

AFFORDABLE BY CHOICE:

Trends in California Inclusionary Housing Programs



TABLE OF CONTENTS

CONTENTS

3	Foreword
4	Executive Summary & Key Findings
8	Introduction: Inclusionary Housing In Context
14	General Trends: California Inclusionary Programs
20	Latest Trends: Comparing Newer and Older Programs
22	Regional Trends: Comparing Programs Statewide
25	Top Producers: The Most Effective Programs
32	Recommendations: Where Do We Go From Here?
35	Acknowledgements
36	Appendix 1: Methodology – Understanding the Numbers
38	Appendix 2: Production Survey
40	Appendix 3: California Cities and Counties with Inclusionary Housing Programs as of 2006
41	Appendix 4: Summary of Inclusionary Housing Policies
44	Endnotes

TABLES & FIGURES

6	Figure 1: Map of California Inclusionary Housing Programs
7	Figure 2: Map of Affordable Housing Created Through Inclusionary Housing Programs
8	Table 1: How Affordable is Affordable?
14	Figure 3: Inclusionary-Development Units by Income Target
15	Figure 4: Distribution of Inclusionary-Development Units by Tenure and Affordability
16	Table 2: Rental and Ownership Units by Type and Tenure
16	Table 3: Inclusionary-Development Units by Affordability and Type
20	Figure 5: Distribution of Units by Income Level and Age of Inclusionary Program
23	Table 4: Inclusionary-Development Units by Region
25	Table 5: Overview of Top-Producing Jurisdictions
27	Table 6: Basic Elements of Inclusionary Programs in Top-Producing Jurisdictions
27	Table 7: Developer Incentives In Top-Producing Jurisdictions
28	Table 8: Jurisdictions Reporting 10% or More Inclusionary Permits
29	Table 9: Jurisdictions Averaging More Than 50 Inclusionary-Development Units Per Year

EXECUTIVE SUMMARY & KEY FINDINGS

This report represents the most ambitious effort in California – and probably the nation – to examine the impact of inclusionary housing policies statewide. The single most important conclusion is that inclusionary programs are putting roofs over the heads of tens of thousands of Californians. These homes, in turn, are building mixed-income neighborhoods where houses considered “affordable” are often indistinguishable from those at market-rate. High school teachers, clergy, health care workers, day care providers – people who are considered lower-income – can now open their front doors and say, “welcome to my home” as a result of inclusionary housing programs. Rising housing costs and shrinking public funds are prompting more local governments to use inclusionary programs. While not a magic bullet for all affordable housing needs, inclusionary programs are a proven tool for building diverse housing that meets the needs of all of a community’s residents. It is not surprising, then, that a record number of cities and counties are adopting inclusionary housing programs at increasing rates.

BUILDING ON PAST RESEARCH

This study was commissioned by the Non-Profit Housing Association of Northern California (NPH), which serves as the lead agency of the Bay Area Inclusionary Housing Initiative, along with the California Coalition for Rural Housing (CCRH), the Sacramento Housing Alliance (SHA) and the San Diego Housing Federation (SDHF).

In 1994, CCRH conducted the first statewide survey on inclusionary housing and found that 12% of statewide jurisdictions had an inclusionary program. In 2003, CCRH and NPH collaboratively conducted a follow-up survey, which revealed that the number of jurisdictions with inclusionary housing had jumped to 20%. The 2003 survey generated interest in obtaining more precise production data on the types of housing built and the income levels served. In 2006, a new study was launched to determine the growth in inclusionary programs statewide, and provide a detailed snapshot of the housing that is being produced by these programs. This report details the findings of those surveys.



KEY FINDINGS

The study looked at housing produced through inclusionary programs from January 1999 through June 2006 and found that:

1. NEARLY ONE-THIRD OF CALIFORNIA JURISDICTIONS NOW HAVE INCLUSIONARY PROGRAMS

A surprising number and variety of cities, towns and counties in California have adopted inclusionary housing policies. These 170 jurisdictions account for about one-third (32%) of the state; a significant number of these programs were adopted in the past few years alone.

2. MORE THAN 80,000 CALIFORNIANS HAVE HOUSING THROUGH INCLUSIONARY PROGRAMS

At least 80,000 people – roughly the population of the city of Livermore, in Alameda County – live in housing produced as a result of inclusionary programs, which since 1999 have created an estimated 29,281 affordable units statewide.¹

3. MOST INCLUSIONARY HOUSING IS INTEGRATED WITHIN MARKET-RATE DEVELOPMENTS

A majority of housing created through inclusionary policies is built along with – and indistinguishable from – market-rate units, creating socially and economically integrated communities affordable to a wider range of families. As a result, teachers shop in the same grocery stores as the parents of their students, and the elderly are finding safe apartments close to their children and grandchildren.

