent or had lived in severely deficient housing. These were the worst-case needs. In 1996, these preference rules were suspended. As a result, administrators of housing programs had the discretion of using housing assistance through Section 8 to households at somewhat higher income levels. This is true not only for project based assistance, but for tenant based vouchers and certificates as well.

The apparent rationale for bringing more moderate-income families into public housing projects was to improve the income and employment mix in such projects. There is no similar rationale for shifting tenant-based vouchers and certificates that help families rent units on the private market from poor families of families at higher income levels. It is cheaper for the Federal govt to provide vouchers for people with slightly higher incomes.

The consolidated plans of most counties indicate that preference for Section 8 vouchers will be given to low and extremely low-income groups. The 1998 Quality Housing and Work Responsibility Act maintained that households with no more than 50% of the median income are eligible for the program. In addition, the regulations state that 75% of new admissions to the program must have incomes at or below 30% of the area median income.

Housing authorities are therefore challenged to monitor their issuance of housing vouchers to ensure that at least 75% are given to households with less than 30% of median incomes. Thus, it can be seen that HUD is targeting the assistance to the lowest income group rather than those with higher incomes.[9]

(2) Relaxation of the Income Cap Exemption on CDBG. In early 2000, HUD granted an income cap exemption to the 10 highest cost housing markets in the nation. Prior to this act of Congress, the income cap in high cost areas of the country, such as Santa Clara County and Orange County, was set at 65% of the AMI and not 80% of the AMI. This had a negative impact on individuals with incomes between 65% of the median and 80% of the median. The Santa Clara Urban County resident in need of repairs for code violation would be ineligible for housing rehabilitation loans if the household income for a family of 4 exceeded $56,950.

The relaxation of the income cap in high cost counties in CA is justifiable when we consider the wide discrepancy between the median home price in Santa Clara County, $530,000 in October, 2000 vs. that of $133,000 for the US. In the first fiscal years of operation under the relaxed income limits, Santa Clara Urban County Officials used 90% of the additional funds generated to serve the low and very low-income groups.

(3) Initiatives Such as "Teacher Next Door" and "Officer Next Door". The Teacher Next Door Initiative took effect in 1999 and is modeled on HUD's Officer Next Door Initiative that took effect in 1997. "When we help teachers save money on homes in poor neighborhoods, we help revitalize those neighborhoods," Cuomo said. "The Teacher Next Door Initiative will attract teachers to live and work in urban school districts where they are needed most, and will give them new opportunities to mentor their students outside the classroom."

Homes offered for sale at half price under both the Teacher Next Door and the Officer Next Door Initiatives were previously insured through FHA and then foreclosed when owners failed to make mortgage payments. The homes are located in designated revitalization areas. Revitalization areas are typically in low- and moderate-income neighborhoods, have many vacant properties, and often have high crime rates. They are considered good candidates for economic development and improvement.

Neither the Teacher Next Door nor the Officer Next Door Initiatives cost taxpayers any money. Cost-saving management improvements allow FHA to reduce the price of homes and reduce its mortgage insurance premiums to teachers and officers. No tax dollars are used to fund FHA programs.

Any public schools teacher who is employed full-time is eligible to purchase a home under the Teacher Next Door Initiative if it is located in a revitalization area within the school district in which the teacher works. Teachers are required to live in a home purchased under the initiative for at least three years.

Federal tax credits to builders of low-income housing are not adequately indexed to inflation. These tax credits also become insufficient as interest rtes rise. Consequently the LITC and the HOME do not produce much housing that is affordable for poor households that are not already being subsidized through another housing assistance program. Indexation of these grants to inflation should alleviate some of the concerns of low-income households.

<u>The Low-Income and Middle Income Households as Two Independent Markets</u>

An analysis of the types of low-income assistance programs in Section 3.1, given above, combined with face-to-face or telephone conversations with housing personnel in two major counties in California, indicate that the funds used for addressing middle-income ownership are different from the funds used to address low-income affordability. Section 8 vouchers and other Federal sources of funding predominantly finance the extremely low- to low-income housing market. Many housing personnel believe that it is simply not feasible to provide the large amounts of subsidies required to convert the low-income households into homeowners. Homeownership assistance is mostly provided to households who are at higher income levels, up to 100% to 120% of the area's median income. A significant part of homeownership assistance comes from forming partnerships with private agencies such as Fannie Mae.

<u>Conclusion to Chapter 3</u>

The situation of the low-income households is getting worse as manifested in the long waiting list for Section 8 vouchers, and the widening gap in the availability of affordable rental housing. The number of low-income households who rent rooms in motels because they cannot afford the security deposit and advance payment of the month's rent, is rapidly rising in places such as Orange County. In Silicon Valley the number of homeless people is far beyond what can be accommodated in homeless shelters. HUD apparently relaxed its affordability standards in 1996, by relaxing the Federal Preference Rules. In 1998, however, HUD has reestablished the tighter requirements for qualification for Section 8 vouchers. On the whole HUD has a trend of favoring Section 8 assistance to low and very low-income households.

