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A Message from Mayor Tom Butt

The availability and affordability of housing throughout the San Francisco Bay Area is a major challenge that is threatening the region’s economic health, exacerbating the requirement for many people to endure long commutes to work and thwarting sustainability and greenhouse gas reduction efforts by increasing the number of vehicle miles driven. The cost of buying a home and residential rental rates are at all-time highs in most parts of the Bay Area, making housing unaffordable for many people. San Francisco has among the highest proportion of homeless population in the nation, and many Bay Area cities have significant and growing number of homeless people.

Due partly to a negative image that may no longer be accurate but continues to persist, Richmond has not been able to attract the necessary levels of investment that result in adequate levels of new housing production to keep pace with demand and to keep prices stable. In addition, the elimination of redevelopment agency tax increment financing has taken away a major tool for promoting affordable housing development. Without the ability to incentivize new construction in the post-redevelopment agency era, the pressures on our existing housing stock have exacerbated the challenges existing residents are dealing with to keep up with an increasing cost of living.

Unfortunately, the impacts of sub-prime lending practices and the mortgage crisis during the Great Recession had deep and lasting impacts in Richmond. The loss of household equity coupled with foreclosures put many residents out of homeownership and into the rental market, contributing to increased displacement, vacancy and subsequently blight. Along with affordability, gentrification is cited as a justification for rent control/just cause policies, with the presumption that rising rents and housing costs will force lower income families out of cities to be replaced with those having higher incomes. A mix of challenging economics and a lack of a concerted effort to address housing needs have left us in a crisis.

With or without rent control and just cause, it is widely acknowledged that the only solution to high housing costs is to increase the supply, and the only solution to the lack of affordability is to include a significant proportion of affordable units in any housing inventory expansions.

With an educational and professional background in architecture, planning and construction, and over 40 years’ experience in the construction industry, having worked in the development arena in Richmond for over 40 years and...
having served over 20 years on the City Council, I am keenly aware of the dynamics affecting new
collection and the housing market. The truth is that accessibility to housing is a major challenge in the
Bay Area, including in Richmond, at all income levels. With or without rent control and just cause, it is
widely acknowledged that the only solution to high housing costs is to increase the supply, and the only
solution to the lack of affordability is to include a significant proportion of affordable units in any
housing inventory expansion.

This Housing Strategy Document has been informed by leading local housing experts and housing
policies for the purpose of pulling Richmond through the housing crisis and promoting a more balanced
housing market that can benefit all our residents.
Key Terms and Definitions

Affordable Housing
Simply put, affordable housing is any unit that costs the resident no more than 30% of their income to sustain. Therefore, affordability is determined by income, which for housing is measured using the Area Median Income (AMI). Units that are designated as affordable are typically reserved for households that earn 120% AMI or less.

The California Department of Housing and Community Development (HCD) designates the income limits for each locality and sets the thresholds for the various income levels. The AMI covers the entire county and the 2016 AMI in Contra Costa is set at $93,600 for a four-person household. While the median household income in Richmond is lower than the AMI, formal affordability classifications are set to the standards established by the U.S. Department of Housing and Urban Development (HUD), and HCD.

Income Levels and Maximum Affordable Rents in Richmond
(Based on four-person household)

<table>
<thead>
<tr>
<th>Income Levels</th>
<th>Extremely Low</th>
<th>Very Low</th>
<th>Low</th>
<th>Median</th>
<th>Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Median</td>
<td>30%</td>
<td>50%</td>
<td>80%</td>
<td>100%</td>
<td>120%</td>
</tr>
<tr>
<td>Household Income – Richmond*</td>
<td>$16,378</td>
<td>$27,295</td>
<td>$43,671</td>
<td>$54,589*</td>
<td>$65,507</td>
</tr>
<tr>
<td>Monthly Rent</td>
<td>$409</td>
<td>$682</td>
<td>$1092</td>
<td>$1,365</td>
<td>$1,638</td>
</tr>
<tr>
<td>Area Media Income – County**</td>
<td>$29,250</td>
<td>$48,750</td>
<td>$75,150</td>
<td>$93,600**</td>
<td>$112,300</td>
</tr>
<tr>
<td>Monthly Rent (AMI)*</td>
<td>$701</td>
<td>$1,169</td>
<td>$1,690</td>
<td>$2,338</td>
<td>$2,805</td>
</tr>
</tbody>
</table>

*Richmond Housing Element 2015-2023. **CA Department of Housing and Community Development.

Affordable housing can be designated for any of those income levels and is often a mix of two or three income levels in one housing development. Richmond has a total of 2,919 affordable rental units – a majority of which are designated for Very Low Income households, or 50% AMI – and 1,108 of the affordable housing units are ownership deed restricted.

