

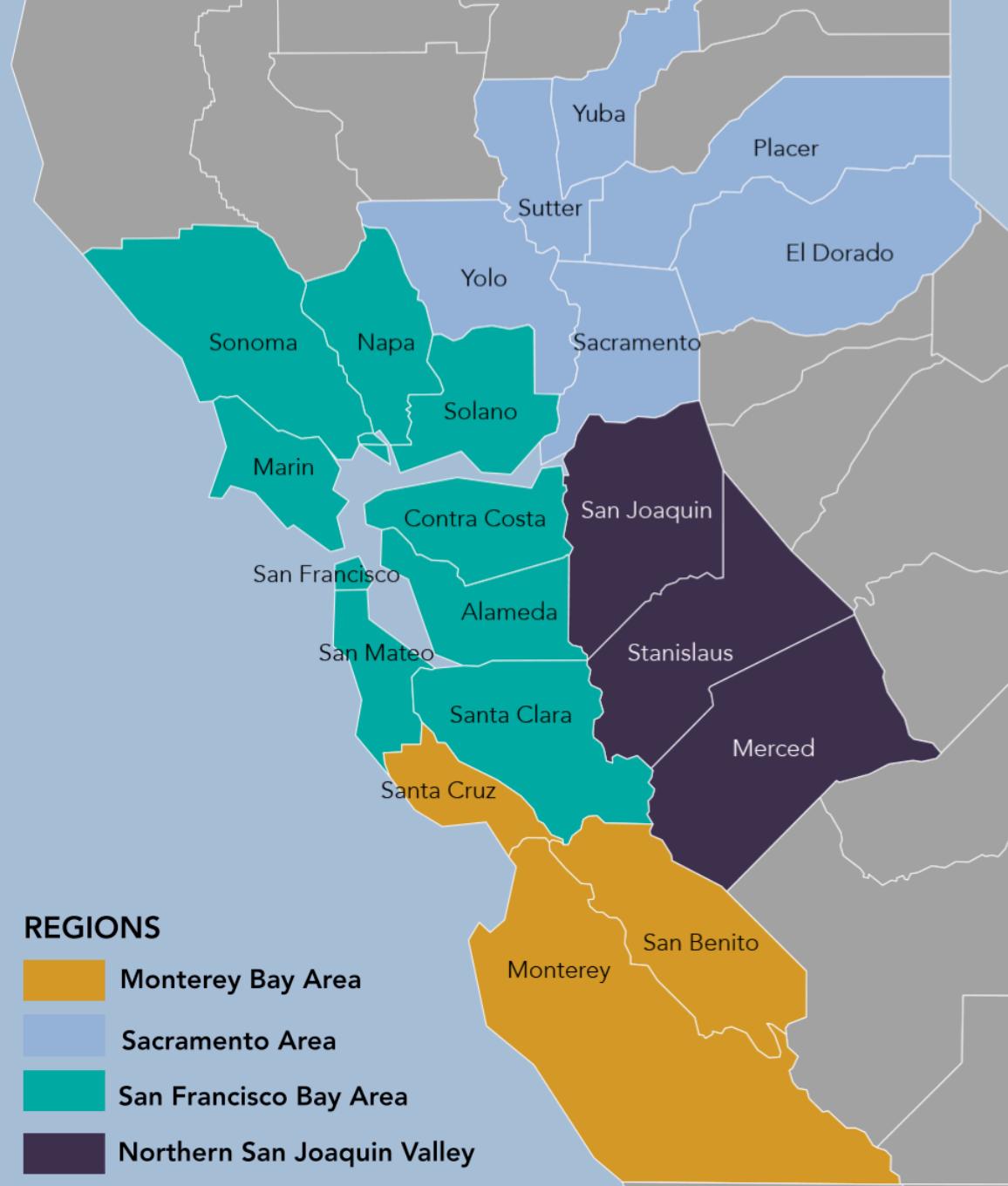


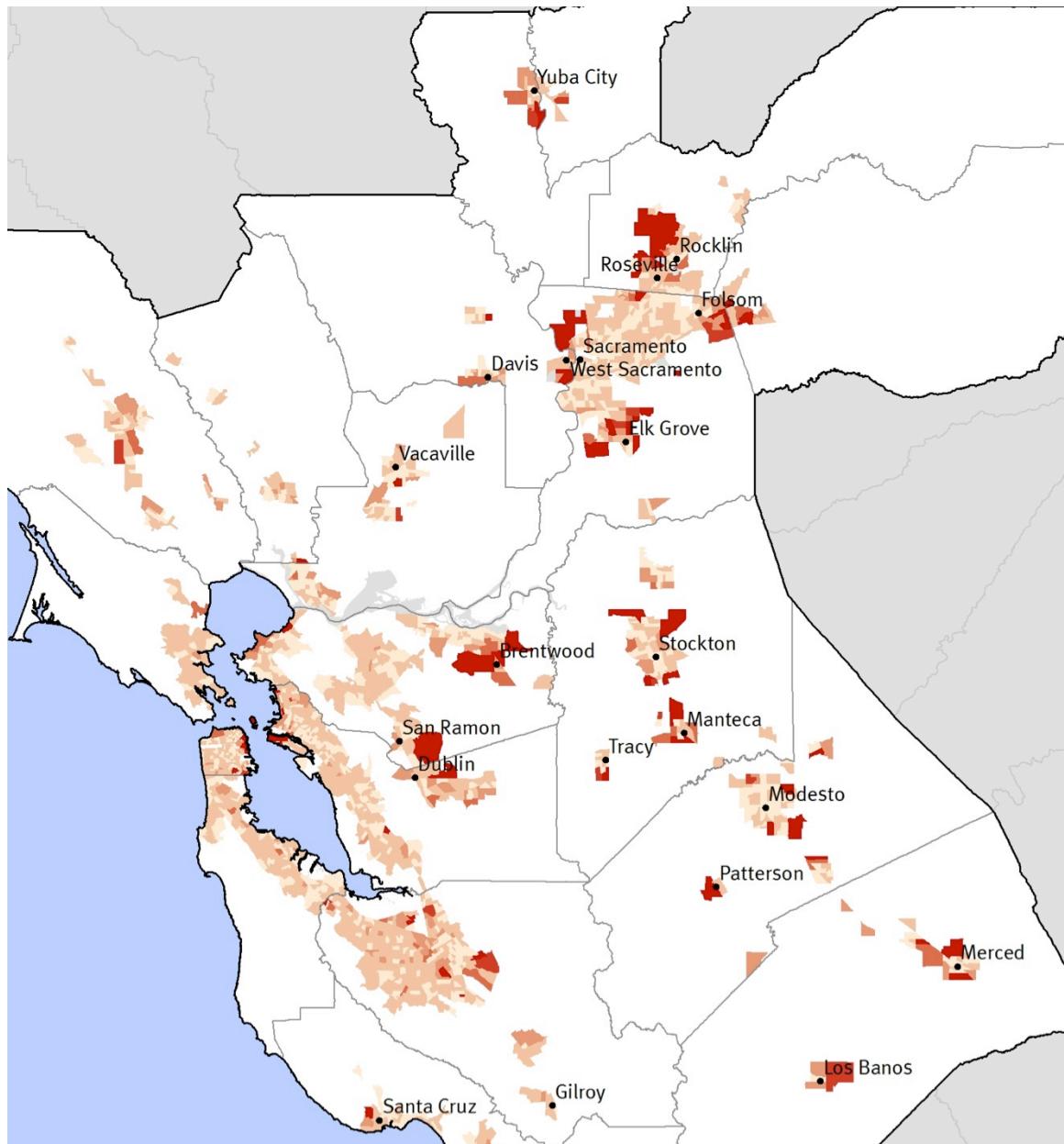
Closing the Gap: Affordable Housing in the Capital Region

February 9, 2017

Affordable Housing in the Capital Region

1. The Affordability Problem in a Megaregional Context
2. What is "Affordable Housing"?