Federal funds, such as HOME and LITC, impose requirements that they be used for low-income households. The funds used to address middle-income affordability come primarily from private sources. In terms of leveraging county resources with these private sources, it makes economic sense for counties to provide down payment assistance to households up to 120% of the area's median income. More importantly, many of the middle-income households who receive homeownership assistance provide service that is crucial to the community; they are teachers, police officer, newly hired university professors, employees of the local government, etc.

Furthermore, discontinuation of incentives to encourage middle-income home ownership will not necessarily translate into expanding housing affordability for the low-income households. For these reasons it appears necessary that policy makers address the low-income affordability crisis without decreasing assistance provided to near moderate-income homebuyers. The next chapter presents steps that State policy makers can take to insure the solution to middle-income housing affordability does not make the low-income affordability even worse.

SANTA CLARA COUNTY HOUSING TASK FORCE:

REGIONAL HOUSING ACTION PLAN:
STRATEGY PHASE

The Strategy Phase of the RHAP Work began with analysis of the information presented in the Research Phase. Based on that analysis, nine areas were identified in a Preliminary Discussion Document (included) under which strategies could be grouped. They are, as follows:

- Land Use/Planning,
- Funding,
- Policy,
- Land,
- Rent Control/Tenants' Rights,
- Corporate Involvement,
- Community Involvement,
- Living Wage/Low Income Supports, and
- Planning Process Changes.

After additional work and discussion, a Full Committee Retreat was held on July 18, 2001. At that time the four working groups – Needs, Interrelationship with other Regional issues, Housing Broadly Defined, and Affordable Housing made presentations about their work to the full Committee.

In addition, the Committee "collapsed" the above issue headings into four groups, as follows:

- Finance,
- Policy Issues,
- Community Involvement, and,
- Process/land use Planning.

Strategy sessions were then held to explore, discuss, develop, and prioritize strategies for each of the four areas.

On August 15, 2001, the entire Committee met to develop a set of recommendations now grouped for clarity under the following headings:

- Finance,
- Regional leadership/Expanded County Role,
- Legislation, and,
- Zoning/Planning/Land Use.

The Strategy Recommendations under each category are included. On August 28, 2001, the committee will meet again to develop Action Steps for implementation of the strategies listed.

County of Santa Clara Housing Task Force

Regional Housing Action Plan Committee

Strategies: Preliminary Discussion Document

Land Use/Planning

1. Inclusionary zoning/Below Market Rate Programs for affordable housing in new development footprints and/or infill sites.
2. Update general plans and rezone in favor of housing, especially high density, even high rise.
3. Because less land is available, we must build up, (not out into sprawl).
4. Zoning should allow mixed-use (housing) development on corporate campuses.
5. Smart Growth: align housing development with transportation corridors.
6. Transit agency's land acquisition strategy should include investment in land acquistion for housing.
7. Preservation of HUD Financed Affordable Housing units.
8. Coordination of general plans across the cities in the area.
9. Create incentives for other cities who are not developing as much affordable housing, homeless shelters and transitional housing as they should
10. Establish a housing element in a regional basis that has teeth
11. Explore the opportunity for replacing existing low density SFD (substandard) with higher density mixed income housing
12. Explore the use of air rights above public owned properties (transit lines, etc.)
13. Plan for job growth that is balanced with housing production. Requires regional implementation
14. SJ: should permit secondary -"granny"- units horizontal or vertical an possible provide incentives.
15. SJ: Increase General Plan review of proposed housing (within greenline) to twice a year or more
16. SJ: Implementation of an inclusionary zoning policy for affordable housing on all new rental projects in the city and study the impact of adoption of an inclusionary zoning ordinance in other cities.
17. SJ: In the Specific Plan process for Central Coyote affordable housing needs must be addressed. This could include inclusionary zoning, increased densities, increased public funding, private funding, etc.
18. SJ: Increase all GP ranges throughout City - raise the range
19. SJ: Council and Planning staff support the full range of GP densities not just the lowest density allowed
20. SJ: Examine higher density on existing undeveloped land and propose increases where feasible
21. SJ: High rises in downtown as tall as FAA limits will allow - concentrated in downtown
22. SJ: Allow vertical mixed use residential by right in commercial (neighborhood retail and office) and industrial zoning districts. Sacramento was referenced as an example for neighborhood retail.
23. SJ: Enable and encourage high density on corporate campuses. Revise design guidelines to retrofit existing industrial parks to allow housing to be built on parking lots.