4. INCLUSIONARY HOUSING PROVIDES SHELTER FOR THOSE MOST IN NEED

Nearly three-quarters of the housing produced through inclusionary programs is affordable to people with some of the lowest incomes. These findings shed new light on the popular perception that inclusionary policies create ownership units mostly for moderate-income families.

5. LOWER-INCOME HOUSEHOLDS ARE BEST SERVED THROUGH PARTNERSHIPS

When market-rate developers work with affordable housing developers to meet their inclusionary requirement, the units are more likely to serve lower-income households. Joint ventures play a particularly important role in developing units for households most in need. One-third of all the housing built through inclusionary programs resulted from such partnerships.

RECOMMENDATIONS: WHERE DO WE GO FROM HERE?

It is clear from the variation among inclusionary programs that one size does not fit all. Cities and counties adopting inclusionary programs or revisiting older policies should tailor programs to their own circumstances and incorporate flexibility and incentives as much as possible.

An impressive track record is being established by the California jurisdictions that are using inclusionary housing as a tool to meet the housing needs of all residents. However, there is room for improvement. An affordable home for every Californian is within reach if even more communities include a strong inclusionary housing program as one of many strategies to address the statewide housing crisis.



Mesquite Manor and Gabilan Hills Townhomes in Salinas:

A young resident of *Mesquite Manor*, left, sits in the living room of her family's home, which is part of a 52-unit inclusionary project in Salinas. About half of the homes, built with assistance from farm workers and their families, are owned by farm workers who earn 80 % or less of the Area Median Income. The other half are for local families earning 120 % or less of the Area Median Income. At the right are two pictures of *Gabilan Hills Townhomes*, another Salinas project that offers 100 apartments for low-income families. Both were developed by Community Housing Systems and Planning Association (CHISPA).

The following recommendations, based on the findings in this study, will help increase inclusionary housing – and affordable housing production – throughout the state:

1. ADOPT A POLICY AND MAKE IT MANDATORY

This report shows that mandatory inclusionary housing policies produce much-needed housing in all kinds of communities across California. To bring the benefits of inclusionary housing to the 68% of cities and counties that still don't have an inclusionary policy, every jurisdiction should adopt a mandatory inclusionary program. Given the diverse needs and different economic conditions throughout the state, these programs should be designed carefully to give developers flexible options for providing homes to lower-income individuals and families.

2. PROVIDE STRONGER INCENTIVES AND FLEXIBILITY

The most successful programs offer developers a variety of options for meeting their inclusionary requirements, along with a range of incentives — such as density bonuses, fee reductions and fast-track permitting — to offset the costs to developers. By providing flexibility and incentives, cities and counties can facilitate the development of affordable homes to match the needs of all local residents.

3. PROVIDE STRONGER OVERSIGHT FOR THE IN-LIEU FEE OPTION

Some jurisdictions make effective use of in-lieu fees to build new affordable homes and foster stronger and more economically stable communities. But many of the most productive jurisdictions are requiring developers to directly develop the inclusionary units, partner with a non-profit developer who builds the units, or make land dedications. Generally, in larger projects, the in-lieu fee option should be the option of last resort and commensurate with the true cost of producing the units that would have resulted from inclusionary development. Additionally, this survey shows that a minority of jurisdictions either do not spend their in-lieu fees or do not specifically track how the in-lieu funds are used. To make inclusionary housing programs work, in-lieu fees should be spent on building new affordable homes within a defined time frame, and cities and counties should track and report on how the funds are being used on a regular basis.

4. TRACK THE NUMBERS

The state of California does not track inclusionary housing production or the collection of in-lieu fees, even though inclusionary housing programs are becoming an important and popular tool to deliver affordable homes to low- and moderate-income people. To ensure the continued effectiveness of inclusionary housing programs and demonstrate long-term results, the state of California should begin to monitor inclusionary housing production and in-lieu fee collection as part of the Housing Element update process that occurs every few years.

5. SUPPORT PARTNERSHIPS

This survey shows that partnerships between for-profit and affordable housing developers are particularly effective at building housing for lower-income Californians who are most in need. Communities should provide in their inclusionary policies the incentives and flexibility needed to support these important joint ventures.

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See CCRH's free and searchable database of California inclusionary housing policies for summaries of each city and county with inclusionary programs:

www.calruralhousing.org/housing-toolbox/inclusionary-housing-policy-search



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