3. Policy Responses in San Francisco
4. Application to the Capital Region





Population growth since 2000 has been concentrated outside of the Bay Area

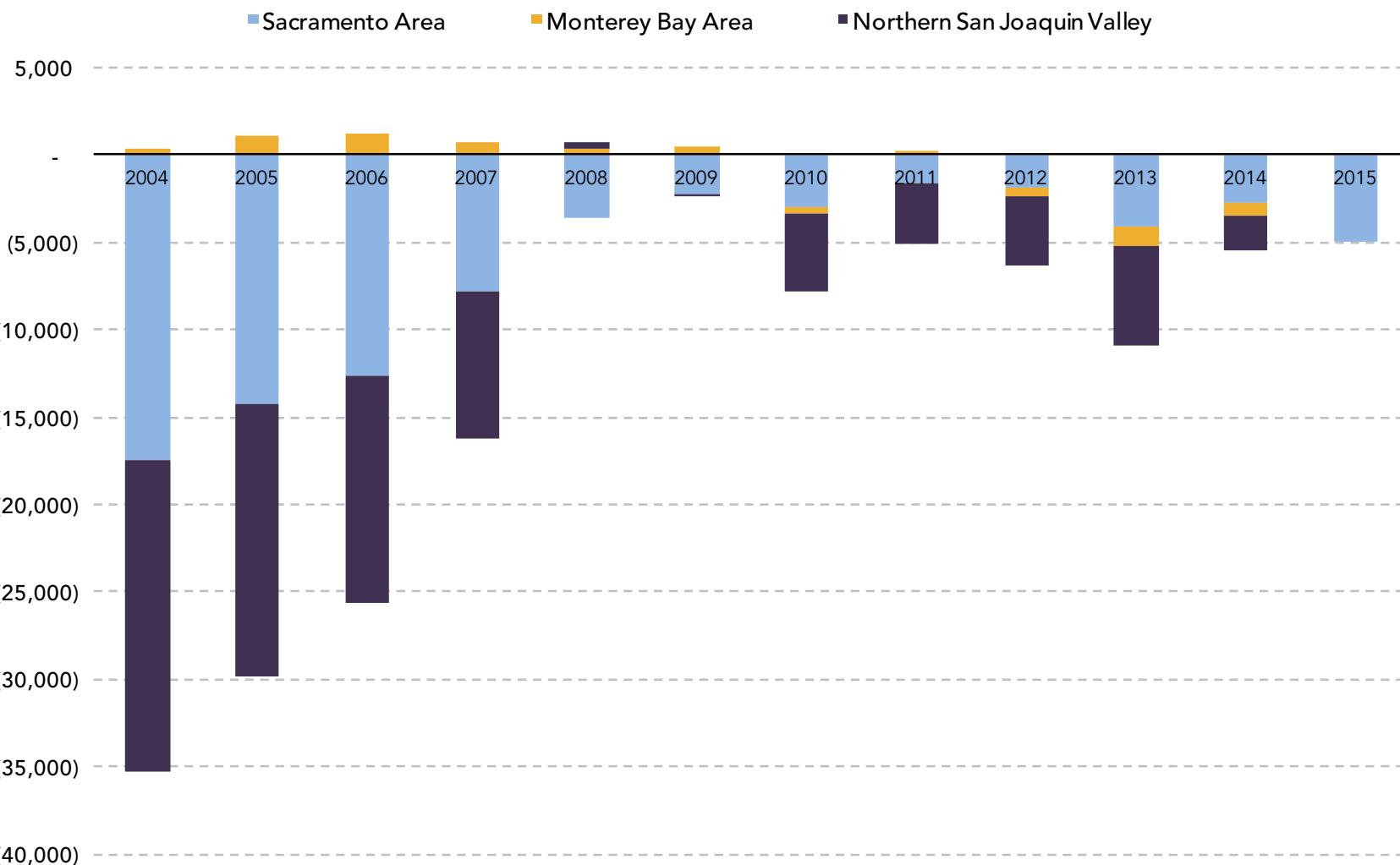
Twelve of the 16 fastest growing cities in the megaregion are located in the Sacramento region and NSJV:

- Elk Grove
- Yuba City
- Rocklin
- West Sacramento
- Roseville
- Folsom

One-quarter of Capital Region population growth came from Bay Area

Bay Area Net Migration Patterns, 2004-2014

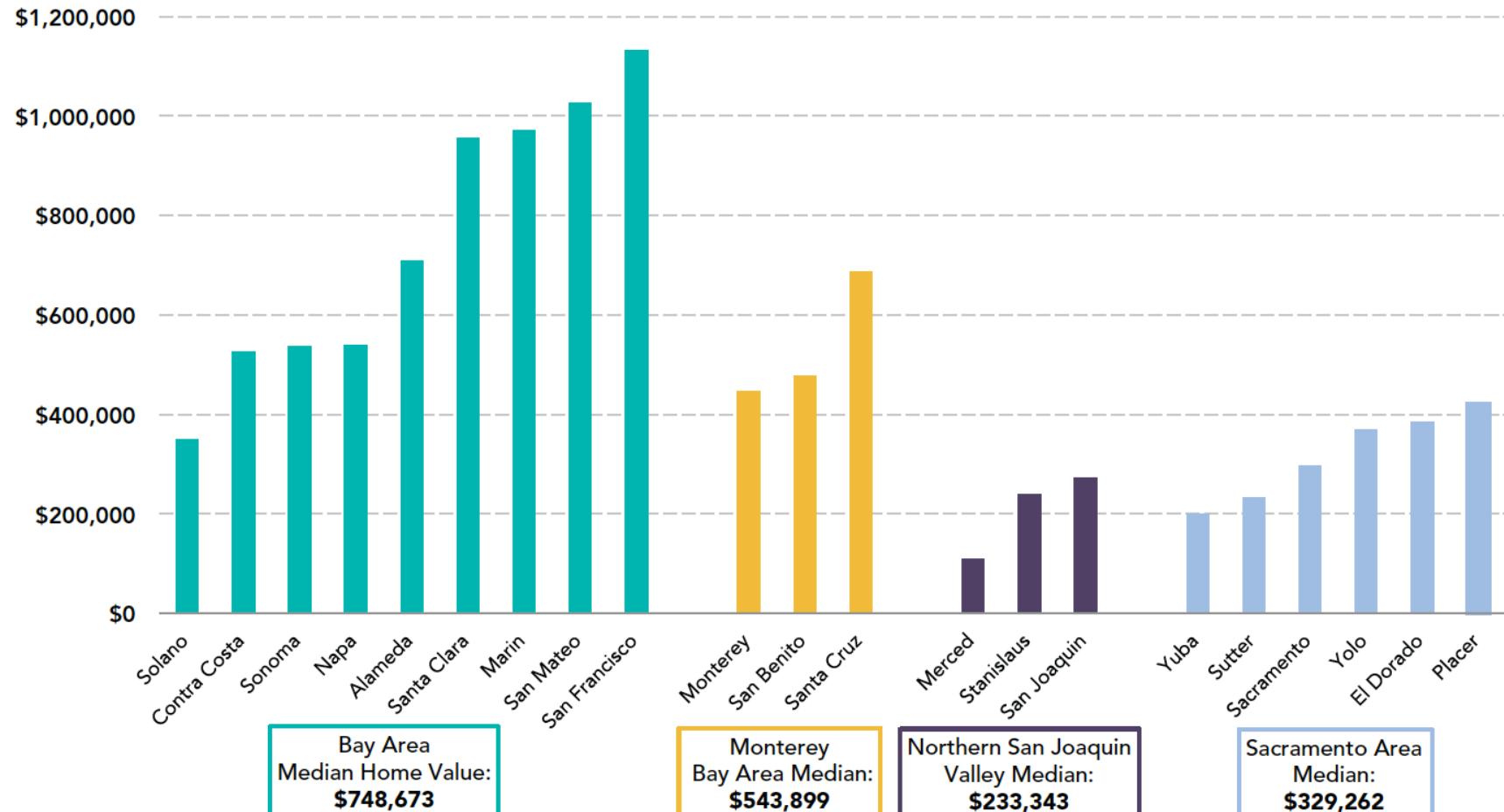
within the Northern California Megaregion



Data Source: U.S. Internal Revenue Service, Statistics of Income Division
Analysis: University of the Pacific, Bay Area Council Economic Institute