24. SJ: Enable and encourage mixed use, high density development (vertical or horizontal) on industrial lands in North San Jose or other locations as well where it may be desirable including North Coyote Valley and Monterey Corridor.
25. SJ: Encourage mixed use development in air rights. Examples included over churches, non-profit offices.
26. SJ: Expand existing alternative use policy to allow affordable housing in office zoning districts
27. SJ: Review the City's LOS policy to consider a lower transportation level of service for housing projects in Rincon, Downtown or other areas determined to be appropriate

Funding

1. General obligation bond/short-term .25¢ sales tax for affordable housing pursued as a potential source of funding
2. Prioritize limited resources toward the neediest populations first.
3. People most effected need to be helped first: focus on homelessness, low-income housing, then affordable housing.
4. Allocate a higher percentage of Redevelopment funds toward housing (possibly through state legislation).
5. Lobby to get Federal and State Funds for affordable housing
6. Revenue sharing among local jurisdiction for housing, fiscalization of land use - possibly pursue state legislation
7. Work with Fannie Mae Freddie Mac and other agencies to create equity fund to support housing -leverage more dollars - location and energy efficient mortgages, buy downs of interest rates
8. Require generators of large numbers of jobs (100 or 200 or more) would be required to pay into a housing assistance fund. -Housing Impact Fee.
9. SJ: A higher percentage of redevelopment housing funds to extremely low-income housing (affordable to those making 30% or below of median income).
10. SJ: Increase Housing Department's predevelopment pool funding
11. SJ: Use reserve fund to pay for building permit staff to allow for staff adds more quickly
12. SJ: Funding mechanisms needed to ensure that there are adequate staff resources in Planning AND Building to handle the workload. May or not be cost recovery based and would need General fund support
13. SJ: Looking at other sources of revenue to put into housing. For example: Taking a percentage of surplus over costs in an existing tax and putting that $$ into the Housing Department for low-end affordable housing. Have funds from new industrial development to State returned to locals for housing development.
14. SJ: Set aside 50% of RDA's new increment funds for affordable housing
15. SJ: Consider opportunities for infrastructure (parks, library, schools, etc.) amenities in industrial areas that would make it more residential friendly.
16. SJ: Direct Housing Department staff to make changes to speed up process for affordable housing loans (develop more flexibility in guidelines, create boilerplate loan documents, create easier process for pre-development pool funding, reduce time between approval and check-cutting)

Policy

1. Enact legislation to address construction defect litigation issue, reduce time limit.
2. Initiate state legislation to revise CEQA rules with state to simplify review for housing
3. Research: Reanalyze assumption of housing not paying its fair share of taxes - not a drain on City budgets
4. SJ: Enforce existing City policy that not less than 10% of all units in multi-family bond financed rental housing projects be first offered to tenants with Section 8 vouchers

Land

1. Accelerate availability of publicly owned land for housing development (VTA as example).
2. Evaluate and make surplus and/or underutilized public lands available.
3. Investigate a non-profit land trust to acquire land and make it available for affordable housing, possibly use Housing Trust.
4. Housing should be part of infrastructure - Transit projects should buy land for housing adjacent
5. SJ: Utilize RDA to assemble land
6. SJ: City to take a proactive role in brownfield development to clean up sites and make them available for housing
7. Reuse underutilized retail properties for housing
8. Rezone underutilized industrial and commercial land for housing

Rent Control/Tenants' Rights

1. Expand and update San José's rent control ordinance and extend provisions to other cities.
2. SJ: Add just cause eviction ordinance
3. Develop and publish a list of the landlords that are engaging in the most questionable of practices (rent increases, evictions, etc.) to show officials.

Corporate Involvement

1. Housing Impact Fee (see Funding #8)
2. Encourage ongoing investment into Housing Trust.
3. Encourage development of housing for employees on their campuses
4. Create housing above office units
5. Corporations should join proponents of bond issues for housing.

Community Involvement

1. Invest in a public education campaign to engage public, corporate leaders, elected officials.
2. Build a grassroots network and organization with involved people as fast as possible.
3. Our constituencies must be sufficiently educated in public budgeting and land use.
4. Engage our constituents in a new level that makes them part of problem-solving and strategy.
5. Community must support elected officials who show leadership (i.e. for higher density)
6. Develop a comprehensive graph/map that describes the dimensions and the interactions between issues (housing costs, wages, transportation/long commutes, health, economic vitality, etc.).

