

# Best Practices for Affordable Housing Development



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# Introduction

This document summarizes various strategies and best practices for affordable housing development in California. These policies and programs can serve as models for communities.

This document aims to facilitate the creation of a strategic plan that sets housing goals and policies for the production of low, very low, and extremely low-income units that are not produced by the market; to create clear meaningful policies and tools that prioritize and advance concrete goals for balanced housing development; to dedicate housing funds and city-owned land for the development of housing for low, very low, and extremely low households; and to prioritize the development of low, very low, and extremely low-income housing needs.



# Housing Element

In California, municipalities are required by law to plan for their fair share of affordable housing for all economic segments of the community. Cities are required to produce a **Housing Element** to address housing needs at all income segments through measurable goals, policies and commitments. Housing Elements are due to the California Housing and Community Development Department by October 2021.

## Model

### **KENNEDY COMMISSION - HOUSING ELEMENT CAMPAIGN**

#### **Kennedy Commission- Housing Element Campaign**

Housing Element must:

- Establish housing programs and policies – from public or land use policies to funding affordable housing developers – that encourage affordable housing for people of all incomes and those with special needs.
- Demonstrate that they have enough land zoned for multifamily housing to build all of the homes needed for lower-income families.
- Reduce obstacles to housing development, such as density limits, excessive requirements for parking spaces, even community opposition.
- Describe how they will use available funding for affordable housing.



# Local Policy

The Kennedy Commission actively participates with local government entities in the development and implementation of strategies that guides community growth and residential development such as Housing Elements, General Plan and Specific Plan updates. Through the development of these plans, the Commission advocates for effective policies and programs to ensure the affordable housing needs of lower income households are met.



# Affordable Housing Land Trust

An **Affordable Housing Land Trust** is a public/private partnership between government and corporations dedicated to acquire land for affordable housing and then facilitate the creation of permanently affordable housing on these sites.

## Model

### CITY OF IRVINE

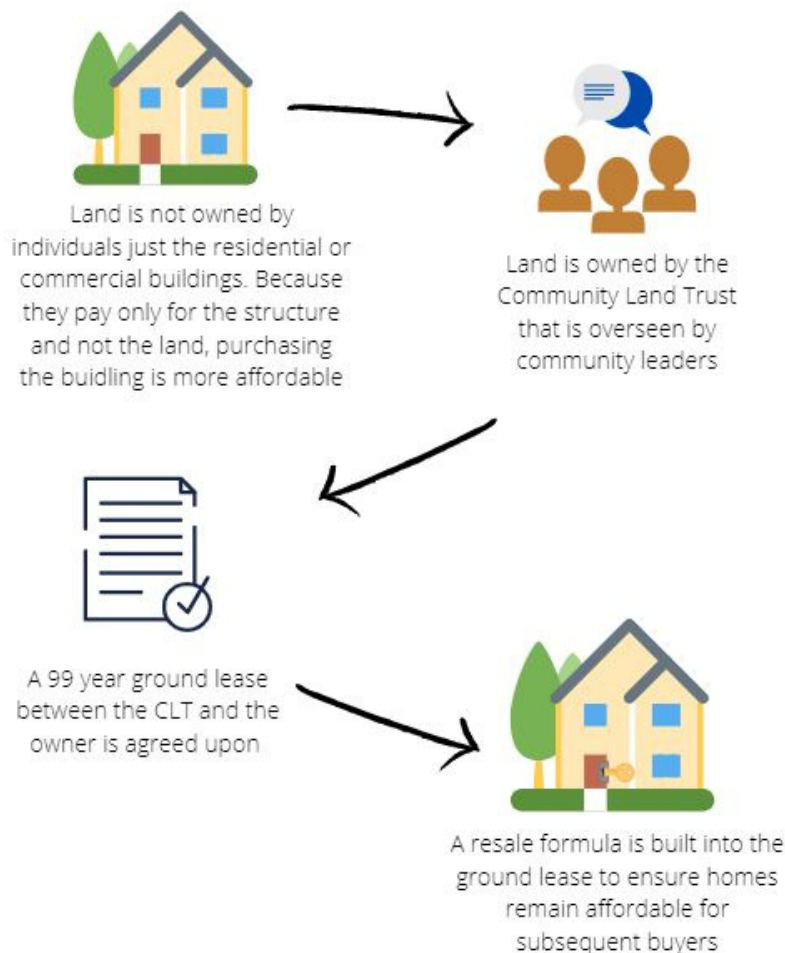
#### COMMUNITY LAND TRUST:

Community Land Trust: Retain ownership of land (either donated or purchased) and lease the land to the owner of the improvements for the creation of affordable housing; retain both the ownership of the land and the right to repurchase the improvements in the future at a formula-determined price, enabling the units to be re-sold or re-rented at affordable prices in perpetuity and facilitate the creation of affordable housing designed to serve special needs populations.

#### JURISDICTIONS WITH CLTS:

- San Diego Community Land Trust (18 units in progress)
- Multiple jurisdictions in LA County (e.g. TRUST LA)
- Multiple Jurisdictions in the Bay Area (e.g., OAK CLT, Bay Area Community Land Trust)

### How Community Land Trusts work



# Jobs Housing Linkage Program

The **Jobs Housing Linkage Program** includes fees or other requirements that local governments place on new industrial, commercial and office developments to offset the impact that new employment has on housing needs within a community. The collected fees will be used to support affordable housing developments.

## Model

### CITY OF MILPITAS

City of Milpitas' **Commercial Linkage Fees** requires business developers to provide market-rate and/or affordable housing to mitigate new housing created by their new job employment.

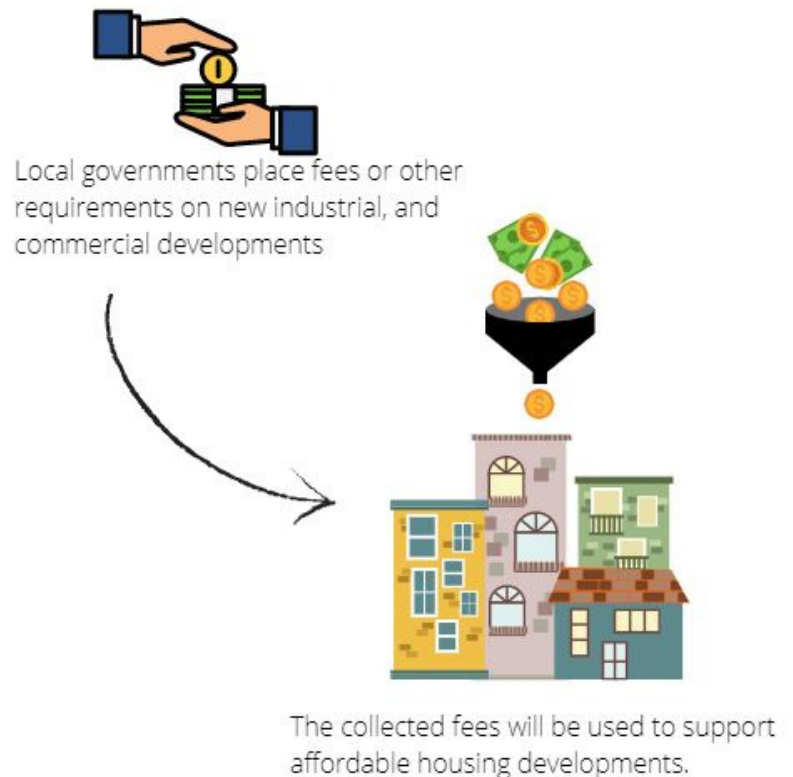
### CITY OF LOS ANGELES (2018)

City of Los Angeles (finance 1,699 - 1,767 units) **Linkage Fee** ordinance places a fee on certain new market-rate residential and commercial development to generate local funding for affordable housing. Fee varies by the type of use and by location.

