

# **Innovation in a Housing Crisis: Addressing Moderate Income Housing**

A Senior Project  
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Bachelor of Science in City and Regional Planning

By  
Paul Wladyslaw Chytla-Hinze

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## Approval Page

**Title:** Innovation in a Housing Crisis: Addressing Moderate Income Housing

**Author:** Paul Wladyslaw Chytla-Hinze

**Date Submitted:** June 12, 2020

Keith Woodcock, MCRP, AICP, CEP, CUD

*Senior Project Advisor*

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Date*

Michael Boswell, Ph.D., AICP

*Department Head*

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Date*

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## Introduction

The bay area is in the midst of a regional housing crisis (Plan Bay Area 2040, 2019). An influx of high-paying tech industry jobs in silicon valley has caused excess demand for housing, and home prices to rise significantly in recent years (Plan Bay Area 2040, 2019). Moderate income households throughout the Bay Area region are hard pressed to find housing that is affordable (Plan Bay Area 2040, 2019). An extraordinary amount of purchasing power as a result of high-paying tech industry jobs, outcompetes the moderate income residents and leaves an insufficient amount of affordable housing as a result (Plan Bay Area 2040, 2019). An exemplary case for this shift in affordable housing shortage, is Redwood City. In the heart of the Peninsula, this city has experienced first hand how rising housing prices have left affordable housing accessibility neglected, and with a need for innovation.

There are signs of progress for the regional housing problem. In 2020, an assortment of new housing laws have been passed, ranging from accessory dwelling units, to project streamlining, California's legislature has placed a needed emphasis on housing legislation (Twu, 2020). Affordable housing innovations in community support, regulation, and finance, are bringing forth housing solutions throughout the region. These innovations take the form of regional as well as local methods to address the crisis at hand. From large tech companies, to individual cities, a variety of innovative housing solutions are being explored and put to the test.

**Innovation in a Housing Crisis: Addressing Moderate Income Housing** surveys these city-level, as well as regional innovations, that aim to address the shortage of moderate income housing throughout the Bay Area region. This project will explore how these innovations can serve to address the moderate income housing shortage into the future, and will use Redwood City, and the Bay Area, as the local and regional models of the affordable housing crisis.

## Background

Moderate income housing in the Bay Area is a neglected area of housing supply. State and federal subsidies financially support lower income level housing, and private development fulfills above moderate income housing; but moderate income level housing is covered by neither (Plan Bay Area 2040, 2019). State and Federal subsidies focus on low, very low, and extremely low income levels. In Redwood City these levels range from 0% to 80% of AMI (area median income). Moderate income households earn between 81% and 120% of AMI (Redwood City, 2014). This shortcoming in public support for moderate income housing is meant to be filled by private funding, and private development. Unfortunately Redwood City's affordable housing needs remain unfulfilled. The City of Redwood City is a prime example of the gap in affordable housing. Despite a number of effective existing efforts to address affordable housing, the situation remains problematic.

According to the RHNA in their 2015-2023 Housing Element, the number of units needed for moderate income housing is 502, or 18% of total needed units. The RHNA (Regional Housing Needs Assessment) is part of a state-mandated allocation of housing in cities' general plans. It describes the units a city should allocate for and ensure the opportunity to meet those needs (California Department of Housing and Community Development, 2020).

Figure 1.1: Redwood City RHNA

**Table H-54: Redwood City RHNA**

| Income Group          | % of County Median Family Income (MFI) | RHNA (Housing Units) | Percentage of Units |
|-----------------------|--|----------------------|---------------------|
| Very Low <sup>1</sup> | 0-50%                                  | 706                  | 25%                 |
| Low                   | 51-80%                                 | 429                  | 15%                 |
| Moderate              | 81-120%                                | 502                  | 18%                 |
| Above Moderate        | 120% +                                 | 1,152                | 41%                 |
| <b>Total</b>          |  | <b>2,789</b>         | <b>100%</b>         |

Source: Redwood City, 2014

As of 2014 the city had only 5 moderate income units added.

Figure 1.2: Redwood City Projects Approved and Constructed

**Table H-55: Projects Approved and Constructed**

| Project                             | Zoning      | Project Status         | Very Low Income | Low Income | Moderate Income | Above Moderate Income | Total        |
|-------------------------------------|-------------|------------------------|-----------------|------------|-----------------|-----------------------|--------------|
| Classics at Redwood City            | Downtown PP | Approved               | -               | -          | -               | 18                    | 18           |
| Lennar Multifamily West             | Downtown PP | Approved               | -               | -          | -               | 196                   | 196          |
| Indigo                              | Downtown PP | Approved               | -               | -          | -               | 471                   | 471          |
| The Palacio Apartments              | Downtown PP | Approved               | -               | 3          | -               | 130                   | 133          |
| One Marina Phase III                | Pen Park PP | Approved               | -               | -          | -               | 65                    | 65           |
| Pete's Harbor                       | CG-R        | Approved               | -               | -          | -               | 402                   | 402          |
| Laurel Way Joint Venture            | RH          | Approved               | -               | -          | -               | 16                    | 16           |
| Smaller Projects Under Construction | Various     | Building Permit Issued | -               | -          | -               | 22                    | 22           |
| Anticipated Second Units            | Various     | n/a                    | 12              | 5          | 5               | 2                     | 24           |
| <b>Total</b>                        |             |                        | <b>12</b>       | <b>8</b>   | <b>5</b>        | <b>1,322</b>          | <b>1,347</b> |