Living Wage/Low income supports

1. Raise the income levels of wage earners. Pay raises make a big difference in housing affordability.
2. Look at comprehensive supports for low-income individuals (i.e. to fund assisted living)

Planning Process Changes

1. Implement the smart permit process of SVMG
2. SJ: Combine PD zoning, permit and Tentative map process - have it heard at Director Hearing and appealable to Council
3. SJ: Planning and Building department needs to be streamlined - cut by 25% timelines. Oregon model for streamline process was mentioned.
4. SJ: Promote concurrent processing of GP, PD zoning, PD permit and tentative maps - possibly with some threshold
5. SJ: Put in place Master EIR's at GP amendment stage for purpose of expediting zonings and permits
6. SJ: Alter building codes and review process (standardize specs) where feasible to accommodate Manufactured (modular and mobile) homes
7. SJ: Review City's plans for parking, setback, street widths, open space requirements, elevation issues to make sure they are compatible with density and have attractive design
8. SJ: San Jose specific recommendations introduced by San Jose Mayor's Housing Production Team -Fall 2000

County of Santa Clara Housing Task Force
Regional Housing Action Plan Committee Retreat Report
Wednesday, July 18, 2001 • 3-8PM • 505 W. Julian St. • San Jose

Presentations of Work Groups
Outcome: Research work groups in phase 1 made presentation to the full committee on their key findings to delineate the needs and major barriers to housing.

Needs
Despite the lack of economic data from the 2000 Census, the projected need countywide for Housing units affordable to very low-income (VLI) and extremely low-income (ELI) households should be around to 82,000. This does not include the need for units affordable to low and moderate income households. The Work Group is continuing work on these need projections based on income and projections of special needs documented by the Consolidated plans of cities throughout the County. Core factors identified as contributing to housing need include 1) Lack of Production [due to high land costs, Prop. 13 tax disincentives, and reduced state and federal funding.]; 2) Inability to Preserve Affordable Units [due to gentrification, and HUD financed units applying to be converted to market rate]; 3) Rapid Job Growth [at both ends of the wage spectrum creating higher procpss and more intense competition]; 4) Immigration [both domestic and foreign, which has fueled our economic expansion and created diverse needs]; 5) NIMBYism [public resistance to affordable and higher density housing]; 6) Lack of Renter Protections; 7) Traffic [congestion and increased commute times]; 8) Utility costs; 9) Service Workers being squeezed out of Market; 10) Persistent homelessness; 11) Overcrowding; 12) Digital Divide [local youth are unprepared to meet the employment needs of local industry].

Interrelationship with Other Regional Issues
The committee Identified six major subject areas that require coordination with any housing planning: 1) Transportation [transit oriented development, transportation systems to accommodate larger Bay Area and central coast which feed employees, incorporating model of transportation management plans into housing planning]; 2) Cost of City Services/Fiscalization of Land Use [tax structure is perceived to limit ability to absorb more housing, requires regional incentives and state legislation]; 3) Lack of Coordinated Strategy [Cities/County do not have regional vehicle for mediating these concerns] 4) Jobs/Housing Imbalance. The committee also discussed the need for a innovative modeling system that would be able to present information in a way that residents and policy makers would be able to understand the scope and context of the problem and alternatives. For example, a mapping process would project how the region would look if we increased density as one policy solution, how much housing actually costs, what would be the impact on transportation systems and municipal services. Other scenarios that could be used include the impact of a massive build out of transit (including neighboring counties), or what the region would look like if we did nothing at all.

Housing Broadly Defined
The Housing Work Group sought to identify barriers to adequate levels of housing unit production across the entire spectrum of housing needs. They presented a few key facts on supply

and affordability including: projection of supply meets only 50-66% of demand projected; in 2000 rents increased 26%, and the vacancy rate dipped to .06%. The Barriers presented included: 1) Growth Controls; 2) Regulations: Local, State, Federal; 3) NIMBYism; 4) Intensity of Use; 5) Barriers Continued; 6) Construction Defect Liability; 7) Density and Zoning; 8)Lack of Infrastructure; 9) Job and Housing Imbalance; 10)Development Costs.

Affordable Housing

The Affordable Housing Work Group identified and supported the documentation of several key barriers to the development of affordable housing: 1) Financing Constraints; 2) Regulatory Guidelines-State; 3) State Assistance Guidelines; 4) NIMBYism; 5) Development Costs; 6) Limited Varieties of New Housing; 7) Decreased Federal and State Housing Assistance; 8) Density/Zoning; 9) Land Use; 10) Lack of Incentives to keep housing affordable (preservation); 11) Speculation. The work group also made process recommendations asking for a calendar of meetings and liaisons with the other committees of the County Housing Task Force and Supervisor Beall's office. Furthermore, the committee also made 2 recommendations calling for ongoing subcommittee work to continue exploring 1) the total housing need without relying on ABAG projections and 2) the Determination of appropriate subsidy levels for affordable housing. The RHAP Committee concurred as it coincided with a recommendation from the Needs Work Group.

Presentation by Supervisor Beall

Supervisor Beall spoke with the committee and answered questions about the context that the County is operating in and the interest in expanding their role in affordable housing. The Supervisor indicated that it might make sense to use a significant portion of the County's settlement with San Jose's Redevelopment Agency for the purpose of affordable housing. His hope is that the efforts of the County Housing Task force will help steer a path for the County's involvement in affordable housing.