Home price variation across megaregion drives migration inland

Median Home Values by County, 2015

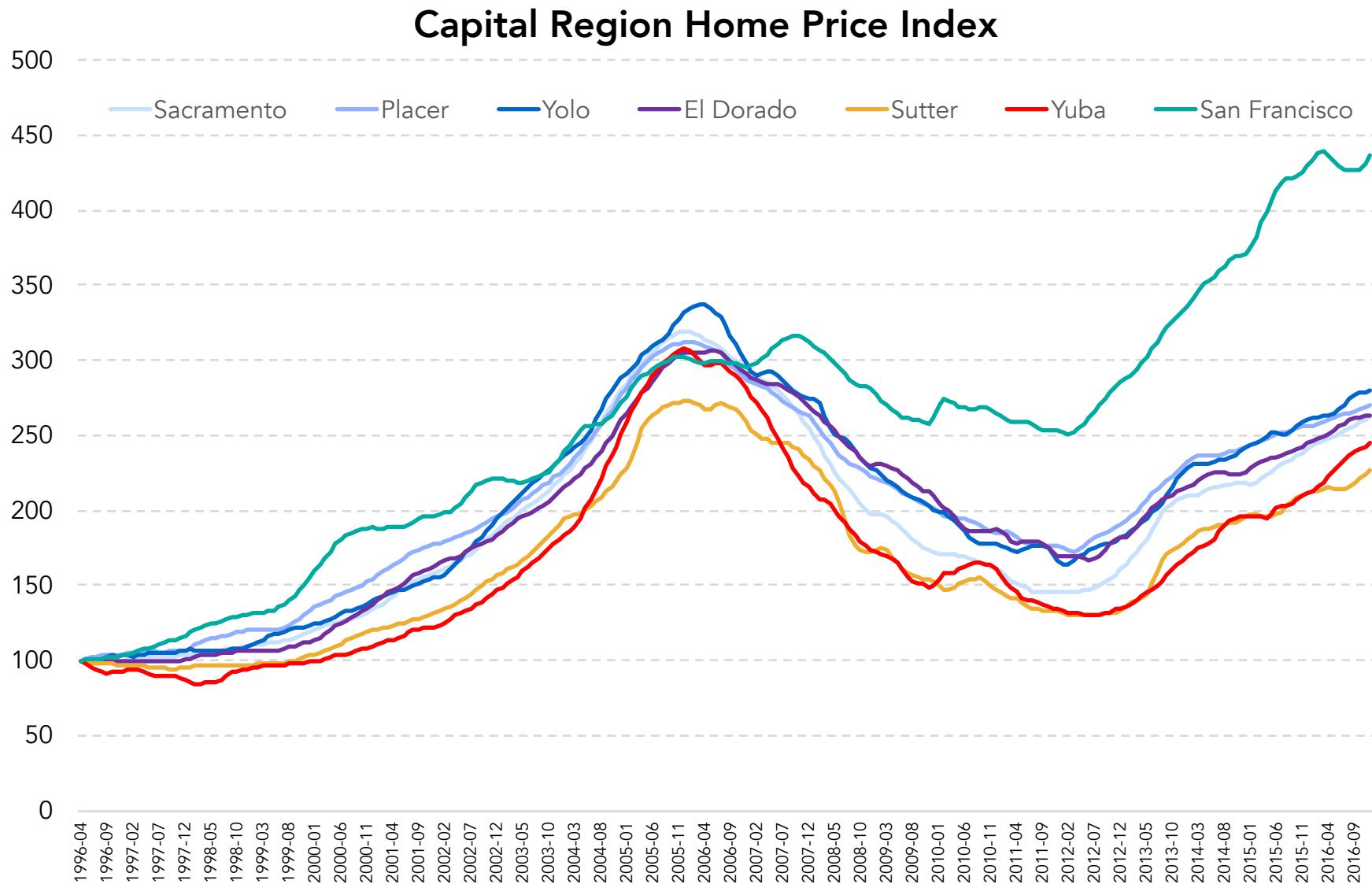


Note: Regional medians are found using weighted averages based on the number of single-family detached homes per county

Data Source: Zillow.com; California Department of Finance, Demographic Research Unit

Analysis: Bay Area Council Economic Institute

Home prices are rising in the Capital Region, but not close to SF levels



Data Source: Zillow.com

Analysis: Bay Area Council Economic Institute

What do we mean by affordable housing?

"Below-market-rate Housing"

In search of...



"Housing Affordability"



Housing affordability and failing to develop supply to meet demand is NOT JUST A COASTAL ISSUE...