More accurate local income figures are needed when calculating the rates of residents overpaying for housing (more than 30% of their income). While, by law, affordable housing is defined by set standards, it is important to apply real-time local knowledge when determining housing needs.

General Plan 2030
The City of Richmond General Plan 2030 is a planning document outlining the growth, development, goals, and opportunities the City would like to initiate or realize by 2030. Elements in the General Plan
include housing, economic development, community health and wellness, and more. The City Council, after a long and thorough public participation process, adopted the General Plan in 2012.

**Housing Element**
The City Council adopted the 5th Cycle [Housing Element Update (2015-2023)] which was certified by the State Department of Housing and Community Development in May of 2015. The Housing Element Update is a well-researched and thorough document, which captures a high level of public input and satisfies state law mandates as a component of Richmond’s General Plan 2030. The facts and figures documented in the Housing Element, including analysis of housing developments and needs, serve as a primary source for this strategy document.

**Regional Housing Needs Allocation**
The Regional Housing Needs Allocation (RHNA) is mandated by the State of California for all regions to address housing issues and needs based on future growth projections in a respective area. The Bay Area’s Regional Housing Needs Allocation was developed and updated by the Association of Bay Area Governments (ABAG).

**Inclusionary Housing**
Inclusionary Zoning is a policy that requires housing developers to include a certain percentage of affordable housing units in a market-rate housing project or to pay an in-lieu fee to an affordable housing fund managed by the City. Inclusionary housing is used to encourage the presence of mixed-income housing units within a single residential development. The inclusionary units – referring to for-sale or rental affordable housing units – allow lower income individuals residential opportunities in market-rate developments.

**Naturally Occurring Affordable Housing**
Increasingly referred to as NOAH, Naturally Occurring Affordable Housing are market-rate housing units with rent or mortgage costs within the boundaries of affordability. NOAH units can exist for a multitude of reasons including local or regional housing demand, location, quality of construction, and access to services and amenities. Like other cities throughout the country, it is within Richmond’s interests to preserve NOAH units as costs rise. Because these units are market driven, it is important to seek policies that ease pressures on existing housing stock and establish long-term affordability. NOAH units are hard to calculate because they are not tracked and regulated through subsidy programs or contracts.

**The Richmond Housing Authority**
The Richmond Housing Authority (RHA) is the City of Richmond’s public housing management entity. Funded by, and subjected to rules and regulations of, the United States Department of Housing and Urban Development (HUD), RHA enrolls qualifying residents into their Public Housing Program to provide adequate housing to low-income families. RHA also administers Richmond’s HUD Housing Choice Voucher Program, known as Section 8. The Section 8 housing program allows a voucher holder to seek a single family home or apartment unit that accepts residents through the subsidized program.
MAYOR'S HOUSING STRATEGY

Strategies to increase the housing stock, particularly the affordable housing stock, in Richmond are needed. If rent control/just cause (Measure L) passes in November 2016, these measures will be even more important.

Mayor Butt’s Housing Strategy is designed to provide a comprehensive approach for addressing opportunities to increase housing and access to housing for Richmond’s renters, with or without rent control/just cause. These strategies also help homeowners, property owners, housing developers and service providers in the housing market. This document aims to guide the City in accommodating the diverse needs of our existing residents, improve supply in light of shifting demographics, and preserve the affordability of our housing stock.

Goals

- Increase and improve the supply of affordable and market rate housing in Richmond.
- Institute a gap financing strategy to coordinate with housing developers in developing inclusionary and affordable housing.
- Provide homeowners with resources and programs to maintain their investment and preserve affordability.
- Improve service delivery for renters.
- Work toward legislative remedies at the local, state and federal levels to enhance our ability to respond to housing needs.
- Develop working relationships with regional and state agencies to increase Transit Oriented Development and improve public infrastructure.
- Reduce homelessness and improve public safety.

Photo credit: City of Richmond
Ribbon Cutting at Harbour View Apartments Jan. 2016
Background and Issues

Current Trends and Context

Richmond is distinct from much of the Bay Area in that it has among the lowest residential rental rates in the inner Bay Area as well as comparatively low housing purchase prices. This phenomenon is related to the fact that, fairly or unfairly, Richmond has long suffered from stigmas associated with its industrial past, high crime rates and underperforming schools. This helps explain why Richmond has the second lowest median family income in the Bay Area, with San Pablo having the lowest. San Pablo is surrounded entirely by the City of Richmond.

...there are substantial impacts on housing needs in our city that have not been met due in part to a lack of new construction and low household incomes.

According to the Housing Element of the General Plan, 60.6% of owner occupied low-income households and 82.1% of renter-occupied low income households are overpaying for housing costs. The Housing Element also indicates a total shortage of 1,543 units in meeting Richmond’s quota of the Regional Housing Needs Allocation 2014-2022.