### CITY OF SAN FRANCISCO

City of San Francisco (2,000 units) the **job-housing linkage fee** is imposed on new office space to help fund affordable housing programs. 10% of the fees would be used to buy and renovate rent restricted affordable housing and 30% would go to develop permanent supportive housing. Some of the money will also go toward the Small Sites Fund, which the city uses to buy small rental buildings that have low rents to ensure they remain available to renters.

## Implementation of Jobs/Housing Linkage Program



# Housing Preservation Programs

## RENT CONTROL

Rent Control- regulation that restricts the amount of rent landlords can charge tenants

## CONDOMINIUM CONVERSION

Condominium Conversion- cities should discourage apartment conversion to condominiums without an impact analysis to the housing stock.

## Model

### SANTA MONICA

Santa Monica (27,381 units in 2019): Santa Monica Rent Control Board - landlords are allowed to increase rents by 2% for all eligible units. Landlords may petition for additional rent increases based on unusually high operating expenses.

### WEST HOLLYWOOD

West Hollywood (16,707 in 2018): Rent Stabilization Division - administers the Maximum Allowable Rent (MAR) for rent-stabilized units.

**Renting Housing in West Hollywood**  
A guide to rules and regulations for renting residential property

Property Type (includes illegal/unpermitted dwellings)	GOVERNED BY: West Hollywood Rent Stabilization Ordinance			State Rent Increase Limits	
	Entire Rent Stabilization Ordinance	Just Cause Eviction and Anti-Harassment	Habitability Requirements For Construction	5% + Inflation, 10% max in 12 mo period (split into max of 2 total increases)	90 day notice of increase over 10%
2 or more dwellings – <u>built</u> * before or on 7/1/1979	✓	✓	✓		
2 or more dwellings – <u>built</u> * after 7/1/1979		✓	✓	✓ 15 years old or older (rolling date)	✓ Newer than 15 years
Single-Family Home or Condominium		✓	✓	✓ 3 or more bedrooms rented separately	✓ All other tenancies in single-family homes & condominiums
Corporate entity or real estate investment owner and not subject to RSO rent limit		✓	✓	✓	
Attached ADU – attached to or part of a structure that existed on or before 7/1/1979	✓ Original Dwelling	✓	✓		
Detached ADU – free standing & not part of any structure that existed on or before 7/1/1979	✓ Original Dwelling <u>only</u>	✓	✓	✓ Detached ADU (15 years old or older, rolling date)	✓ Detached ADU (Newer than 15 years)
Affordable Housing (rent limited by deed restriction)		✓	✓		

\*Built means received initial certificate of occupancy and was occupied

# State Policy

The Kennedy Commission actively participates with local government entities and communities to ensure that state legislation is strategically used to facilitate opportunities for affordable housing development.





# Implementation of Density Bonus

Requirements for **Density Bonus through AB 2348** establishes a number of affordable units that a developer must provide in order to increase residential densities and be eligible for additional incentives. The amendments made to provide further incentives for developments that are 100% affordable..