Source: Redwood City, 2014

Figure 1.3: Redwood City Progress Towards RHNA

**Table H-56: Progress towards RHNA**

| Income Group   | RHNA (Housing Units) | Credits from Units Built/Approved | Remaining RHNA |
|----------------|----------------------|-----------------------------------|----------------|
| Very Low       | 706                  | 12                                | 694            |
| Low            | 429                  | 8                                 | 421            |
| Moderate       | 502                  | 5                                 | 497            |
| Above Moderate | 1,152                | 1,322                             | 0              |
| <b>Total</b>   | <b>2,789</b>         | <b>1,347</b>                      | <b>1,612</b>   |

Source: Redwood City, 2014

There is a clear need for innovation in this system. There have been only 5 moderate income projects available to be approved and constructed according to the city's RHNA progress; current public and private housing financing and development are unable to satisfy the affordable housing need dictated in Redwood City's RHNA (Redwood City, 2014). A one hundred-unit affordable housing development in California roughly costs over \$425,000 per unit (Turner Center for Housing Innovation UC Berkeley, 2020). Innovations across the Bay Area region have been made to find unique ways to satisfy moderate income housing needs.

## **Current Innovations in Redwood City**

Despite the need for further support in this housing gap, Redwood City is taking clear steps to address this issue through a number of affordable housing support programs. Although these programs may not be enough in the end, they provide valuable opportunities in making affordable housing more feasible on a local scale.

### **Innovation #1: Community Support**

#### *HIP Housing - Home Sharing Program*

Redwood City partners with HIP (Human Investment Project) Housing to provide a home sharing program designed to match home providers with people seeking housing (HIP Housing, 2020). HIP Housing is a nonprofit serving San Mateo County that organizes home sharing and provides affordable housing to homeseekers in need (HIP Housing, 2020). HIP's home sharers can give rooms or available ADUs (accessory dwelling units) to rent, and can do so under two different options of home sharing: the home seeker pays rent, or the home seekers performs household duties and pays reduced rent (HIP Housing, 2020). Home providers and home seekers must both reside in San Mateo County to qualify. The programs expanding housing availability is a result of cross sector partnerships (HIP Housing, 2020). HIP's website lists the types of housing that are available for this program.

Figure 2.1: HIP Owned Housing - 82 Units



Willow,  
Menlo Park  
12 units



Oxford,  
Redwood City  
3 units



Stafford,  
Redwood City  
7 units



Cherry,  
San Carlos  
6 units



Cypress,  
San Mateo  
16 units



11 S. Delaware,  
San Mateo  
11 units



Idaho,  
San Mateo  
6 units



El Dorado,  
San Mateo  
6 units



Commercial,  
South San Francisco  
15 units

Source: HIP Housing, 2020

Figure 2.2: HIP Section 8 Housing - 162 Units



Hillside,  
Daly City  
18 units



Redwood Oaks,  
Redwood City  
36 units



200 Delaware,  
San Mateo  
16 units



Edgewater Isle,  
San Mateo  
92 units

Source: HIP Housing, 2020

Figure 2.3: HIP Self Sufficiency Program, Family Shared Homes



Chilco,  
Menlo Park  
4 rooms



Pine,  
Redwood City  
6 rooms



Hilton,  
Redwood City  
6 rooms



Cedar,  
San Carlos  
6 rooms

Source: HIP Housing, 2020

### **HIP Managed Housing - 132 Units**

- San Mateo Rotary Haciendas, San Mateo, 82 units, senior housing.
- San Mateo Rotary Floritas, San Mateo, 50 units, senior housing.

### **HIP Inclusionary Compliance Program**

- Marymount Gateway, Pacifica, 26 units.
- Addison, San Mateo.
- 4th and S. Claremont, San Mateo.

## Takeaways

HIP's home sharing program provides an interesting opportunity for those seeking affordable housing. It may be able to provide the solution that some households are looking for, under the right circumstances. This is an innovative approach that supplies the housing market with a much needed increase in housing units on a regional scale. Other cities should consider participating in this partnership to improve the regional accessibility of these units.