Categorize Barriers/Issues

Outcome: After a review of the information presented by the Working groups the committee grouped the barriers identified in the research phase of the process into four categories (finance, Policy Issues, Community involvement, and Process/Land Use Planning) that will facilitate focused conversations on strategies.

Finance

Constraints
Development Costs
Costs of City Services/Fiscalization of Land Use
Speculation
State Assistance Guidelines

Policy Issues

Growth Controls
Housing/Jobs Imbalance
Lack of a Coordinated Strategy

Lack of infrastructure
Construction Defect Litigation
Decreased Federal & State Housing Assistance
Transportation

Community Involvement
NIMBYism
Lack of Political Will

Process/Land Use Planning
Density/Zoning
Limited Varieties of New Housing
Regulatory Guidelines-State
Land Use
Intensification of Use
Regulation: Local
State
Federal

<u>Strategy Identification</u>
Outcome: By starting with the barriers presented earlier, the committee identified as comprehensive a list of strategies for consideration and future discussion in 2 of the 4 categories (Finance/Policy Issues). Strategies were intentionally not debated or explained in great detail.

Finance
Constraints
- Increase State and Federal funding
- Leadership in developing community involvement to put pressure on State & Federal
- Potential local revenue streams:
- Impact fee on large employers
- 50% of RDA funds to housing (state legislation)
- General Obligation Bond
- Sales tax (.25¢, temporary or otherwise)
- Revenue sharing among local jurisdictions
- Real estate transfer tax
- Incentivize the development of alternative kinds of housing (i.e. Manufactured/Mobile, Co-op/Shared Housing)
- Property Tax incentives

Development Costs
- Streamline Permitting
- Remove the veto power over individual projects exercised by San Jose City Councilmembers (i.e. zoning by right)
- Provide some mitigating incentives:
- Density bonuses

- Waving fees
- Reduce land costs
- Establish a permanent source of funding for non-profit developers

Costs of City Services/Fiscalization of Land Use
- Identify innovative means of offsetting the costs of city services
- Establish Tax laws which make sense (enact state legislation to return more property taxes to local jurisdictions to cover the costs of municipal services)
- Spread city resources across the region (county)
- Spread tax allocations on a per capita basis in the county (sales tax revenue sharing)

Speculation
- Rent Control
- Just Cause Eviction
- Land banking
- Land Trust
- Taxes on windfalls

State Assistance Guidelines
- Adjustments on high cost areas
- Tax credits should be an entitlement
- Look at the examples of other states

Policy Issues
Growth Controls
- County should take the lead on identifying land that can be developed
- Consider exemptions for affordable housing
- Penalize cities that do not meet their fair share housing assessments (local and state penalties)
- County should use its influence with State HCD to hold cities accountable for being in compliance with their housing elements. (leverage: if HCD finds that a cities housing element is out of compliance, then their general plan is out of compliance and they are restricted from doing nearly anything)

Housing/Jobs Imbalance
- Require housing with any commercial/industrial development
- Establish a moratorium on commercial/industrial development until sufficient housing is developed (to meet either the specific development's needs or the wider need)
- Create more living wage jobs
- Reuse/rezone land for housing
- Create more infrastructure/residential amenities in industrial areas for housing

Lack of a Coordinated Strategy
- Coordinate and keep it going
- Reestablish a County Inter-Governmental Council (all local jurisdictions represented)

- Establish a County Department of Housing
- Establish a County Housing Commission
- Require all jurisdictions to submit consolidated plans to County Housing Commission for approval before submission to HUD
- Establish a regional Discussion that will develop a common vocabulary on planning and building issues.
- Convene a Housing Summit of existing groups

Lack of infrastructure
- Cities can target infrastructure improvements toward where they want housing (incorporated into capital improvement plans)
- Establish a permanent local revenue source for such improvements

Construction Defect Litigation
- Lead a region-wide push to lobby for State legislation to correct it.
- Work with insurance companies to address the issues.

Decreased Federal & State Housing Assistance
- Educate and outreach to the community to build a housing constituency
- Preservation of Affordable units (HUD financed and otherwise)
- Push cities to refuse to deal with firms that are in the conversion business
- Establish a non-Profit community land trust
- Create a permanent source of local financing for land trust and buy outs of HUD financed properties
- Push for re-instituting HUD programs, new federal legislation
- Create incentives for the developers to stay affordable
- Property tax rollbacks/adjustments
- Re-institute payments for damage to section 8 units (now there are limits that may be too low)

Transportation
- Complete and expand Light rail system
- Connect to BART
- Make fast passes/eco passes cheaper and more accessible to those living near transit
- Increase frequency of trips
- Increase access/connections between transit and housing/jobs
- (frequent free/inexpensive shuttles from rail corridors to high density housing clusters and job centers)
- VTA should purchase land for housing
- Reuse of VTA land for Housing (High density and affordable)
- Create incentives to building housing near transit (infrastructure improvements, cheaper financing, etc.)
- Increase density
- Transportation Management Plan

Next Steps: Process Alignment

Outcome: The group discussed alternatives for moving forward. The agreed upon strategy was to hold four strategy sessions for each of the barrier/issue groupings over the next 3 weeks. At each of these meetings we will explore, discuss, develop and prioritize the strategies identified.