## Model

### CA STATE DENSITY BONUS (AB 2348)

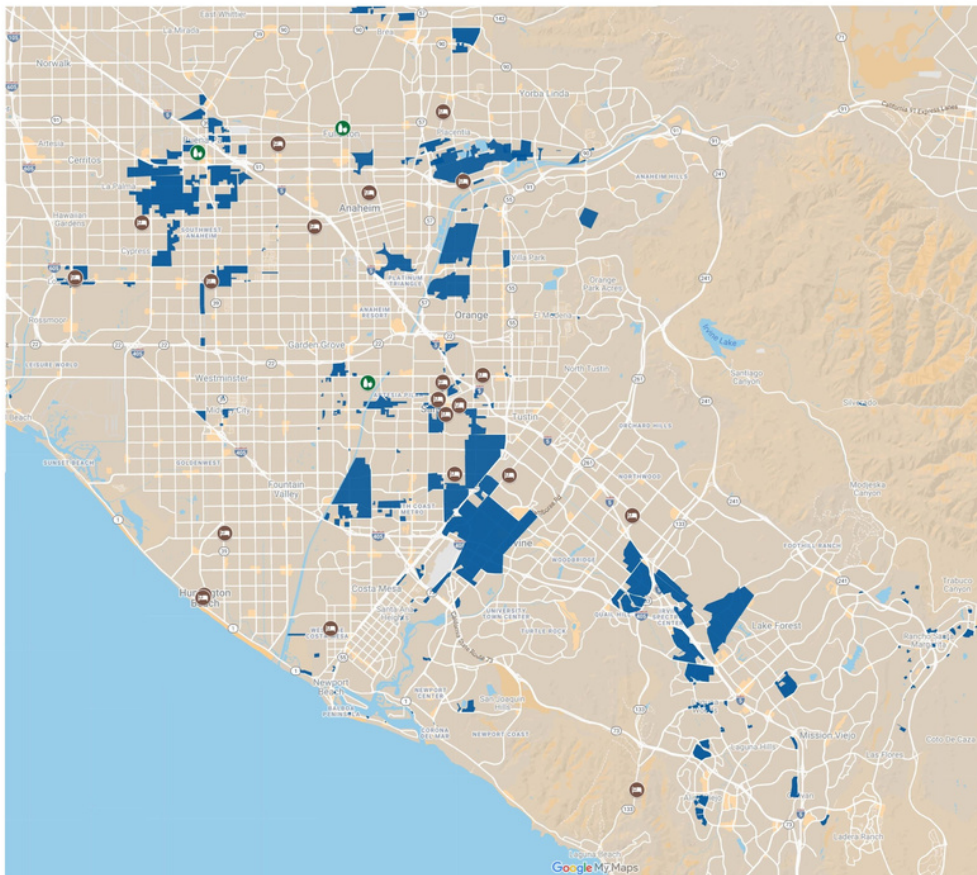
**CA State Density Bonus (AB 2348)** (Effective 1/1/2021)

- 1) Increased the maximum density bonus to 50-percent, depending on the number and level of deed-restricted affordable homes
- 2) Incentivizes additional density bonus projects by reducing the maximum parking required by localities for qualifying projects
- 3) Provides two incentives or concessions if include at least;17% Low, 10% very low or 20% for moderate in a common interest dev.
- 4) Provides three incentives or concessions if include at least:24% Low, 15% very low or 30% for moderate in a common interest dev.
- 5) Provides local governments discretion to grant additional waivers for projects located within a half-mile of transit and 100% affordable.

# SB2 Building Homes and Jobs Act

The **Building Homes and Jobs Act (SB 2)** requires jurisdictions to identify specific sites with by-right zoning for homeless shelters, transitional housing and special needs facilities. 'By right' is a use permitted in a zoning district and is therefore not subject to discretionary review and approval by a local government. It also clarifies that under the HAA, a jurisdiction cannot deny applications for such types of housing and shelter without making specific evidence-based findings.

Adopted in 2007, SB 2 takes a fair share approach and requires all jurisdictions to have adequate zoning and remove barriers to siting shelter and transitional and supportive housing. Also, implementing SB 2 and demonstrating such compliance to the state will both prevent litigation and ensure eligibility for state and federal funds – housing element compliance is critical to the receipt of certain funding sources.



# AB 1486 Surplus Land Act

The California Surplus Land Act requires that when cities, counties, transit agencies and other local agencies sell or lease their land, they must prioritize it for affordable housing development and open space.

## Model

### CITY OF GARDEN GROVE WILLOWICK GOLF COURSE

Willowick Golf Course

- 102 acres of green space
- Located in the City of Santa Ana but owned by the City Garden Grove
- Declared surplus early 2020
- Call for Request for Proposals
- Proposals include open space, affordable housing, market rate housing and mixed development.



(2019 California Housing Legislation Highlights, 2019)

# Land Use Change Opportunity

**Land use change** is an effective method that allows cities to create new ways to facilitate affordable housing construction within their city. The Commission advocates for effective policies and programs to ensure the affordable housing needs of lower income households are met.



# Affordable Family Housing Overlay

The **Affordable Family Housing Overlay** ordinance provides by-right incentives of certain development standards in exchange for a dedication of 20% units as affordable family housing units at very low income.