## Innovation #2: Financing

### *HEART of San Mateo County - First Time Homebuyer Loans*

HEART of San Mateo County is a public and private partnership among all 20 cities in the county, the county itself, businesses, and community organizations to help meet affordable housing needs in the area (HEART of San Mateo County, 2020). It has three main types of financing that aim to support low to moderate income housing ownership: short-term predevelopment loans for multi-family housing, long-term affordable rental housing loans, and homebuyer assistance loans (HEART of San Mateo County, 2020). HEART has raised more than \$12 million for these programs, and has invested in a number of developments as well home purchases, construction, and improvements (HEART of San Mateo County, 2020).

### **HEART Revenue Sources**

- \$3 million from the County of San Mateo
- \$4 million from the State of California
- \$1.5 million from CalHFA (California Housing Finance Agency)
- \$1 million from Wells Fargo
- \$1 million from Genentech

### **HEART Investments**

- \$8.6 million loaned to construction, renovation, or purchase of 805 homes for low or moderate income.
- \$217 million invested in economically significant developments, resulting in stimulation of jobs.
- \$18 leveraged from other sources for every \$1 from HEART.

HEART provides direct funding to certain projects, as well as homebuyer loans to individuals:

Figure 3.1: HEART Developments

**HEART-FUNDED DEVELOPMENTS**

| NAME                               | LOCATION             | DEVELOPER                          | TYPE   | STATUS                           | UNITS      | HEART \$           |
|------------------------------------|----------------------|------------------------------------|--|----------------------------------|------------|--------------------|
| <b>The Village at the Crossing</b> | San Bruno            | KDF Communities                    | Senior affordable rental                           | Opened May 2007                  | 228        | \$1,730,000        |
| <b>Hillcrest Senior Housing</b>    | Daly City            | American Baptist Homes of the West | Senior affordable rental                           | Opened November 2008             | 40         | \$ 510,000         |
| <b>Trestle Glen</b>                | Unincorporated Colma | Bridge Housing                     | Working family affordable rental                   | Opened May 2010                  | 119        | \$2,510,000        |
| <b>Ocean View</b>                  | Pacifica             | National Church Residences         | Senior affordable rental                           | Occupied, under renovation       | 100        | \$ 500,000         |
| <b>Peninsula Station</b>           | San Mateo            | Mid-Peninsula Housing Coalition    | Working family affordable rental                   | Opened October 2010              | 68         | \$1,000,000        |
| <b>636 El Camino</b>               | South San Francisco  | Mid-Peninsula Housing Coalition    | Working family affordable rental                   | Construction starts in 2011      | 109        | \$1,000,000        |
| <b>2000 S. Delaware St</b>         | San Mateo            | Palo Alto Associates               | Working & moderate income family affordable rental | Early planning stages            | 120        | \$200,000          |
| <b>University Avenue site</b>      | East Palo Alto       | EPA CAN DO                         | Affordable rental, number & type to be determined  | Early stages of land acquisition | T.B.D.     | \$180,000          |
| <b>Homebuyer loans</b>             | Various cities       | Individuals                        | Second loans for local employees                   | Ongoing                          | 18         | \$964,000          |
| <b>Totals:</b>                     |                      |                                    |  |                                  | <b>802</b> | <b>\$8,594,000</b> |

Source: HEART of San Mateo County, 2020

In Redwood City, HEART provides support through first-time homebuyer loans in partnership with Meriwest Mortgage, a Meriwest Credit Union subsidiary (HEART of San Mateo County, 2020). The loan package offered is a combination of Meriwest and HEART loans, allowing for a maximum purchase of \$908,156 with a 5% downpayment (HEART of San Mateo County, 2020). The borrower is not required to have private mortgage insurance, which can save a significant amount of money. To qualify for these loans a few basic requirements must be met, and HEART specifies an estimated minimum income needed for what can be afforded:



Figure 3.2: HEART Estimated Income Needed

| <b>Sample home prices in San Mateo County - Estimated minimum income needed</b>            |                              |                               |  |
|--|------------------------------|-------------------------------|--|
| <b>Home Type</b>   | <b>Low Sales Price Range</b> | <b>Estimated Monthly Cost</b> | <b>Estimated Required Annual Income* (assumes no debt)</b> |
| Studio Condo   | \$410,000                    | \$2,990                       | \$75,000   |
| 1 Bedroom Condo  | \$520,000                    | \$3,700                       | \$90,000   |
| 2 Bedroom Condo  | \$650,000                    | \$4,500                       | \$110,000  |
| Single Family Home   | \$795,000                    | \$5,281                       | \$132,000  |
| Single Family Home   | \$908,000                    | \$5,690                       | \$144,000  |
| *Estimated Minimum Required Annual Income is assuming no other debt and good credit        |                              |                               |  |
| Estimated Monthly cost is assuming HOA dues of \$350 for Condos                            |                              |                               |  |
| Estimated Monthly Cost includes principal, interest, property tax, HOA dues, and insurance |                              |                               |  |

Source: HEART of San Mateo, 2020

The estimated required income falls directly into the low and moderate income levels, providing these households with an opportunity for home buying that they otherwise may not have.