Because of time constraints the strategy identification process did not occur for Community Involvement or Process/Land Use Planning Section. That process will take place at the beginning of each of those strategy meetings.

- Community Involvement — Thursday, July 26th
- Process/Land Use Planning — Tuesday, July 31st
- Public Policy — Tuesday, August 7th
- Finance — Thursday, August 9th

Each meeting will take place at the Housing Authority at 6:30PM.

County of Santa Clara Housing Task Force
Regional Housing Action Plan Committee Report

Strategy General Session - Wednesday, August 15th, 2001

Over the past month committee members have identified, examined, discussed and prioritized recommendations addressing primary obstacles toward the development of housing in four strategy discussions grouped under topics of Community Involvement, Process/Planning/Land Use, Public Policy and Finance. That process reviewed and debated over 70 strategies to create a consensus on the following list of recommendations that are consolidated into four categories: Legislation, Regional Leadership/Expanded County Role, Zoning/Planning/Land Use, and Finance. Strategies are listed in order of priority and top recommendations will be the subject of an Action Step discussion on August 28th from 5-9PM at the Housing Authority [505 W. Julian St., San Jose]

Present: Chris Block, Poncho Guevara, Alyson Abramowitz, Candy Capogrossi, Tracy Chew, Jung Choi, Betty Feldheym, Amy Glad, Steve Glickman, Ron Johnson, Emma McKeithen, Bill McWood, Sarah Muller, Dunia Noel, Maria Romero-Aranda, Ben Spero, Paul Stewart, Greg Tompkins, Suzanne Tobin, Saul & Billie Wachter, Heidi Wolf-Reid, Georgette Wong,.Dan Wu, Paul Wysocki,

Strategy Recommendations

Finance

1. County should spearhead a County-wide effort to secure a permanent source of local revenue for affordable housing. The RHAP Committee discussed a myriad of possible revenue streams and by consensus offers the following as suggested sources:

• Use the County's Redevelopment settlement with the City of San José.

• Support an increase in the percentage of redevelopment tax-increment is directed toward affordable housing (from 20% to 50%) and direct any settlements with cities toward a Countywide housing pool.

• Create a Countywide sales-tax revenue pool for affordable housing.

• Support legislation that will create Housing Redevelopment zones where increases in property tax-increment is funneled toward affordable housing.

While such a revenue source should be used to subsidize development of housing along the continuum of the County's housing need, the Committee further recommends that a portion be directed toward a fund that can support infrastructure improvements in cities to incentivize development of affordable housing and higher density housing.

[Timeframe: Short/Medium-term; Obstacles Addressed: Financial Constraints, Decreased State/Federal Housing Assistance, Intensification of Use, Lack of Infrastructure, Cost of City Services/Fiscalization of Land Use]

2. The County should spearhead the development of a local structure to spread tax allocations County-wide (sales tax revenues on a per-capita basis for example).

[Timeframe: Medium/Long-term; Obstacles Addressed: Financial Constraints, Cost of City Services/Fiscalization of Land Use, Housing/Jobs Imbalance]

3. The County should help establish a non-profit land trust that can purchase land/use public parcels. Thus, take land acquisition costs out of the equation for the development and preservation of affordable housing.
[Timeframe: Short/Medium-term; Obstacles Addressed: Speculation, Financial Constraints]

Regional Leadership/Expanded County Role

1. The County should establish a Department of Housing to both consolidate and expand the County's role in the development of affordable housing Countywide. To maximize the impact of enhanced County activity in housing, the County should establish a County Commission on Housing that would include representatives from all local jurisdictions. The Commission would not only oversee the functions of a Housing Department, but would foster a collective dialogue on issues of housing and provide a vehicle for regional action. Among the activities such an inter-Governmental Commission should consider is educating other elected officials on the importance of affordable housing development in their cities, spearheading regional planning processes that will mitigate the housing/jobs imbalance, and commenting on the housing elements of individual cities to the State HCD.
[Timeframe: Short-term; Obstacles Addressed: Lack of a Coordinated Strategy, Density/Zoning, Lack of Political Will]

2. The County should take the lead in the development of affordable housing on publicly owned land (County, State, City, VTA -owned parcels. etc.) and should change land use policies on the land under its jurisdiction to incentivize the development of affordable housing and higher density housing. Recognizing this is a dramatic departure from current practice, the County should lead by example.
[Timeframe: Short/Medium-term; Obstacles Addressed: Growth Controls, Lack of a Coordinated Strategy]