## Model

### CITY OF ANAHEIM (2011)

City of Anaheim (2011) (allows up to 7,360 units, 78 affordable units proposed)

- **Affordable Housing Opportunity Sites** allows “by-right” residential development in the identified sites in a manner consistent with the density allowed by their current General Plan designation, including with designated for densities over 30 dwelling units per acre that would accommodate Anaheim’s share of regional housing need for lower-income

### CITY OF OAKLEY, CA (2005 AND 2016)

City of Oakley, CA (509 units)

- **Affordable Housing Overlay Zones** provide incentives for and allows housing densities that exceed the state density bonus criteria of 24 dwelling units per acre.
- if a development has affordable and market rate units, then the affordable units shall be constructed at a rate consistent with market rate units and mixed throughout the development.
- shall include housing units in the very low and low income categories and shall remain at those affordability levels for a minimum of 30 years

# Affordable Housing Overlay on Commercial/Industrial Areas

**Affordable Housing Overlay on Commercial/Industrial Areas:** facilitates affordable housing developments on underutilized commercial and industrial zoned areas. The ordinance allows for residential development and allows for concessions and incentives in exchange for a level of affordability. Within the overlay zone, affordable housing developments should be eligible for (a) by-right residential development, (b) multifamily development on commercial sites, (c) waivers of local fees, and (d) subject to overall design review, relaxation of certain development standards (i.e. parking, setbacks, height).

## Model

### TOWN OF CORTE MADERA

The Town of Corte Madera (79 of Units ) utilizes **Exclusive Affordable Housing Zone** which requires the development of a substantial percentage of affordable units on affected sites. It ensures that identified sites are preserved for affordable housing.

### COUNTY OF ORANGE (2006)

County of Orange (2006) (130 affordable units in 2012) **Housing Opportunities Overlay** allows residential development on underutilized commercial and industrial sites in unincorporated areas of the county as long as development is 100% affordable to low income families.

### LAGUNA NIGUEL GATEWAY (2011)

**Laguna Niguel Gateway** increased incentive densities are intended to reflect the extraordinary contributions of a particular project in advancing the Specific Plan, including providing for affordable housing, meeting rooms and recreational facilities accessible to the general public, architectural design and site development exceeding the City's standards for environmental sustainability, the funding of streetscape and public realm improvements and amenities beyond those required for the project.

# Inclusionary Housing Program

Create mixed income housing opportunities by requesting 15% of all new housing construction projected through build-out will result in affordable units.

## Model

### CITY OF IRVINE

City of Irvine **Inclusionary Housing Ordinance** (As of 2013, 4,178 units) allows developers the option of satisfying the 15% requirement by building affordable units (onsite/off-site), paying equivalent in-lieu fees, or donating land of equivalent value.

### CITY OF SANTA ANA

City of Santa Ana's **Housing Opportunity Ordinance** (2011) (33 units resulted from the ordinance itself; 9.5 million was generated in lie fees from the HOO that developed 201 affordable units) applies to developments with 5 or more units allows developers the option of satisfying the 15% requirement by building affordable units or paying equivalent in-lieu fee of \$5 per square foot

### CITY OF LONG BEACH

City of Long Beach (takes effect January 1, 2021) applies to new rental developments or ownership housing units if project size is 10 units or greater 11% of rental units must be affordable to very low income households and 10% of ownership housing units to moderate income households developers have the option of paying an in-lieu fee of \$270,000 to \$383,000 per unit to be put in an affordable housing fund the covenants for these projects are 55 years long applies to a specific area, but it can be triggered in the rest of the city if certain requests are made like zone changes and general plan amendments

### FOSTER CITY

Foster City (543 BMR unit) requires that all large residential projects set aside 20% of units, excluding bonus units be affordable (an inclusionary requirement), at the very low, low, and moderate income households

### CITIES WITH SIMILAR REQUIREMENTS:

- City of Brea
- City of San Clemente
- City of Pasadena

# Affordable Housing Financing

With recent proposed federal budget cuts to affordable housing resources, the need for more funding and resources is urgent and greater than ever. The Kennedy Commission has partnered with organizations such as Housing California and the California Housing Consortium, to focus on legislation that will increase resources for the development of affordable housing.