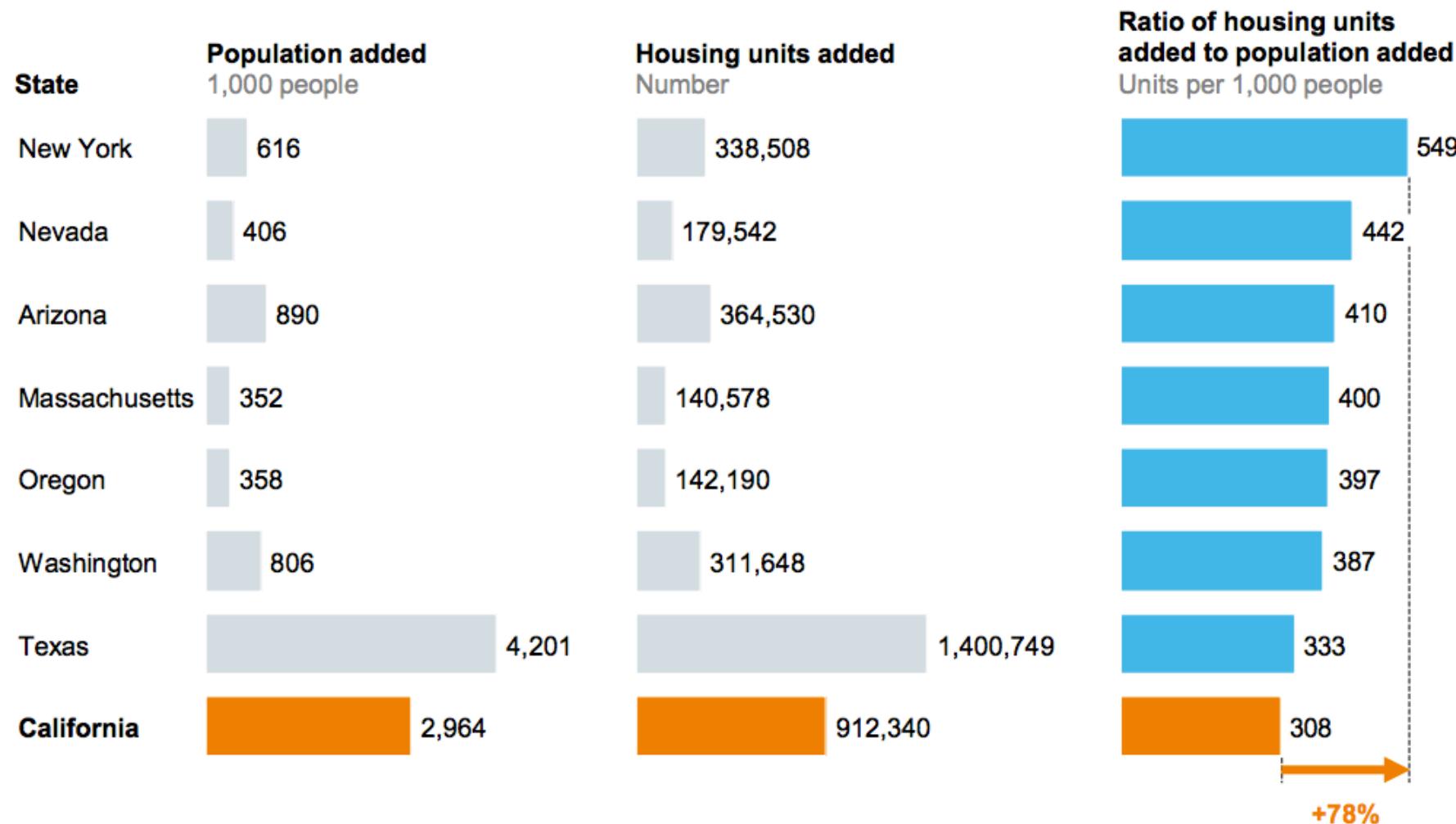
Share of Renters Spending >30% of Income on Rent

	2010	2015
Los Angeles	59.2%	60.1%
Riverside	62.7%	59.8%
Santa Barbara	56.7%	58.4%
Fresno	57.0%	58.3%
Orange	58.3%	58.0%
San Diego	58.8%	56.7%
Capital Region	58.7%	52.9%
Alameda	53.7%	51.4%
Santa Clara	47.7%	49.2%
San Francisco	46.2%	42.5%

Housing Units Added Per 1,000 in Population Growth (2010-2016)

Fresno	222	San Diego	155
Kern	195	Los Angeles	146
San Francisco	183	Contra Costa	128
Orange	175	San Joaquin	119
Santa Clara	174	San Bernardino	113
Riverside	173	San Mateo	106
Santa Barbara	170	Alameda	103
Ventura	165	Santa Cruz	85
Capital Region	164	Imperial	84
California	155	Merced	64

Housing affordability and failing to develop supply to meet demand is a STATEWIDE ISSUE...