3. The County should invest significant resources in a Communications Strategy that will enhance community support for the development of affordable housing and greater public investment in housing as part of the infrastructure (press relations, community outreach, development of collaterals that will engage different constituencies in addressing the housing crisis, etc.).
[Timeframe: Short-term; Obstacles Addressed: Lack of Political Will, NIMBYism]

Other Key Recommendations:

- In view of the fact that rent burden has increased on middle- and low-income families, the County and local cities should study how they can provide rent relief. The County should take a leadership role in this effort and actively advance the implementation of the identified strategies.
[Timeframe: Short-term; Obstacles Addressed: Speculation, Lack of Political Will]
- The County should sponsor a design competition for architects to craft new forms of housing (for example: work with private industry to come up with new types of worker housing). Awards could include grants, or publishing a book of good ideas.
[Timeframe: Short-term; Obstacle Addressed: Limited Varieties of New Housing]

- Create community processes/structures that will involve local residents and elected leaders in neighborhood planning efforts to include affordable housing.
[Timeframe: Medium-term; Obstacle Addressed: Intensification of Use, NIMBYism]

- The County should support and strengthen efforts to create more living wage jobs.
[Timeframe: Short/Medium-term; Obstacles Addressed: Housing/Jobs Imbalance, Speculation]

- The VTA should purchase land and reuse surplus parcels for housing especially high density and affordable units.
[Timeframe: Short-term; Obstacles Addressed: Transportation, Lack of Political Will]

Legislation

1. The County should take a lead role in advocating for reform of the property tax allocation structure created by Proposition 13. The current system is widely perceived to have created disincentives toward the development of more housing by cities.
[Timeframe: Long-term; Obstacles Addressed: Cost of City Services/Fiscalization of Land Use]

2. The County should take a leadership role in expanding Federal housing assistance by rallying community support for the National Housing Trust Legislation and actively organizing for similar support from other Bay Area communities. Furthermore, the County should spearhead this effort by preparing an analysis of existing federal programs and how they work or do not work here based on the cost of housing and developable land in our region.
[Timeframe: Short-Medium term; Obstacles Addressed: Decreased State and Federal Housing Assistance, Financial Constraints, Lack of Political Will]

3. The County should take a leadership role in expanding State housing assistance by rallying community support for greater levels of funding for housing and to fairly compensate regions with higher costs of living. In addition to analyzing the efficacy of Federal programs given the disparate costs here, the County should also prepare an analysis of existing state programs.
[Timeframe: Short-Medium term; Obstacles Addressed: Decreased State and Federal Housing Assistance, Financial Constraints]

Other Key Recommendations:

- The County should support statewide legislation that will help enforce Housing Elements developed by Cities. While consensus was not reached by the RHAP Committee on the form of sanctions that could be levied against cities, withhold funding from cities out of compliance was prioritized as a key tool.
[Timeframe: Short-Medium term; Obstacle Addressed: Weak Regulatory Guidelines]
- The County should take a lead role in a Bay Area-wide lobbying effort for State legislation correcting problems with Construction Defect Litigation.
[Timeframe: Short-Medium term; Obstacle Addressed: Construction Defect Litigation]
- The County should help introduce state legislation that will permit CEQA (California Environmental Quality Act) exemptions for affordable housing development.
[Timeframe: Long-term; Obstacles Addressed: Regulation, Growth Controls]

Zoning/Planning/Land Use

1. The County should lead efforts to increase density countywide using a multi-faceted strategy: Leading by example by creating an affordable housing exemption to density limits for housing development; Encouraging our local political leadership of to increase density and affordable housing opportunities through planning and zoning policy discussions and pushing for updates to General Plans; and creating incentives to higher density /affordable housing development through an infrastructure improvement component of a local housing fund.
[Timeframe: Medium/Long-term; Obstacles Addressed: Intensification of Use, Density/Zoning, Growth Controls, Land Use Policy]

2. The County should lead an effort to create incentives to build housing near transit (infrastructure improvements, cheaper financing, etc.).
[Timeframe: Medium-term; Obstacles Addressed: Transportation, Density/Zoning, Growth Controls]

3. At the Planning Department level: Fast track and prioritize affordable housing development and encourage cities to the same.
[Timeframe: Short-term; Obstacles Addressed: Regulation]

Other Key Recommendations:

- The County should support requirements for housing to be developed when any significant commercial/industrial/retain/office development is proposed. By providing leadership in a regional dialogue (an inter-governmental Housing Commission, for example) the County can help introduce such policy tools that may help mitigate the impact of rapid job growth and expand the conversation to the responsibilities of local employers to develop housing.
[Timeframe: Medium/Long-term; Obstacle Addressed: Housing/Jobs Imbalance]

- The County should advocate and create incentives for mixed-use development in infill and new communities (e.g. mid Coyote Valley).
[Timeframe: Medium-term; Obstacle Addressed: Land Use Policy]