In the 10 years before 2014, Richmond experienced a period of virtually zero growth in new housing construction. Large market rate developments began obtaining entitlements in the City in 2015, but few have broken ground. All such projects have been located in Richmond’s more affluent neighborhoods. Roughly 50 percent of housing projects that obtained entitlements have been below market rate and are concentrated in Richmond’s urban core. While demand for housing in Richmond has not increased at the rates in cities like Oakland and San Francisco, there are substantial impacts on housing needs in Richmond that have not been met due in part to a lack of new construction and low household incomes.

Richmond is poised to leap forward in meeting the demands of new and existing residents while leveraging our opportunities in job creation, infill development, new funding sources and delivery of services.

While Richmond’s age distribution is fairly balanced, there are two major trends driving housing needs. Millennials (born between 1983 and 2000) as well as seniors (age 65+) are the two ends of the barbell that are contributing to the changing demand regionally as well as in Richmond. Only five percent of Millennials are estimated to be living on their own, while 35% are living with a parent. As the largest age demographic in the country, millennials are influencing housing demand as they become more established and enter the housing market at high rates. Additionally, there is an increased demand for specialized housing for the elderly and disabled as a significant wave of the Baby Boomer generation ages.
The Bay Area added close to 500,000 new jobs over the last decade, yet only 54,000 new housing units were constructed during this period.\(^1\) The Bay Area housing crisis has reached a level of severity that can only be addressed with policies and programs that will correct the course and adjust to the new normal. Richmond is poised to leap forward in meeting the demands of new and existing residents while leveraging opportunities in job creation, infill development, new funding sources and delivery of services.

**Rent Control and Just Cause**

Cities are responding with policies to mitigate housing challenges that are moving in different directions. Decades ago, Oakland, San Francisco, Berkeley, East Palo Alto and San Jose adopted some version of rent control and/or just cause policies. These policies were intended to stabilize rents during times of housing cost inflation. Also, the policies sought to make it more difficult for landlords to evict tenants. Some cities, including Richmond (measure L), have rent control/just cause policies on the November 2016 ballot.

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It has been clearly demonstrated that rent control and just cause policies discourage housing development and exacerbate accessibility issues for those in the lower income brackets due to a lack of affordable housing units.

Mayor Butt does not support rent control/just cause as a long term solution to either the availability or affordability of housing. Bay Area cities that went the rent control/just cause route decades ago now have the among the highest housing costs in the United States. It has been clearly demonstrated that rent control and just cause policies discourage housing development and exacerbate accessibility issues for those in the lower income brackets due to a lack of affordable housing units. These polices also result, over the long run, in decreasing the proportion of families (versus singles), lower income individuals and people of color who benefit from rent control/just cause.

There is a relatively high turnover rate of rental housing in Richmond. As units are voluntarily vacated, landlords will be motivated to raise rents as high as possible and be hyper-selective of tenants in order to avoid the potential application of rent control and just cause policies.

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\(^1\) SPUR Web Article: [Oakland’s Plan for Facing the Housing Crisis Head On](https://spur.org/2016/03/oakland%E2%80%99s-plan-for-facing-the-housing-crisis-head-on/), March 7, 2016.

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**Social Impacts of Rent Control**

“Ultimately, the academic literature suggests that rent control laws, at best, do not accomplish their goals of providing affordable housing for low-income residents, increasing diversity, or reducing homelessness. At worst, rent control laws actually move cities further away from these goals, making low-income residents in cities with rent control laws worse off or leading them to move elsewhere.”

in the future. Singles and higher income individuals tend to be less transient and therefore tend to dominate the rent-controlled units as time passes. These trends have been clearly demonstrated in San Francisco, Berkeley and Oakland.

Since rent control can be applied to less than half of Richmond’s existing rental housing stock, it is inherently unfair and discriminating against both newcomers and persons who are renting single family homes. It will encourage investors in single family rental housing to sell housing rather than rent to avoid the hassles of just cause, thus removing rental housing units from the market.

Equally damaging is the well-documented impact rent control/just cause policies have on those participating in the Section 8 housing voucher program. Privately controlled housing units that contract with RHA to participate in the Section 8 program are important to the supply of affordable units. There are strict local and federal regulations that provide oversight. Given the added risks to property owners from renting a unit through the Section 8 program, some real and some perceived, many are unwilling to participate and inevitably pull their units from the program. The result is a visible loss of affordable units, which deepens the challenges faced by those who are most in need of the subsidy and are unable to rent in the open market.
AFFORDABLE HOUSING POLICY INITIATIVES

This section covers policies that have the potential to improve affordability and promote stability for existing residents. The issues addressed include blight, vacancy, homeownership, equity building and subsidized housing.

