

Housing Choice in California Scoping Session Summary

Session Details

Location: Palm Springs, California

Date: October 17, 2004

Participants:

- Ben Beasley, The Olson Company
- Joseph Carreras, Southern California Association of Governments
- Cathy Creswell, California Department of Housing and Community Development
- John Mealey, Coachella Valley Housing Coalition
- Marvin ROOS, AICP, Mainiero Smith & Associates
- Janet Ruggiero, FAICP, City of Citrus Heights
- Doug Shoemaker, Non-Profit Housing Association of Northern California
- Richard Watson, Richard Watson & Associates
- Chris Williamson, AICP, Solimar Research Group

Facilitator: Paul Farmer, AICP

Notetaker: Joshua Williams, USC School of Policy, Planning and Development

Methodology

The California APA chapter assisted APA in the selection of participants in the scoping sessions who would represent a broad range of interests. Prior to the scoping session,

APA distributed a list of 17 framing questions to the participants. The session format was a facilitated open discussion framed around three general categories: (1) housing demand, (2) housing supply, and (3) housing politics. The session was taped and transcribed. APA staff then conducted a content analysis of the transcript, and coded the responses to identify key themes, which are listed below.

Key Themes

- Change in Household Composition
- Density
- Homelessness
- Housing the Mentally Ill
- Immigration
- Jobs-Housing Balance
- Lack of Support at State Legislative Level
- NIMBY
- Impact of the Local/Regional Tax Structure
- Role of the Developer
- Service Gap for the Very Low-Income
- Wage/Cost of Living Imbalance
- Wealth Creation Programs
- Workforce Housing
- Education, Training and Capacity Building
- Regulatory Barriers In Place
- Impact of Intergenerational Wealth
- Other Demographic Impacts
- Terminology
- Increased competition for affordable units

Session Summary

Sharp population growth, immigration, and an inadequate production of housing compared with demand are fueling high housing costs in California, agreed participants at an affordable housing scoping session sponsored by the American Planning Association (APA) on October 17, 2004 in Palm Springs. The Fannie Mae Foundation sponsored the scoping session through a grant to APA. The purposes of the scoping session were to identify the unique nature of the housing challenge in a particular state or region; and the tools that are available, or could be available, that hold the most promise for helping to meet the challenge.

In the face of population growth, said Joseph Carreras of the Southern California Association of Governments, “there’s been a very slow response to the supply side for the demand for housing,” and that has led to escalating housing costs in California.

A consequence of this, maintained Chris Williamson, AICP, of Solimar Research, is that the housing market is split into two segments. The first segment includes people who bought into the California market early and now “have equity to move around.” According to Williamson this segment of the housing market “can go where they want and they can certainly get houses” and although “it may not be their first or second choice, but they’re not hurting.” In addition, this segment can transfer wealth from home sales to their children, who can then afford to enter the hot California market.

The second segment, on the other hand, are “the recent arrivals, low-income [residents] who...can just never get into the home ownership market.” In some cases, low-income Hispanic families, who couldn’t afford to buy a house on their own are

joining together to purchase a home, stated John Mealey of the Coachella Valley Housing Coalition.

Those with financial windfalls from home sales, according to Janet Ruggiero of the City of Citrus Heights, are also moving to lower-cost areas like Sacramento, and buying not one house, but several. “They invest in speculative housing in the region which has been interesting because it’s driven up the cost of housing.”

Despite how inexpensively builders can construct homes, the market still determines the prices when there is strong demand, said Ben Beasley of The Olson Company. This intense demand means there are residents who are making up to \$60,000 a year who cannot enter the California housing market.

The key issue, said Joseph Carreras, is “how do you establish more parity so that people can develop their equity in their region and their state and have the success that older generations have had before them” in entering the housing market.

At the same time, said Marvin Roos, with Mainero, Smith and Associates, seniors are retiring and moving out of state. They are taking the money from “their little bungalows that they bought for \$18,000 and sold for \$680,000” and investing it elsewhere. Some people, said John Mealey, are also buying second homes in the state, and that “is eating up whatever land is available to build other houses.”