### Takeaways

HEART is a regional organization providing affordable housing development support on a county-wide level, as well as homebuyer assistance to a number of individuals. HEART has partnered with Meriwest Mortgage to create an innovative loan package that lowers housing cost significantly for home buyers (HEART of San Mateo County, 2020). Partnerships like these have the potential to provide much support to moderate income housing seekers, and can lift some financial burden while also maintaining a sustainable structure in which loans are paid off in the end. The number of affordable units developed by HEART is significant, and partnership with cities is an ideal way to make housing as accessible as possible.

## Regional Innovations

### Innovation #1: Regulation

#### *Pre-Approved ADUs - San Jose*

One type of innovation for addressing moderate income housing comes in the form of ADUs, or ‘accessory dwelling units’. These accessory units are added onto existing parcels, and are secondary livable units, usually in the backyard of a primary primary house. These units are ideal for creating moderate income level housing, and the statewide potential for ADUs is in the thousands of units (N. Jabba, personal communication, April 28, 2020). However, the largest obstacle to making these units accessible to moderate income households, is their expensive construction cost. It costs roughly \$300,000 to \$400,000 to build an ADU in the Bay Area, so they are often rented out at market rate to make up for these expenses (N. Jabba, personal communication, April 28, 2020). This makes them generally unfavorable and unaffordable to moderate income buyers. Another obstacle for building and approving ADUs, is that many cities don’t like to permit them; processing ADU applications is a lot of work for city staff, and assessing properties may require additional resources on a project by project basis (City of San Jose, 2020). The key to finding success with ADU development for moderate income affordability, is incentivising, financing, and streamlining their development (N. Jabba, personal communication, April 28, 2020). The less taxing a project is to develop, the more frequently projects will be approved, and the cheaper they will sell on the market.

A potential innovative approach to improving the development process is permitting ADUs through pre-approval. Pre-approved ADUs lower the development cost and streamline the permit process; the development timeline may typically be reduced by 6 to 9 months (N. Jabba, personal communication, April 28, 2020). The City of San Jose is one of the cities in the region which currently has a pre-approval ADU program (City of San Jose, 2020). The City received 49 ADU applications in 2016. From 2017 to 2019, the number of applications increased to 762 (City of San Jose, 2020). ADUs have been experiencing increasing levels of demand as alternative housing options, and cities are more likely than ever to take advantage of these accessory units as a way to address the housing crisis in the region. Pre-approved vendors can provide ADU layouts that lower costs, are quick to be approved, and make these units more accessible to moderate income households in the market. San Jose currently has three different companies pre-approved for detached ADU vending: Abodu, Acton ADU, and prefabADU (City of San Jose, 2020). There are specific products developed by these these companies that are pre-approved:

- Abodu provides a pre-approved 495 sq. ft. ADU foundation-only with State-approved factory-built housing (City of San Jose, 2020).
- Acton ADU has three different one-bedroom ADUs pre-approved, at 364 sq. ft, 440 sq. ft, and 560 sq. ft (City of San Jose, 2020).
- Prefab ADU has a 640 sq. ft. ADU pre-approved (City of San Jose, 2020).

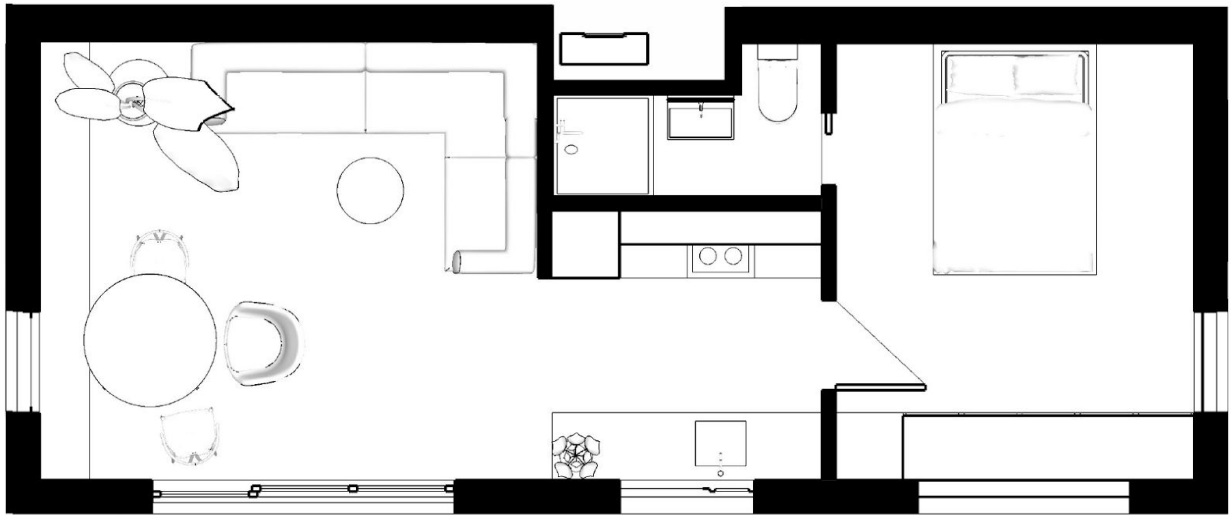
Each company has different kinds of pre-approved ADUs, but they all serve to streamline the permitting and development process. According to Adobu, what may take up to 120 days to approve for permitting, may sometimes be permitted in just 24 hours as a result of the pre-approval system (Abodu, 2020). Abodu's pre-approved ADU can be installed for \$200,000, a welcome reduction of typical construction costs (Abodu, 2020).