Inclusionary Housing

Definition
The City Council has adopted and amended an inclusionary housing ordinance, which sets standards for the development of affordable housing units in every new market rate housing development in the City of 10 or more units. The policy, which is contained in the Richmond Municipal Code’s zoning regulations, provides standards for how many inclusionary units are required.

<table>
<thead>
<tr>
<th></th>
<th>Moderate</th>
<th>Low</th>
<th>Very Low</th>
<th>Very Low/Low</th>
<th>Very Low/Low Senior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required</td>
<td>17%</td>
<td>15%</td>
<td>10%</td>
<td>12.5%</td>
<td>25%</td>
</tr>
</tbody>
</table>
There are mechanisms that allow for a combination of income levels to meet the inclusionary requirement depending on the needs of any particular development. Developers have the ability to pay a fee in-lieu of providing inclusionary units, and the fee is proportional to the number of units not built. The in-lieu fee is placed in an affordable housing fund controlled by the City, which is described in more detail later in this document.

Uses
Affordable housing experts accept the City’s policy as a best practice and regard it as essential to a successful housing strategy. The City uses inclusionary housing to encourage the presence of mixed-income housing within a single residential development. The inclusionary units – referring to for-sale or rental affordable housing units – provide lower income individuals with residential opportunities in market-rate developments.

Benefits
Setting standards for the development of inclusionary housing units demonstrates the City’s commitment to providing housing at various income levels while promoting mixed-income communities. While the specific outcomes for inclusionary housing for any development project are market driven and vary, there is a base-line guarantee that new market rate housing construction will contribute to the development of affordable housing units. That guarantee shifts some of the responsibility for creating mixed-income communities to developers.

Challenges
The obvious challenges are those associated with the financial viability of a housing project. As part of the balancing act performed when working to make a project “pencil out,” the calculation of financial impact from inclusionary housing provides an added layer of complexity and cost. While the issues of cost and associated regulations can be successfully navigated by a developer, there are unavoidable setbacks as a result of the implementation of this policy. It is also hard to measure how many projects are not pursued because of these policies, because the City may never hear about them.

Additionally, developers of market rate projects will tend to avoid the complications associated with providing inclusionary units if the policy is either too rigid or complicated to navigate. The added time, effort and processing included in the entitlement process for a project has a real cost for the developer. This encourages developers to pay the in-lieu fee rather than construct inclusionary units. While fee payments are not a total loss, the intent of the policy is partially lost when inclusionary units are not developed as part of a mixed-income project. It then becomes the City’s responsibility to spend the fee money effectively. This creates additional challenges because the City is not as effective as a private developer in actually delivering completed units.

Policy Solutions
Improvements to the inclusionary housing policy should have a dual focus: 1) to ensure a substantial impact on the development of more affordable housing units, and 2) to avoid discouraging new construction projects. Because the policy benefits the city when a high rate of large projects is developed, it is essential that changes satisfy a balance in priorities.
Steps that improve the process and clarify requirements of the policy will help developers through the stages of financing and entitlement for new projects. The comprehensive zoning update will address inconsistencies and improve administrative procedures. The added benefit of these changes can be an increase in the total number of projects and the construction of inclusionary units rather than fee payments.

In tandem with improved administration of the policy, the City Council should review the effectiveness of the inclusionary unit requirements and the in-lieu fee. Adjustments to both could be implemented to incentivize the construction of inclusionary units. This approach results in more short-term benefits to low-income residents and is more cost effective.

**Second Dwelling Units**

Definition
A Second Dwelling Unit (SDU) is a permitted housing unit that can be either attached or detached from an existing single family residence. They are complete units that provide an independent living space and are limited to 640 square feet if detached or 30% of the existing living space if attached. SDUs are required to comply with all building regulations and codes that apply to a typical single family residence.

Uses
An SDU is a convenient and efficient unit which can comfortably accommodate additional residents on a single lot. They can be used to generate additional rental income for a homeowner, making ownership more financially feasible and creating space for growing families. Also, an SDU may be useful as an in-law unit or for those wishing to “age-in-place.”
Benefits
An SDU is a market driven solution to improving affordability and generating new units. SDU’s produce what is referred to as “hidden density” because they are subordinate to the primary residence and usually out of view. Richmond is a community that can benefit greatly from the expanded development of SDUs. Such a large portion of the existing housing stock in Richmond consists of Single Family Residences that are eligible for SDU additions. There are many lots that have underutilized square footage that can accommodate the “hidden density” provided by SDUs.