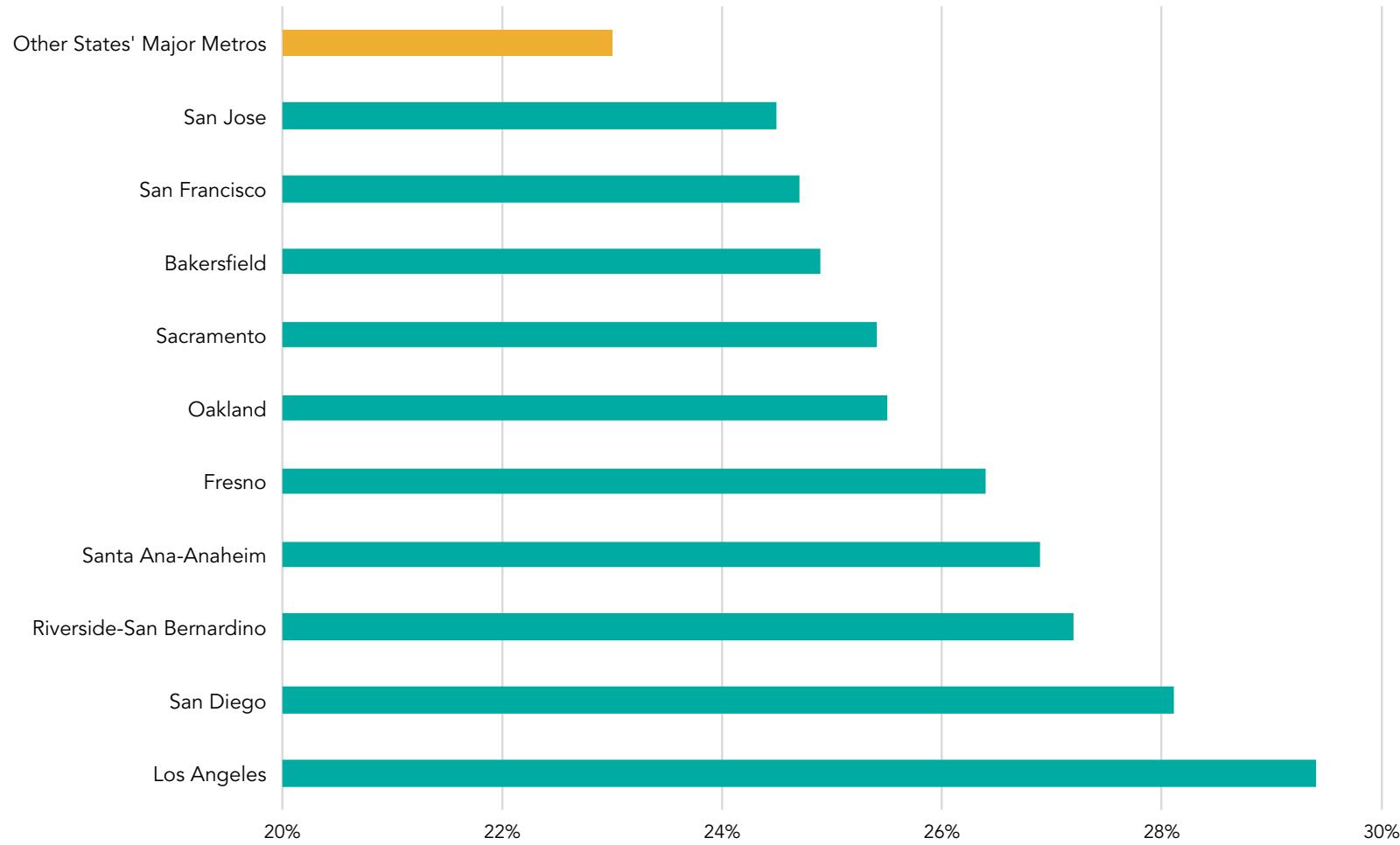


SOURCE: US Census Bureau; McKinsey Global Institute analysis

Housing affordability and failing to develop supply to meet demand is a STATEWIDE ISSUE...

California's Major Metro Areas are Less Affordable than the Average U.S. Metro

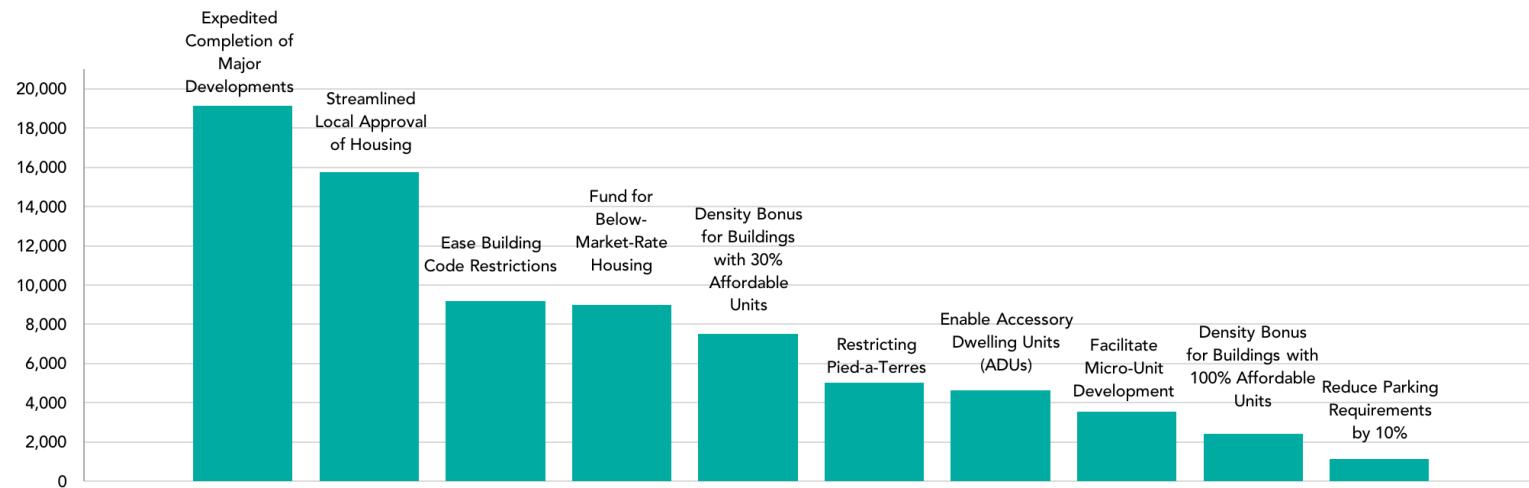
Median Share of Household Income Spent on Housing, 2014



Data Source: California Legislative Analysts' Office; American Community Survey
Analysis: Bay Area Council Economic Institute

San Francisco policy choices impact the number of households burdened by housing costs at a 30% housing cost-to-income threshold

Top ten policies that increase affordability...



Top ten policies that worsen affordability...



Methodology: A Static Model for Comparing the Impact of Housing Policies over 20 Years