Figure 4.1: Pre-approved ADU, Abodu 500



Source: Abodu, 2020

Figure 4.2: Abodu 500 Floor Plan: 495 square feet



Source: Abodu, 2020

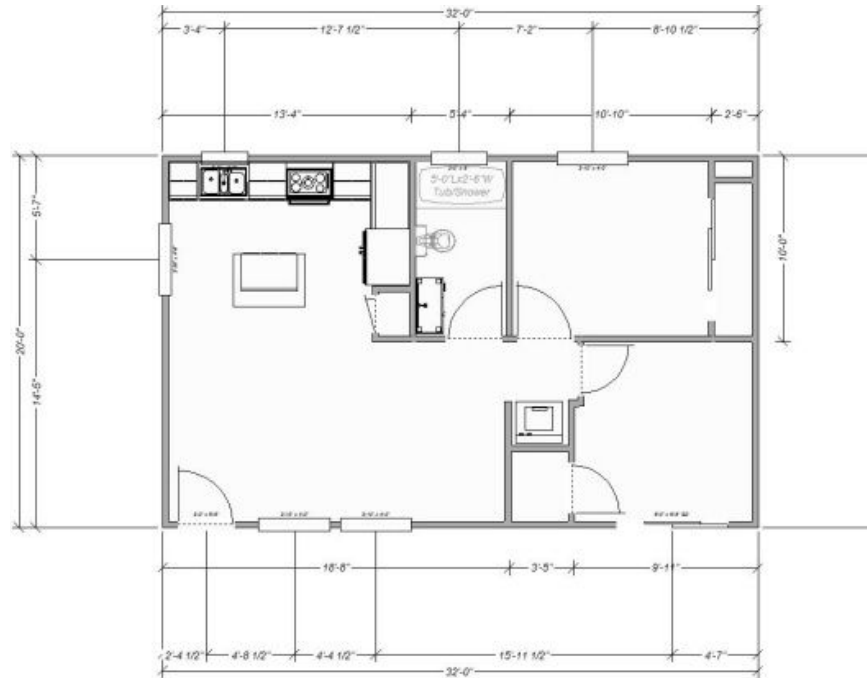
Abodu's signature product can be either pre-fabricated or built on site, and features premium appliances, world-class Scandinavian inspired design, and curated upgrades and options (Abodu, 2020). PrefabADU has a different approach to construction, although it features a similarly elegant design.

Figure 4.3: PrefabADU 640 sq. ft.



Source: PrefabADU, 2018

Figure 4.4: PrefabADU 640 sq. ft. floor plan



Source: PrefabADU, 2018

## Takeaways

Pre-approved layouts like these give homeowners more opportunity to build ADUs, and give moderate income households more opportunity to afford ADUs. Streamlining the process to build moderate income housing may be the first step to addressing housing needs in the Bay Area at large. Implementing ADU streamlining in Redwood City may take a similar if not identical form, and may be a key innovation in addressing the moderate income housing shortage.

## **Innovation #2: Financing**

### *Affordable Housing Funds - Silicon Valley*

Development of moderate income housing is required in Redwood City's housing element, despite the fact that moderate income housing is very difficult to finance with public funds. A potentially significant mechanism for private development of moderate income housing, is housing development funds. A number of corporations in Silicon Valley have recently pledged billions of dollars for affordable housing development. These companies work directly with the state of California, as well as regional entities, to establish open lines of credit with the State of California, assistance funds, donate to housing organizations, and repurpose land for housing development. Non-profit organizations like Housing Trust Silicon Valley, and the Silicon Valley Community Foundation, also manage these funds and allocate it in the form of loans and grants to housing projects that have met strict criteria (Housing Trust Silicon Valley, 2020). Significant 2019 affordable housing pledges total over \$4 billion.

#### **Google - \$1 billion (Pichai, 2019)**

- \$250 million investment fund for affordable housing.
- \$750 million worth of land repurposed for housing of all income levels.
- Estimated to create 20,000 Bay Area homes.