As highlighted by the Local Government Commission, the City of Santa Cruz established an accessory dwelling unit development program after passing an ordinance allowing the residential units in 2003. Santa Cruz’s program was designed around three components: technical assistance, wage subsidy and apprenticeship, and a loan program. Since the programs’ inception, Santa Cruz has reportedly averaged 40 to 50 new accessory dwelling units per year, creating hundreds of new residential units on existing single-family residential lots.²

Challenges
There are many illegal (un-permitted) SDUs in Richmond. Most property owners who build un-permitted SDUs avoid paying the substantial permit and fee costs, and studies show that restrictions on size, location and other regulations are too burdensome for many people to comply. Illegal units increase health and safety risks associated with sub-standard housing design and construction. There are also losses to the City in missed property tax revenue. On the other hand, there are many people currently living in such units and an ideal solution would avoid displacement of these residents.

Policy Solutions
Zoning Regulations – Each community has specific needs and sensitivities to changes in zoning regulations that make it challenging to relax standards related to the development of SDUs. The Planning Commission in May 2015 considered amendments to the text in the SDU section of the zoning code in order to make these units more affordable and accessible to homeowners. This year statewide legislation set new standards, which complement the policy direction that cities, including Richmond, have already began to take. Some of the suggested amendments include:

- Increasing the maximum size to 1000 square feet (detached) and 40% of existing living area (attached)
- Administrative ministerial design review

• Added discretion in parking requirements
• Owner occupancy requirements
• Affordability requirements for non-owner occupied residences
• Amnesty program for existing non-permitted units

The City Council should approve these regulatory adjustments as part of the comprehensive Zoning Update, which is scheduled to be completed by the end of 2016. As standards change from state legislation, the City should aim to keep regulations updated and reflecting best practices.

Further study is needed to replicate the success of incentive programs and legislation practiced in places like Santa Cruz. Once improvements in the Zoning Update are finalized, supplemental policies should be explored in depth to expand the development of SDUs in Richmond.

**Junior Accessory Dwelling Units**

**Background**
Assemblyman Tony Thurmond introduced Assembly Bill 2406 – Junior Accessory Dwelling Units (JADU) in February 2016 and was signed by Governor Brown in September. The legislation intended to authorize the creation of local zoning regulations that allow for the development of a new type of attached accessory dwelling unit. JADUs are restricted to being developed within the existing interior space of a single family dwelling, and they must be built from an existing bedroom. Allowing JADUs is a strategy that other California cities implemented as an alternative to the standard SDU or other accessory dwelling unit.

**Uses**
JADUs are specifically designed to bypass some of the barriers that make the development of an SDU unattainable for many households. While they do not provide for the same benefits of a full sized SDU, they can be constructed for a far lower price and improve affordability for homeowners while expanding the flexibility of the City’s housing types.
Mayor Butt proposed an ordinance in May 2016 to amend the City’s zoning code to allow for JADUs. The City Council voted to support the ordinance and the item is expected to be reviewed and approved by the Planning Commission before the end of 2016.

The table below outlines some of the differences between a standard SDU and the proposed JADU:

It is not clear exactly how many Single Family Residential units are candidates for a JADU. Changing factors in determining the number include: owner occupancy, existing SDU/ADU, number of existing bedrooms and adequate space, and household composition. The chart below uses data from the Housing Element and Census Bureau to estimate the possible number of JADU units that could be built in Richmond.

**SDU – JADU Comparison Table**

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Richmond SDU</th>
<th>Richmond SDU PC Res. 15-11*</th>
<th>Richmond SDU Proposed 2016</th>
<th>Richmond JADU</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Units per Single Family Lot</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Attached or Detached</td>
<td>Both</td>
<td>Both</td>
<td>Both</td>
<td>Attached Existing Bedroom</td>
</tr>
<tr>
<td>Owner occupancy required</td>
<td>Yes</td>
<td>Requires Rental Rate Restriction</td>
<td>n/a</td>
<td>Yes</td>
</tr>
<tr>
<td>Separate Entry</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Permanent Foundation</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>n/a</td>
</tr>
<tr>
<td>Size (in square feet)</td>
<td>Detached: 640 sf max 150 sf min Attached: 30% of Existing Living area</td>
<td>Detached: 800 sf min 150 sf min Attached: 40% of Existing Living Area</td>
<td>Detached: 1000sf max 300sf min Attached: 40% of Existing Living Area</td>
<td>500 sf max</td>
</tr>
<tr>
<td>Permit Approval</td>
<td>Design Review</td>
<td>Administrative</td>
<td>Administrative</td>
<td>Administrative</td>
</tr>
<tr>
<td>Additional Parking</td>
<td>1 space</td>
<td>1 space, discretionary</td>
<td>Not Required</td>
<td>Not Required</td>
</tr>
</tbody>
</table>