- The County should encourage cites to allow/incentivize secondary ("granny") units in existing residential areas
[Timeframe: Medium-term; Obstacles Addressed: Limited Varieties of New Housing, Density/Zoning]

- The County should create incentives for residential development in non-residential areas (rezoning).
[Timeframe: Medium/Long-term; Obstacle Addressed: Intensification of Use]

SANTA CLARA COUNTY HOUSING TASK FORCE:

SECTION IX

IMPLEMENTATION RECOMMENDATIONS

On August 17, 2001,the Housing Task Force Steering Committee met to discuss the next steps in the process. The Steering Committee is comprised of the Co-Chairs for each of the Working Group Sub-Committees, as well as representatives from Sup. Beall's office, and the overall Project Manager. The roster (in alphabetical order) is as follows:

- Bonnie Bamburg, Surplus Government Land Co-Chair
- Roger Barnes, Public Employees' Group Co-Chair
- Chris Block, RHAP Co-Chair
- Jean Cohen, Sup.Beall's Office
- Poncho Guevarra, RHAP Co-Chair
- Caroline Judy, Sup. Beall's Office
- Will Lightbourne, Special Needs Housing Co-Chair
- Frank Motta, Special Needs Housing Group Co-Chair
- Alex Sanchez, Surplus Government Land Co-Chair
- Kristy Sermersheim, Public Employees' Group Co-Chair
- Ray Villareal, Interim Housing Coordinator and Land Trust Group Chair
- Paul Wysocki, Project Manager

The Steering Committee reviewed the process to date, and discussed the next steps, including the contents of this Status Report. In addition, the Committee discussed the implementation of the overall objectives and recommendations in the following context.

The Vision articulated by Sup.Beall in February of this year has been embraced wholeheartedly by the Task Force members. Many, if not most, of the Task Force membership are people who have spent years, if not decades, in the field of housing. They are Service Providers, Community Advocates and Activists, Housing Developers, Financiers, Businesspeople, Members of the Faith Community, Labor Representatives, Government Elected and Appointed Officials, and Other Interested Parties who have devoted a great deal of time, energy, money, and hope in the process of housing our citizens.

The past 90 days represents an enormous investment of brainpower, ideas, and discussion by people who now have an extraordinary expectation that the recommendations advanced may lead to significant results. They are also people who have a great deal of experience in group processes, especially in the political arena. They are well aware that momentum in such work develops slowly, and requires earnest persistence and follow-up to continue.

With this in mind, the Steering Committee respectfully suggests that they, the Steering Committee as currently comprised, act as a "Transition Team", overseeing, as they have been, the continued development of mid- and long-term action steps, as well overseeing the implementation of short-term strategies. There may well be in the future, a re-organization of county staffing around housing. However, that <u>would be</u> in the future, and a loss of momentum, as well as institutional memory would result if steps are not taken immediately to continue this work. The Steering Committee would like to "champion" the continued work.

Some of the Steering Committee members are also County employees, and thus have the requisite knowledge and experience to shepherd the continued process through the bureaucracy of local government. The Steering Committee members are also well versed in housing issues, and are certainly fully aware of the content of the recent process.

In addition, many of the recommendations would involve other organizations and institutions that must be consulted and invited to join the process. The process of the past 90 days was certainly not intended to include discussions with these groups. If the County is to consider bold action in convening meetings with other governmental bodies, perhaps through the Inter-Government Council, a process must be prescribed that would allow for that action to begin.

Some of the items to consider in additional Steering Committee work might include:

- Additional research into Housing Need, using complete Census and other data;
- Additional research by an Urban Economist (funded by other sources) into the affect of supply and demand on housing prices and historic housing subsidy levels.
- Processes by which representatives from other jurisdictions can become included in this work (State Assemblymember Manny Diaz has, for example, appointed a Select Committee on Silicon Valley Housing; the Housing Task Force work could be integrated into the work of that committee);

- Policy and Legislative recommendations could be more fully developed and implemented;
- Mid- and long-term strategies could be more fully discussed and developed; and,
- Potential County housing staffing recommendations.

The Steering Committee Members are also mindful of the need for efficiency and swift operation. They have proposed that such a "Transition" effort be limited to a one year term; that it be a professionally facilitated process; that specific outcomes based on the above items be described; that periodic reports to the Board of supervisors be delivered; that a method of communication to the public be developed; and that the outcomes be manageable and attainable in the time prescribed.

We, the members of the Santa Clara County Housing Task Force Steering Committee wish to express our gratitude to the Board of Supervisors and its Chair, Sup. Beall, for allowing us to participate in this historic and very important process. We have learned a great deal from each other, as well as about ourselves as dedicated citizens who want to make a difference in our community. We hope that this work will find its way into sustained and significant results, and that the future of housing opportunities in Santa Clara County becomes brighter for all of our residents.

Respectfully submitted,

The Santa Clara County Housing Task Force Steering Committee