#### **Facebook - \$1 billion (Wehner, 2019)**

- \$250 million in partnership with the State of California to use excess land for incremental new housing supply brought to the market.
- \$150 million contribution to the Bay's Future Fund, a fund of the Partnership for the Bay's Future.
- \$225 million for developing 1,500 units on owned land in Menlo Park now zoned for housing.
- \$25 million in partnership with San Mateo and Santa Clara Counties to build teacher and essential worker housing on county-owned land.
- \$350 million for additional measures based on the effectiveness of the ones aforementioned, and to support other communities with Facebook offices.

### **Apple - \$2.5 billion (Apple Inc, 2020)**

- \$1 billion affordable housing investment fund, providing the State of California an open line of credit to build new very low to moderate income housing.
- \$1 billion mortgage assistance fund for first-time homebuyers, providing assistance with financing and down payments.
- \$300 million worth of Apple owned land in San Jose made available for affordable housing.
- \$150 million affordable housing fund, partnered with Housing Trust Silicon Valley to support new private housing developments with long term forgivable loans and grants.
- \$50 million to support Destination: Home, an effort to address Silicon Valley's homelessness.

These unprecedented measures are currently underway and have yet to be proven effective at delivering on what is claimed, nevertheless the magnitude and diversity of this corporate driven approach is a potentially hugely impactful and innovative step for remediating a regional, as well as statewide housing crisis.

### **Takeaways**

Housing development may begin to see acceleration well into the future. In Redwood City, developers who cooperate with Housing Trust Silicon Valley now have access to forgivable loans and grants, designed specifically to target affordable housing development, including moderate income housing (Housing Trust Silicon Valley, 2020). Financial partnerships between companies and nonprofits may net a significantly positive effect on the affordability and accessibility of homes in Redwood City, and in cities across the region. Innovation in financing affordable housing projects is a necessary step for improvement in the future, and driven partnerships and housing funds are there to help achieve that. The current lack of moderate income housing is largely due to the fact that there is no large scale financial support for these projects. Where public institutions fall short in providing financial support, private and non-profit organizations begin to innovate, and find unprecedented ways to address the housing crisis at large.

### **Innovation #3 - Financing**

#### *Housing Accelerator Fund - San Francisco*

The Housing Accelerator Fund of San Francisco is a housing fund similar to those established by previously mentioned corporations and nonprofits, however it functions solely on a city scale. It's focus is on the "production and preservation of affordable housing" through lending, and investment in real estate assets (San Francisco Housing Accelerator Fund , 2020). This accelerator fund provides developers with financing for affordable housing projects, and is designed to be sensitive to the unique characteristics of San Francisco (San Francisco Housing Accelerator Fund , 2020).

The San Francisco Housing Accelerator Fund has committed over \$180 million to affordable housing projects in San Francisco, and has distributed over \$130 million in loans among 20 affordable housing projects in San Francisco (San Francisco Housing Accelerator Fund , 2020). Two types of loans are available: acquisition, and acquisition + rehabilitation (San Francisco Housing Accelerator Fund , 2020). Land may be acquired and rehabilitated, and could include the construction of ADUs as well. Terms and size of developments are flexible, providing up to 4 year terms, financing 25 unit to 70+ unit projects (San Francisco Housing Accelerator Fund , 2020).



The San Francisco Housing Accelerator Fund finances dozens of affordable housing projects all over San Francisco. 1411 Florida Street is one of these projects.

Figure 5.1: San Francisco Housing Accelerator Fund Project Example



**SAN FRANCISCO**  
 housing accelerator fund

## 1411 Florida Street

**THE NUMBERS:**

**\$3,400,000**  
 TOTAL DEVELOPMENT COST

**\$3,332,000**  
 SFHAF LOAN AMOUNT

**80% AMI**  
 AVERAGE AFFORDABILITY

### PROJECT DETAILS

|   |  |
|---|--|
| <b>Sponsor</b>  | Mission Economic Development Agency  |
| <b>Location</b>                                       | 1411 Florida Street  |
| <b>Neighborhood</b>                                   | Mission, District 9  |
| <b>Loan Closing Date</b>                              | May 24, 2017   |
| <b>Project Type</b>                                   | Small Sites Preservation   |
| <b>SFHAF Loan Amount</b>                              | \$3,352,000  |
| <b>Units</b>  | 6 2-BR + 1 new   |
| <b>Households Served</b>                              | Tenants earning on average 80.0% of Area Median Income (AMI)                       |
| <b>Construction &amp; Permanent Financing Sources</b> | Mayor's Office of Housing & Community Development SSP and Private lender financing |



### OVERVIEW

On May 24, 2017, the SFHAF closed on a new loan to Mission Economic Development Agency (MEDA) for the acquisition and rehabilitation of 1411 Florida Street. MEDA first heard of this property when assisting Spanish-speaking residents seeking assistance to translate notices of sale and estoppel forms posted by the seller's representative. Sale of this property would have left existing tenants vulnerable to displacement due to increased rent, thus it was critical that MEDA secure this property quickly with a SFHAF Small Sites Preservation loan. All six units are two bedroom homes, and all are occupied.