*Draft Ordinance Revisions approved by Planning Commission on 5.7.15

**Estimates for JADU Development in Richmond**

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Units applicable to JADU</th>
<th>% of total housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing w/ two or more bedrooms</td>
<td>33,015</td>
<td>82.7%</td>
</tr>
<tr>
<td>Single Family Detached Units</td>
<td>22,774</td>
<td>56.7%</td>
</tr>
<tr>
<td>Owner Occupied Units</td>
<td>17,318</td>
<td>45.8%</td>
</tr>
<tr>
<td>Owner Occupied Units 3 or more bedrooms</td>
<td>12,476</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Estimated JADU Units</strong></td>
<td><strong>5,533 to 10,430</strong></td>
<td><strong>14% to 26%</strong></td>
</tr>
</tbody>
</table>
Local Preference in Subsidized and New Housing

Definition
The Richmond Housing Authority currently practices a local preference selection policy for the City’s Low Income Public Housing Program. These policies are authorized by the U.S. Department of Housing and Urban Development (HUD). The following are some of the preferences authorized by HUD which may be used to prioritize applications for public housing: residency within a county or municipality, working family (head of household is employed), victims of domestic violence, veterans, and single person households who are elderly, displaced, homeless, or disabled. Outside of the preferences applied to public housing applications, there are no local preference policies in the City of Richmond.

Uses
Most of the preferences for public housing programs are designed to direct resources towards more at-risk populations that are more urgently in need of assistance. With multiple individuals and families in the Bay Area seeking rental assistance, these preferences guide the prioritization of assistance in an environment with high needs.

Benefits
The ability to prioritize the high number of applications received for the public housing program is important to the City’s ability to curb homelessness, reduce the number of people falling in to deep poverty, and support families.

Challenges
The total number of available public housing units has been consistently insufficient in the face of high demand. The positive impacts of local preferences are undercut by long waitlists and funding constraints on program implementation. Adjustments to the preference policy in order to fine tune which populations are gaining better access to public housing resources will have little impact on the greater issues because the overall resources are overburdened.

Policy Solutions
The cities of San Francisco and Oakland are pursuing new local preference policies with the intention of curbing displacement. San Francisco Mayor Ed Lee has put forward a proposal that would ensure a local
preference is applied to newly constructed housing units for residents of the neighborhood in which they are built. The policy would apply to both for-sale and rental units.

In May 2016 the Oakland City Council initiated a proposal to create stricter local preference guidelines for publicly funded affordable housing projects. These guidelines would provide greater preference to residents of a Council District where such housing is built. It would also restrict the mortgage assistance programs to existing residents or those working in the city.

While Richmond’s current local preference policies may not benefit much from adjustments, there may be opportunities to apply preferences to new housing constructed in the city. Such a policy must be tied to projects that are part of a public-private partnership and would have to conform to applicable state and federal laws.

Vacant, Blighted and Abandoned Properties

Definition
For the purposes of this document, properties in this section are defined as individual, privately owned properties that are appropriately zoned for residential development. The majority of the properties in this category are vacant lots or abandoned single family residences. Ownership of these properties is a mix of private investment entities such as a Limited Liability Corporation, individual private owners, various banks and holding companies.
Issue
The impacts of properties in this category are far reaching. There are the obvious blight impacts, which relate to crime and health and safety hazards. There are also the negative effects on local property values, the drain on public resources for maintenance and code enforcement, and ultimately the lost potential in housing capacity. The ripple effects of these properties in a neighborhood contribute to the low development of individual home equity and lower rates of homeownership.

Richmond’s Code Enforcement unit had 140 vacant properties in its case load in 2015. More than 50 vacant structure cases were active, 35 red tags were issued, and 15 properties were boarded up.

Of the many drawbacks experienced by the City and its residents, the loss of tax revenue and housing capacity are of major concern. Because vacant and blighted properties are disproportionately concentrated in low-income neighborhoods, there is a direct correlation with the lost supply of housing units available to the low and medium income individuals.

Policy Solutions
There is a strong field of policies, programs and initiatives related to addressing the issues surrounding these types of properties. While not all known programs, such as land banks, are suitable for Richmond, there are local strategies that can simultaneously address blight and improve housing supply.

Community Progress Leadership Institute
The Mayor’s Office, along with a working group of officials from City of Richmond, Contra Costa County, City of Oakland, Strategic Growth Council, the Richmond Community Foundation, and the County Tax Collector, participated in a policy seminar hosted by the Center for Community Progress called the Community Progress Leadership Institute (CPLI). The 2016 CPLI was a week-long seminar hosted at Harvard Law School in Cambridge attended by nine cities from three states and the District of Columbia. The results of that work have produced a number of specific policy initiatives that leverage existing resources to streamline improvements to these properties and contribute to the development of affordable housing.