Housing Supply Change



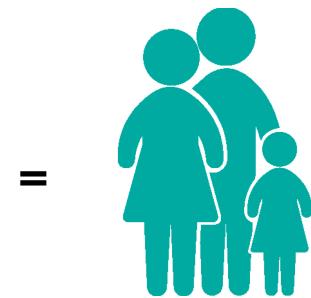
Access to BMR Units



Income Opportunities



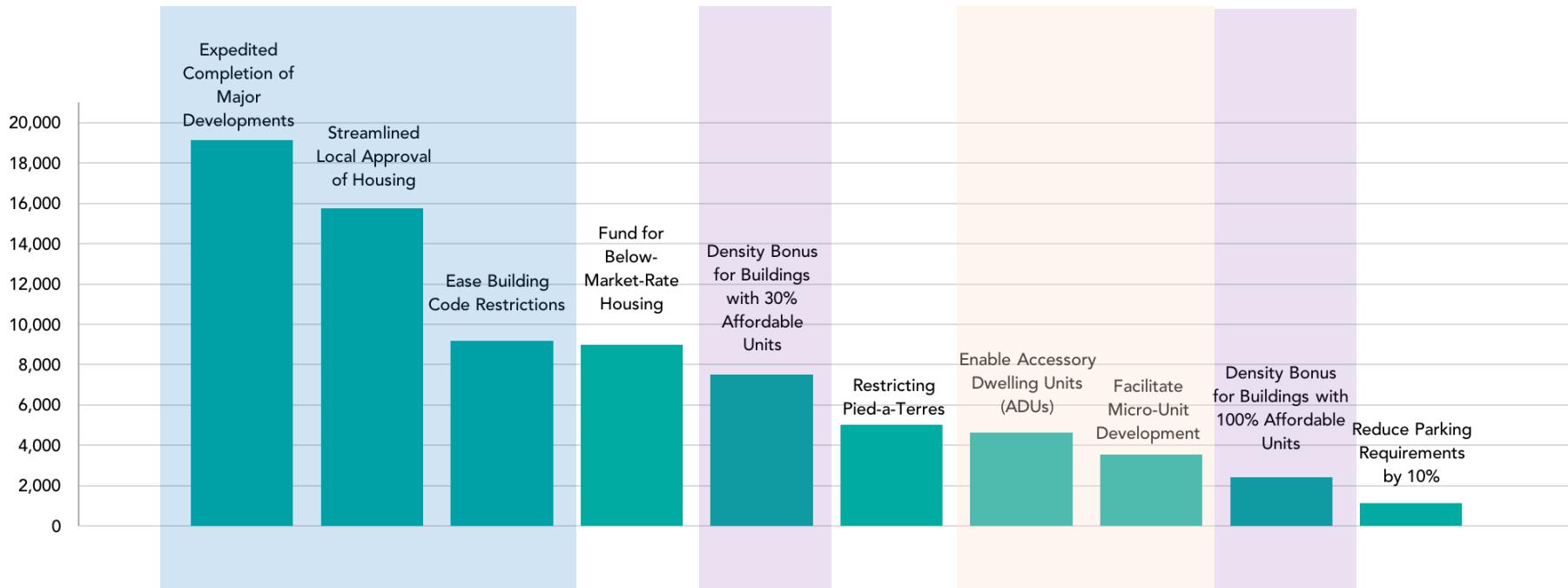
Change in # of SF households that can live affordably



1. City data used to predict the market-rate housing supply change
2. Elasticity estimates allowed us to estimate average city-wide price changes
3. All beneficiaries of BMR housing assumed to otherwise be housing cost burdened
4. Randomly assigned price change across all households and income change across the number of households impacted

Highlights: Building new housing has the greatest benefit for affordability

1. Completing major projects, reducing approval times, and streamlining building codes have the biggest affordability impacts
2. Alternative unit designs facilitate new unit development and can have income-generating potential
3. Density bonuses work, but best with moderate affordability requirement



Lowlights: Policies intended to improve affordability have negative impacts

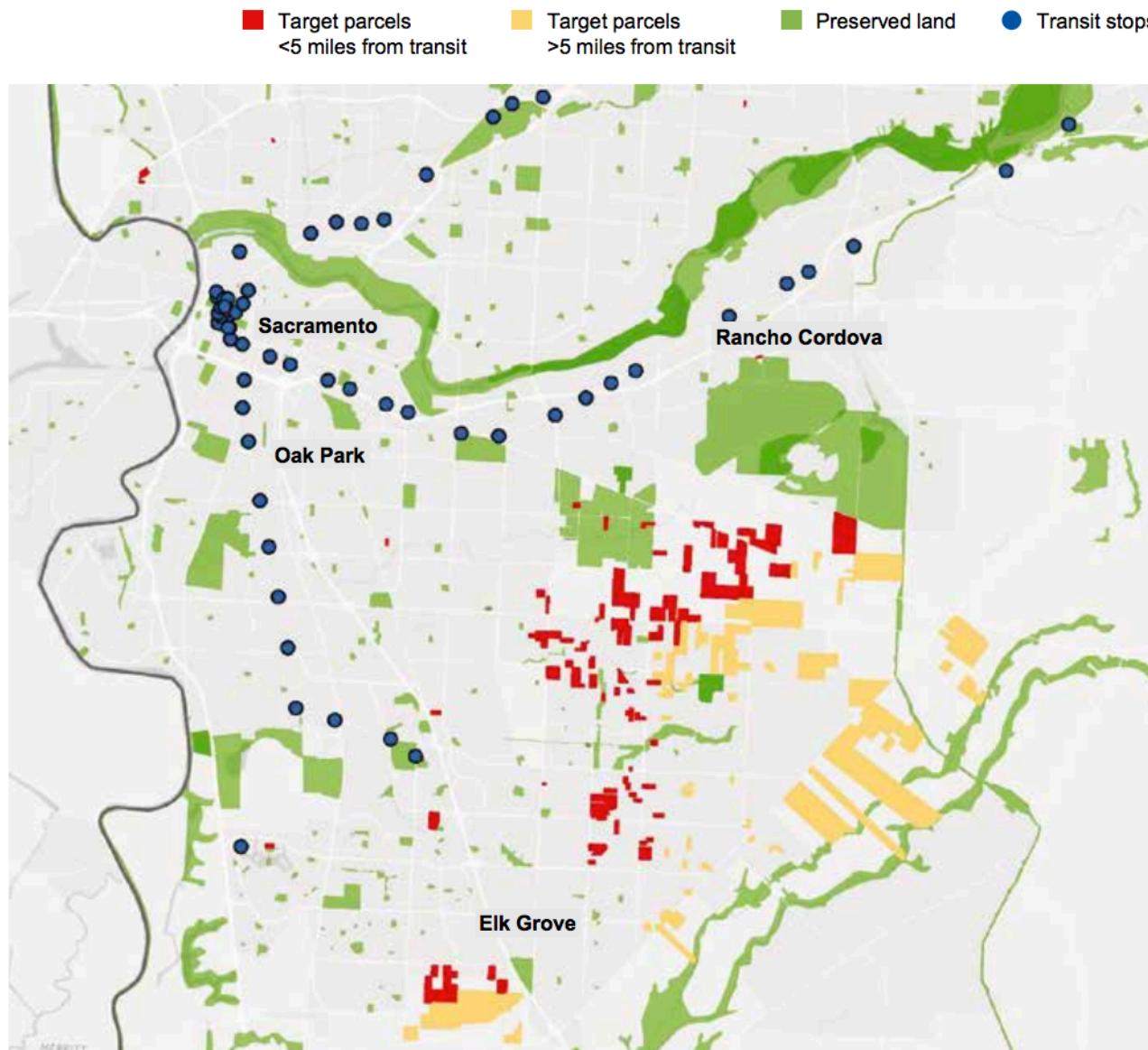
1. Benefits of inclusionary zoning outweighed by less market-rate development
2. Impact fees have value in funding needed social services, but their benefits must be weighed against a negative impact on home production
3. Banning homesharing returns some units back to the market, but the loss of host income results in a greater number of households losing affordability