### ABOUT MEDA

Incorporated in 1973, MEDA has served and shaped the Mission District for over 43 years as an economic development entity and is now expanding into residential real estate development. Most recently, MEDA has been involved with the Mission Action Plan 2020, in collaboration with the Mayor's Office and key City departments such as MOHCD and the City's Planning Department. MEDA is the co-developer for 400 public housing units to be rehabilitated as part of the Rental Assistance Demonstration ("RAD") program. MEDA is also known for its innovative approach to asset building and is implementing a national model for neighborhoods, known as "Mission Promise Neighborhood," for addressing academic outcomes through family economic success.

### ABOUT SFHAF

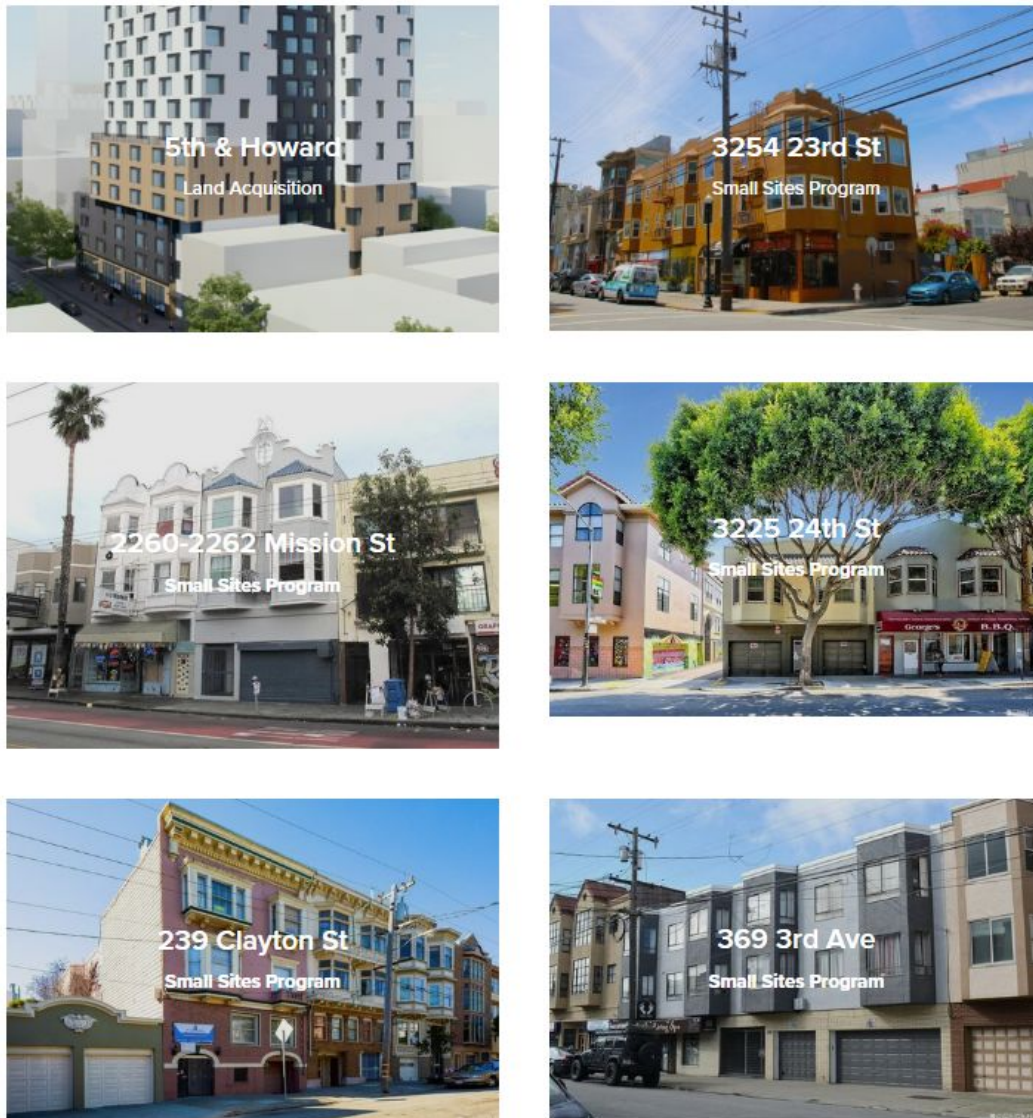
The San Francisco Housing Accelerator Fund is an innovative nonprofit public-private partnership. We work with the city of San Francisco, local foundations, private lending institutions, and corporations to provide powerful new tools for producing and preserving affordable housing in San Francisco.

learn more: [www.sfhaf.org](http://www.sfhaf.org)

Source: San Francisco Housing Accelerator Fund, 2020

20 Affordable housing projects have been financed in San Francisco, some in the form of land acquisition, others as rehabilitation. Below are a few of those developments.