The focus of the CPLI working group has been to improve housing in low income neighborhoods and to enhance programmatic initiatives investing in vacant and blighted properties for the public benefit. The three sections below continue to be the focus of the group’s follow-up and policy work: Chapter 8 and Tax Sales, Richmond Housing Rehabilitation Program, and Community Land Trusts.
Chapter 8 and Tax Sales

Background
One of the promising avenues for converting vacant and abandoned properties from problems to community assets is through the mechanism of tax sales. The properties that can be acquired for the public’s benefit are generally inaccessible to the buyers and investors in the open market. The complications in ownership along with code enforcement and property tax liens result in many of these properties sitting idle.

Strict property rights often result in extended processing before an abandoned property can be put back into productive use. The California Revenue and Taxation Code contains a provision in Div. 1, Part 6, Chapter 8 which allows for the sale of tax-defaulted properties to be used for affordable housing or a public benefit. Programs such as the Richmond Rehabilitation Program and the Community Buying Program in Oakland administered by Hello Housing are seeking the advantages of Chapter 8 and Tax Sales.

Uses
Chapter 8 sales are coordinated between the County Tax Collector and a qualified buyer which can include a public agency or a non-profit organization specializing in affordable housing. The County Tax Collector has the ability under Chapter 8 to offer properties that meet specific criteria to non-profit entities for a reduced price. As a preservation strategy, housing units that are typically located in historically low-income neighborhoods can be rehabilitated and stabilized at affordable levels.

Challenges
There is very little precedent in California for the sale of a property under Chapter 8. As innovative affordable housing approaches become more established, the acquisition of properties using Chapter 8 is becoming a reality. The previously mentioned CPLI working group is working specifically on the issue of making more properties available through the County Tax Collector. Some of the elements which make these properties more effective for affordable housing rely on the City releasing code enforcement liens. Given the tight finances of the City, foregoing a potential source of funds to recuperate costs is a difficult task.

Opportunities
Successfully influencing the transfer of vacant/abandoned properties for the public benefit can be accomplished through the interruption of tax sales by the county and requests made under Chapter 8. Leveraging City, County and non-profit resources to reach these properties can unlock the existing housing capacity, which would otherwise remain as a strain on the community. With the proper financing and programmatic approaches, a substantial inventory of properties that exist in Richmond can become a source of affordable housing in a relatively short time.
Richmond Housing Rehabilitation Program (RHRP)

Background
The City of Richmond and the Richmond Community Foundation initiated a one-of-a-kind program in 2015 with the issuance of a $3 million Social Impact Bond to address blighted residential properties. Abandoned houses that are sometimes known as “zombie properties” are acquired, rehabilitated and sold to first-time homebuyers. The program, administered by the Richmond Community Foundation, is operated in collaboration with the City’s Code Enforcement unit and SparkPoint, which is a financial counseling program for low-income individuals.

The RHRP has four strategies that make up its acquisition initiative:

Type 1: Acquiring properties with delinquent taxes where the delinquent taxes exceed the value acquired at tax sales. The County Tax Collector has the ability to provide a discount through a Chapter 8 sale to a non-profit buyer, making this strategy feasible option for the Richmond Housing Rehabilitation Program.

Type 2: Acquiring properties with deceased owners, which are required to go through probate. The RHRP currently has seven properties going through probate at this time.

Type 3: Properties with identified owners from whom the properties can be purchased through a negotiated sale. Four properties have been acquired through negotiated sales.

Type 4: Properties where a bank has not foreclosed on the mortgage (the bank does not want responsibility for the property) but the bank will have to foreclose so a purchase can be negotiated with the bank. One property is being donated to the program by Everbank.

Benefits
The key goals of the program are to reduce blight, increase homeownership, increase available housing and contribute to neighborhood stability. The program is also designed to have zero draw on the City’s funds and is financially self-sustaining. The central goal of the program is to reduce blight because in so many cases, residents experience the negative impacts of these properties on their quality of life and reduced property values. The secondary benefits of the program are realized in the development of equity and increased stability of a neighborhood.
The one-of-a-kind model is the first in the country to use Social Impact Bonds to rehabilitate housing, has zero draw on the City’s general fund, is financially self-sustaining and is fully liable for all finances and bond payments. Neighborhoods hard-hit by the mortgage crisis stand to gain the most from the program’s success, which will simultaneously provide opportunity to first time homebuyers that are otherwise priced out of the market. The first rehabilitated house was completed recently in the Belding Woods neighborhood a short distance from Downtown Richmond and the Intermodal BART/AC Transit/Amtrak Station.

Through a strong partnership with SparkPoint Contra Costa, a financial literacy program, first-time homebuyers are given heavy preference and reduced sales prices for the rehabilitated properties. The continuation of the program is based on its ability to reinvest the sale proceeds of completed homes back in to the program.

Challenges
There has been a learning curve and delay stemming from the unknown obstacles in securing properties for the program. What some have recognized as a slow start for the program can be attributed primarily to the challenges faced in acquiring properties. Because this program targets some of the most challenging properties in the City, there is a high level of coordination and cooperation needed to bring properties in to the fold. The program has to abide by the same rules as other buyers, and it needs to accomplish rehabilitation without operating at a loss.