Local governments are compounding problems with the cost of housing, Mealey added, by requiring larger houses and larger lots. But local governments have an obligation to meet the needs of population growth, stressed Cathy Cresswell. “The people who are here sometimes don't care about the people who are either ill-housed or

who are not here yet. But I can tell you that in the communities where they have growth control ordinances, over time overcrowding increases.”

The Proposition 13 tax initiative has meant that local governments see housing as a deficit to their budgets, noted Marvin Roos. “Today if you’re building a house of a half million dollars,” Janet Ruggiero observed, “probably you’re still suffering a deficit with the amount of money it takes because of how little we get in property taxes.”

Consequently, Citrus Heights, where she works, relies on sales taxes.

Ruggeiro pointed to San Diego’s program of building single-room-occupancy units as an example of a successful local initiative to serve the low-income end of the affordable housing market. The homeless problem, said Cathy Cresswell of the California Department of Housing and Community Development, “is far more visible now than it was 20 years ago.” In large measure, it has been compounded by deinstitutionalization of the mentally ill and those who have substance abuse difficulties.

Session participants pointed to the need to allow greater densities and diversity of housing types as well as allowing multiple-family residences as of right rather than through a conditional use permit process.

Participants also noted that federal and state support for affordable housing has been declining. “I don’t think that the housing policy has been the priority for any governor” in California, declared Janet Ruggeiro. She noted that the state of California does not have a housing trust fund that is supported by a permanent revenue source.

The state legislature has responded to the housing problems in California in a piecemeal manner, by enacting laws, for example, that require local governments to allow a second dwelling unit on a lot, said Ruggiero. Local government officials view

these laws as a loss of local control, she added, then “respond to some degree by saying ‘Well, we’re going to try and find other methods to stop projects’.”

Some participants believed that builders were wary of entering the affordable housing market. In Mexico, John Mealey said, there are companies that are building entry houses for \$40,000 or less, on 1500 square foot lots and in subdivisions of 1,000 or more homes at a time. American home building firms aren’t necessarily not interested in doing this, he said. “They just haven’t figured out a way to make money doing this.”

Participants identified the following as typical barriers to affordable housing.

- Excessive parking requirements
- Local government’s use of fees to fund infrastructure
- Legal liability for condominium construction defects
- Private, but not public, enforcement of the state’s housing element law that establishes fair-share goals for affordable housing for each local government.
- Lack of certainty in the development review process.

“I have come to believe,” Janet Ruggiero reflected, ”people have become more selfish. In my parents’ generation, people were willing to bond themselves for the future. And the reason why I am benefiting and have done so well is because they had the vision to build the universities, to build the infrastructure, which I was able to enjoy at no cost from me. I don’t see that in my generation. I think that’s a mistake.”

Most Promising Strategies

California participants identified the following strategies as the most promising:

- **City of Santa Cruz Accessory Dwelling Unit Development Program-**
 - The program accommodates new residents by creating affordable housing while conserving the character of neighborhoods. Homeowners are encouraged to build Accessory Dwelling Units (ADU) in their existing home, garage or back yard. Thirty-five units were built the first year. The ADU program components include zoning changes, community outreach, design prototypes and technical and financial assistance. Within the next five years, estimates predict the city will average between 40-50 ADUs a year, equivalent to a 200-250 unit development.
- The planning profession needs to demonstrate how high densities can be successful. (Marvin Roos)
- More money, statewide inclusionary zoning, and more enforcement. (John Mealey)
- Working with the federal government to have a more active role, maintaining the federal Section 8 program, creating a permanent federal housing trust fund. (Cathy Cresswell)
- The Urban Williamson Act that: (a) conducts good research on the real problems that come with no growth; (b) educate the public with the facts from the research; (c) allow communities, after having been informed of the problems that come with no growth, assess a buy-out takes that will exempt them from growth for ten

years; (d) use the money from the taxes as a source for proactive planning and affordable housing in areas that want to grow. (Chris Williamson).

- Linking affordable housing to job development and building affordable housing in smaller clusters, not large projects. (Richard Watson)