Figure 5.2: San Francisco Housing Accelerator Fund Projects



Source: San Francisco Housing Accelerator Fund, 2020

## **Takeaways**

The San Francisco Housing Accelerator fund is a sustainable, flexible, and innovative financial solution to a city-specific problem. City's looking for an innovative solution to addressing unique housing problems may find success with a more targeted and sustainable financing approach. Regional funds may not be capable of answering the nuances of city issues; in San Francisco building rehabilitation is the chosen approach to addressing affordable housing, in other cities a different approach may be appropriate.

## **Recommendations**

### **Redwood City**

Redwood City has taken considerable steps to address housing affordability. Much progress has since been made, although it may further be improved upon. Exploring additional innovations in affordable housing can give moderate income residents in the city greater opportunity to find housing. Some innovations utilized in other cities may be undertaken in conjunction with Redwood City's existing programs.

San Jose's ADU pre-approval model may function as a perfect complement to Redwood City's current partnership with HIP's home sharing program. Redwood City's existing partnership with HEART currently provides home-sharing opportunities to moderate income residents, some through the use of ADUs. More ADUs approved and built will function as new potential affordable housing units, and made more accessible through HIP home sharing. Redwood City is served by regional housing funds, but a locally based housing accelerator fund like that in San Francisco may provide an opportunity for a more focused perspective on housing affordability in the city. Financing is among the most crucial parts of meeting affordable needs, and a locally focused housing fund may provide more cohesive steps for city-specific problems. A partnership like that of the San Francisco fund may be a possibility in the future for Redwood City and other cities in the region.

Finding creative ways to meet housing needs is a goal Redwood City and cities in the region should set for themselves; looking out for new innovations and affordable housing solutions is a way to bypass many of the problems with moderate income housing development. Finding a way to access housing funds like those from silicon valley pledges may be another significant step toward this goal. Taking inspiration from other cities and states and implementing similar strategies may also be necessary, as planners and city staff strive to be

more innovative and look for new solutions to a problem that may be better addressed elsewhere.

## **Recommendations**

### **Bay Area at Large**

The affordable housing crisis is a statewide as well as regional problem. Bay Area cities and counties are tasked with meeting moderate income housing needs, while lacking many of the necessary resources. Innovative approaches may be some of the only ways that housing affordable may be addressed in the Bay Area.

HEART is a sustainable innovative solution for financing moderate income affordable housing projects. Housing funds like those of silicon valley companies should focus some resources to support HEART, or put resources towards locally engaged funds that recognize city-specific constraints. Sustainable financing like that of HEART or the San Francisco Housing Accelerator Fund may be crucial in meeting housing needs in the Bay Area. Housing partnerships should have a focus in each city in the region. Counties and cities should promote innovative housing solutions throughout the Bay Area and to each other. ADU streamlining may not fit into each city's housing approach, but the cities where it does should be aware of such innovations and explore the potential opportunities.

### **Other Considerations**

There are significant factors that hinder the development of affordable housing. Among the most significant considerations related to moderate income housing is the lack of federal and state support. Subsidies are a resource capable of supporting low income housing financing, however moderate income housing is left with little else. Reducing costs or finding financial support from federal sources would largely improve the capability of cities and the Bay Area to address moderate income housing.

Another consideration in housing development are the flaws in the affordable housing development process. A slow prevdevelopment process is made slower through legal hindrances. The CEQA (California Environmental Quality Act) process slows projects, needs streamlining and some improvements to make it more effective and less of a burden. Labor unions are another significant hindrance to the process of a development. Multiple sources have indicated that labor unions in California exercise significant influence on a regional scale, and utilize their strength to slow and occasionally halt projects seemingly through a form of extortion (N. Jabba, personal communication, April 28, 2020). Labor union lawyers may often

threaten litigation against a project, only escapable under certain conditions disclosed only to the developer: constructing using 100% unionized labor for example. These questionable practices place a very significant increase in cost on projects. Unionized labor is among the single most expensive parts of financing a project's development (N. Jabba, personal communication, April 28, 2020). Some recent legislative steps have been taken to address the inefficient development process, but how they will affect development of affordable housing in the future is unclear.

## **Conclusion**

Housing affordability in the Bay Area is a deep and complicated issue. Some efforts may be able to help along the way, like pre-approved ADUs, new forms of funding and financing, and home sharing, but housing affordability requires a larger solution. Reform is necessary, and small innovations cannot carry all of the weight (S. Hughes, personal communication, May 27, 2020). In the end, this project demonstrates how despite these innovations, the Bay Area and California at large remain ill equipped to support the development of affordable housing, and especially moderate income housing. Organizations are left to their own devices; private partnerships and nonprofits are not nearly enough to supply the proper housing development, and even billions of dollars in pledges and housing funds is not a sustainable solution to a growing problem. The system at large is in need of innovation and reform. Until federal and state support is channeled to moderate income housing development, new innovations in financing, community support, and regulation, are among the primary mechanisms for housing affordability in Bay Area cities.

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