

# Affordable Housing Funds Plummet 64 Percent in Santa Clara County In Last Five Years

## *Housing Trust Silicon Valley, Cities Association of Santa Clara County Whitepaper Suggests Five Solutions*

**SAN JOSE, Calif., (Dec. 2, 2013)** – The combination of rising rents and growing numbers of low income earners in the San Jose metropolitan area has created an urgent need to make affordable housing available throughout Santa Clara County. In an effort to offer real solutions to the affordable housing problem, the Cities Association of Santa Clara County and [Housing Trust Silicon Valley](#) (HTSV) have authored the whitepaper “Affordable Housing Landscape and Local Best Practices” which suggest five strategies to address the affordable housing funding crisis.

“Since the dissolution of Redevelopment Agencies and the reduction of state and federal funds, cities across the region and the state have struggled to meet the need for affordable housing,” said Raania Mohsen, Executive Director of the Cities Association. “Though we realize there is not a one-size-fits-all solution, there are a number of options for jurisdictions to consider and implement individually or collectively at the regional level as described in the paper.”

A summary of the options:

1. Redevelopment Agency “Boomerang Funds”: This source comes from previously allocated Redevelopment Agency (RDA) money that can now be returned to the county and other taxing agencies such as cities as part of its unrestricted General Funds. Some local jurisdictions have already used this approach—San Mateo County set aside more than \$13 million in General Funds this year specifically for affordable housing.
2. Inclusionary Zoning and In-lieu Fees: Cities can require developers building new housing to set aside a percentage of below market rate (BMR) units for sale to low to moderate income households. This fall, Governor Jerry Brown vetoed Assembly Bill 1229, which would have allowed local jurisdictions to enforce inclusionary zoning on rental housing.
3. Impact Fees: Cities can study and pass ordinances for developers to pay a fee that offsets the projected impact of their new residential or commercial development projects on the need for affordable housing. There are a number of projects being built in Santa Clara County that could help contribute millions in affordable housing funds if new impact fees were introduced.

4. Ballot Initiatives: Voters throughout the country are voting in local and state elections for new affordable funding sources. San Francisco recently passed Proposition C and Proposition E—which will generate \$1.5 billion for affordable housing programs over the next 30 years. Here in California, meeting the two-thirds threshold for voter approval is a particular challenge.

5. Zoning Actions: These non-funding solutions include using surplus property for affordable housing development, or limiting the conversion of mobile homes or apartments that might displace low income residents. Cities can encourage homeowners to build “granny units” on existing lots to create additional housing. Cities can also require developers to include affordable homes in their developments if other items to their benefit are being extended, such as decreased parking or changes in General Plan designations.

San Jose’s need for affordable housing is particularly high because the city is the 4<sup>th</sup> most expensive city for renters, according to the annual Paycheck to Paycheck report.<sup>i</sup> At the same time, it is difficult for low wage earners to enter the local rental marketplace. An hourly wage of \$30.96 is needed to rent a two-bedroom apartment in San Jose, though the average hourly wage is actually \$17.99, as reported by the annual 2013 Out of Reach report.<sup>ii</sup>

Further, many existing renter households are experiencing rent cost burdens. The Department of Housing and Urban Development (HUD) defines this as a household that spends more than 30 percent of its gross income on housing costs. A severe cost burden is defined as spending more than 50 percent of income on housing costs. A large portion of renters in Santa Clara County are experiencing housing-related cost burdens: 44 percent pay more than 30 percent of their income on housing and almost 18 percent pay more than 50 percent of income on housing.<sup>iii</sup>

Many San Jose households are also considered overcrowded, a term which the U.S. Census Bureau explains as more than one person per room (not including bathrooms and kitchens). More than 7 percent of Santa Clara County homes are overcrowded according to the latest U.S. Census Bureau data. More than 24 percent of children in Santa Clara County live in overcrowded homes.