Key Takeaways

- 1. Policy does matter.**
- 2. Building all types of housing is still the best way to alleviate housing cost burdens.**
- 3. It is not just about increasing supply, the overall impact on affordability is key.**
 - The type of housing supply that a policy creates is critical
 - Income effects must be considered
 - Some policies intended to increase affordability have the opposite effect

Capital Region Takeaway #1: Identify underutilized land



Sacramento County has 61,000 potential single-family units clustered between Rancho Cordova and Elk Grove

Source: Sacramento County GIS Library; McKinsey Global Institute

Capital Region Takeaway #2: Facilitate alternative housing unit delivery

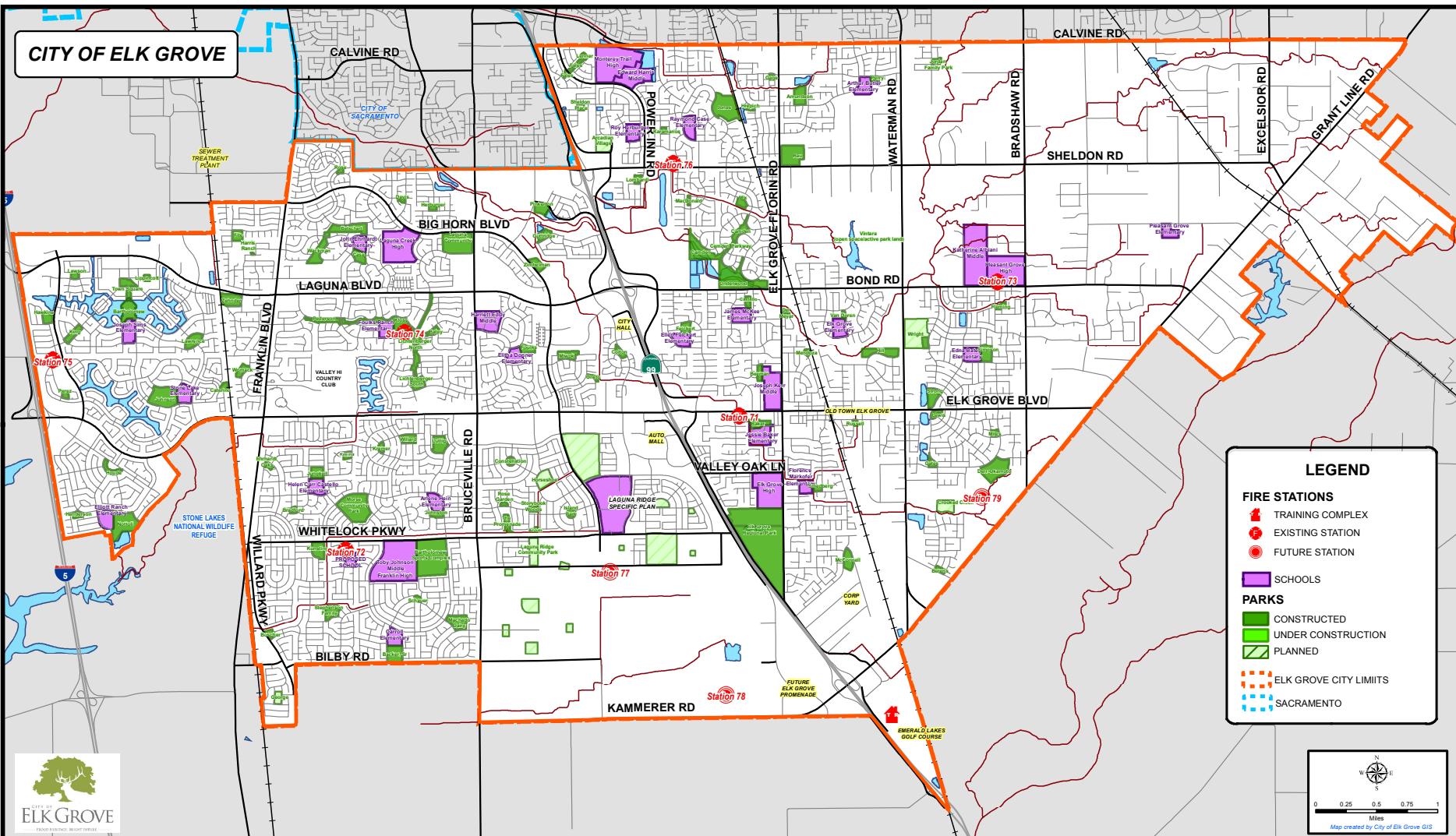


Accessory Dwelling Units



Modular Construction

Capital Region Takeaway #3: Zone for future demand, simplify building codes, and streamline permitting





Q & A

Bay Area Council Economic Institute