# Affordable Housing Trust Fund

The creation of **Affordable Housing Trust Funds** that permanently dedicate a source of public revenue to support the production and preservation of affordable housing.

## Model

### HOUSING TRUST SILICON VALLEY

**Housing Trust Silicon Valley** (20,105 units since 2000) a nonprofit housing lender serving people experiencing homelessness, renters, and first-time homebuyers. Since 2000, Housing Trust has invested \$335 million -creating more than 20,000 affordable housing opportunities and serving over 36,700 residents.

### ORANGE COUNTY HOUSING FINANCE TRUST

**Orange County Housing Finance Trust** (99 units completed, 324 under construction)formed in 2019 as a joint powers authority between the County of Orange and the cities throughout the county. OCHFT was created for the purpose of funding housing specifically assisting the homeless population and persons and families of extremely low, very low, and low income within Orange County.

How the OC Housing Finance Trust Works



### ORANGE COUNTY HOUSING TRUST

**Orange County Housing Trust** the revitalized Orange County Housing Trust powered by NeighborWorks OC and OC Business Council provides a private financing vehicle to help bring permanent supportive and affordable housing projects in Orange County.

# Affordable Housing Bond

Government bonds dedicated to funding the capital requirements for building affordable housing, including new construction and rehabilitation of existing stock. State and local governments issue bonds to raise funds for an activity the jurisdiction wishes to support.

## Model

### **SANTA CLARA COUNTY HOUSING BOND (2016)**

**Santa Clara County Housing Bond (2016)** (projected 5,000 units) the \$950 million affordable housing bond will enhance the County's ability to achieve its housing priorities which include: Increasing the scope and breadth of supportive housing for special needs populations, including homeless and chronically homeless persons; Increasing the supply of housing that is affordable to extremely low income (ELI) households; and, Improving coordination and collaboration among the County, the cities, other governmental agencies, and the affordable housing community.

### **ALAMEDA COUNTY HOUSING BOND (2016)**

**Alameda County Housing Bond (2016)** (8,500 units) the \$580 million housing bonds are allocated throughout Alameda County to protect affordable housing options for people who need it most. Programs include the Rental Housing Development Fund, Down Payment Assistance Loan Program, and the Housing Preservation Loan Program.

# Transit-Oriented Development (TOD) Housing Program

**Transit Oriented Development Housing Program's** purpose is to increase public transit ridership by funding higher density affordable housing developments within one-quarter mile of transit stations and infrastructure improvements necessary for the development of specified housing developments.

Under the program, low-interest loans are available as gap financing for rental housing developments near transit that include affordable units. In addition, grants are available to Localities and transit agencies for infrastructure improvements necessary for the development of specified housing developments, or to facilitate connections between these developments and the transit station. The maximum Program Rental Housing Development Loan amount awarded for a single Housing Development or to a single Applicant, including any affiliates of such Applicant, is \$10 million. The maximum Program Infrastructure Project Grant awarded to a Locality or transit agency Applicant is \$5 million. The total maximum award amount for a single Project is \$15 million.

## Model

### EAST LA COMMUNITY CORPORATION - CIELITO LINDO

- TOD Housing Program awarded East LA Community Corporation's *Cielito Lindo* Gold Line-Adjacent affordable housing development.
- Cielito Lindo was built in two phases both of which are located steps from the Gold Line's Soto Station making public transportation easily accessible for tenants.



# Redevelopment Successor Agency

Use Redevelopment Successor Agencies housing funds and land to produce affordable units

## Model

### **CITY OF ANAHEIM (2006)**

City of Anaheim (2006) extended life of redevelopment areas and increased housing set-aside funds to 30%, with a focus on Low and Very Low income units

### **CITY OF IRVINE (2006)**

City of Irvine (2006) redevelopment 20 percent housing set-aside funds will be generated from the Orange County Great Park project area. It will generate approximately \$143 million over the next 40 years.