Affordability and wage problems are expected to continue in the area. The Association of Bay Area Governments (ABAG) projects that 57 percent of all household growth in the Bay Area will be very-low and low-income households over the next 25 years. Additionally, more than half of new jobs in the area will pay \$11 or less in the next five years, according to the California Employment Development Department.

2008 vs. 2013 Affordable Housing Funding

Despite the obvious need for more affordable housing in Santa Clara County, available funds have significantly decreased over the past five years. In 2008, a total of \$126 million was available to the 15 members of the Cities Association and the County of Santa Clara. This year, total funds for affordable housing are \$47 million—a decrease of 64 percent since 2008.

One of the primary reasons for the huge decrease in affordable housing funding is the loss of money from Redevelopment Agencies (RDAs). Additionally, the federal grant fund program called HOME has been greatly reduced, and the Sequester has also decreased federal funds for housing.

In 2008, the \$126 million available supported the development of 840 units of affordable housing per year. The \$47 million available this year can only support 313 units of housing a year.

Every eight years, ABAG assigns a Regional Housing Need Allocation (RHNA) addressing housing need. The 2014-2022 total is 58,836 housing units for Santa Clara County.<sup>iv</sup> Under the current level of funding, the County cannot meet its goal of 2,500 units over the next eight years. As part of the RHNA eight-year total, the state has also goaled 16,158 units to be designated for very low income housing over this time period. An additional \$220 million would be needed annually just to address the very low-income housing goal.

“Affordable housing projects require three levels of funding--local government, state government, and the private sector,” said Kevin Zwick, CEO of HTSV. “Right now, cities are being hampered due to lack of progress at the state level for a permanent source of affordable housing funding and the loss of local zoning tools. Now is the time to come together locally to offer real solutions to help our community.”

To access the full whitepaper with charts, please visit:

<http://housingtrustsv.org/news-events/newsletters-reports.php>

For more information about HTSV: <http://www.housingtrustsv.org>

### **About Housing Trust Silicon Valley**

Housing Trust Silicon Valley (HTSV) is among the largest housing trusts in the nation financing housing and assisting first-time homebuyers. As a Community Development Financial Institution (CDFI), HTSV is nationally recognized for providing the resources and leadership needed to make housing more affordable for those who want to live in Silicon Valley. Since 2001, HTSV has invested more than \$75 million and leveraged more than \$1.88 billion to create more than 9,953 housing opportunities. Of those served, 83% had household incomes below 86% of the Area Medium Income (AMI).

## **About the Cities Association of Santa Clara County**

The Cities Association of Santa Clara County is a regional organization founded in 1990 to represent the mutual interests of the County's 15 cities/towns. The Cities Association presents a unified voice to government, industry, and the public; and promotes collaboration among the diverse communities as it strives to improve the quality of life for the residents of Santa Clara County. The Board of Directors of the Cities Association consists of the mayors of each of the 15 cities and towns, or of their designated councilmembers. Their monthly meetings are open to the public and take place at Sunnyvale City Hall. For more information about their meetings, initiatives, and schedules, visit <http://www.citiesassociation.org/>.

For further information: Jill Kipnis, AMF Media Group, 925-790-2635, [jill@amfmediagroup.com](mailto:jill@amfmediagroup.com)

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<sup>i</sup> [http://www.nhc.org/media/files/Rankings\\_Rental\\_2013.pdf](http://www.nhc.org/media/files/Rankings_Rental_2013.pdf)

<sup>ii</sup> [http://nlihc.org/sites/default/files/oor/2013\\_OOR.pdf](http://nlihc.org/sites/default/files/oor/2013_OOR.pdf)

<sup>iii</sup> [http://www.hacsc.org/PDFs/Misc/FINAL\\_-\\_Housing\\_Needs\\_Assessment\\_201307.pdf](http://www.hacsc.org/PDFs/Misc/FINAL_-_Housing_Needs_Assessment_201307.pdf)

<sup>iv</sup> <http://www.abag.ca.gov/abag/events/agendas/e071813a-Item%206.B,%20RHNA%20Adoption.pdf>