Enhancements
The Richmond Community Foundation and their program partners, including the City, are actively pursuing enhancements to improve the efficiency and impact of the RHRP. The efforts of the CPLI work group mentioned earlier has great potential to benefit this program through changes to the structures that affect the program’s ability to acquire properties.

Additionally, as a result of participation in the CPLI, the Richmond Community Foundation has added a strong data mapping tool that will greatly expand the available information for residential properties in the City. Opportunity Space is a web based tool designed to be used by cities that are dealing with issues related to abandoned, vacant and foreclosed properties. Through detailing
various sources of data provided by a wide variety of sources, the Opportunity Space platform will assist the City and the RHRP to fine tune investments and identify issues.

Leveraging the progress being made in property acquisition strategies and the high-level data mapping tool, the RHRP will continue to improve neighborhoods and provide new housing opportunities. As the program gains national recognition, financing will improve and Richmond will be better positioned to develop new partnerships and funding for housing programs.

Community Land Trusts

Background
Community land trusts are non-profit organizations that acquire land for the preservation and creation of affordable housing through community ownership. Community land trusts generally own property permanently in order to stabilize affordable housing, unaffected by dramatic shifts in market demand.

In nearby Oakland, the Oakland Community Land Trust has worked to acquire blighted and/or foreclosed single-family homes that have been remodeled and sold to low-income residents earning between 50 to 80 percent of Oakland’s AMI.³ Oakland’s community land trust also established housing cooperatives in multi-unit buildings. Through collaboration with the San Francisco Community Land Trust and the Bay Area Community Land Trust, new programs aim to prevent displacement of at-risk residents while converting housing units to more effective use.

San Francisco’s community land trust facilitates ownership of single-family and multi-unit buildings to their membership-based low income resident population while the organization itself owns the land.⁴ Increases in land value have been a critical factor in the displacement of low-income residents in the Bay Area.

While a community land trust does not currently exist in the City of Richmond, the City Council studied the topic in 2009. Former Richmond Community and Economic Development Director Steve Duran provided a study session presentation discussing the potential establishment of a land trust to create ownership housing opportunities for Richmond residents. At that time, Director Duran recommended leveraging the expertise of the City’s Redevelopment Agency to accomplish the City Council’s goals. The State of California since disbanded Redevelopment Agencies, re-igniting interests in this concept.

Benefits
Access to housing and homeownership can be provided at below market or reduced rates when controlled by community land trusts. While ownership can be complicated and unusual, there are opportunities for homeowners to benefit from appreciation in value and develop equity. Community land trusts are not limited to residential projects, which means they can be part of developing complete neighborhoods that serve residents’ needs. When managed effectively, families can realize greater housing stability and properties can be maintained under mission-driven ownership.

³ Oakland Community Land Trust, website: http://oakclt.org
⁴ San Francisco Community Land Trust, website: http://www.sfclt.org
Challenges
Any land trust developed within Richmond will need to craft a plan that identifies outside funding, viable properties and a phased approach to growth of the organization. While existing resources are generally declining and spread thin, attracting new sources of support can be accomplished with effective partnerships and leveraging of initial funds.

Finding the right properties to create an inventory for a Richmond Community Land Trust will need to carefully balance the needs of Richmond’s population with the financial condition of a residence. Achieving affordability and scale simultaneously can be very challenging when the market is benefiting profit-motivated owners. Acquiring sites that are low cost but not too expensive to upgrade or maintain will be essential to the community land trust’s ability to serve very low-income residents.

Policy Solutions
A Richmond Community Land Trust can model those of Oakland and San Francisco to convert foreclosed property and available land into permanently affordable space for the benefit of the low-income residents of the city. Initially, the community land trust may require thoughtful partnerships between organizations and initiatives in Richmond, such as the RHRP, to leverage collective resources and experiences of existing housing organizations. This will largely benefit the land trust by reducing start-up costs, making it easier to acquire and rehabilitate properties.

The land trust would have to sustain a moderate number of units for five to 10 years, depending on the ability for the land trust to generate enough revenue to cover its operational costs. Once fully established, the land trust should have the ability to operate in perpetuity, with little to no subsidy, for the benefit of low-income individuals and families.

Homeownership Assistance
A pivotal goal in Richmond is to increase the rates of homeownership and preserve the stability provided by long-time homeowners in our community. Market forces have more influence on the trends in homeownership than any entity or agency. Still, there are great opportunities for Richmond to improve the health of our neighborhoods through homeownership – balancing housing prices and diminishing displacement.

There is a great variety of assistance models and organizations that actively work directly with Richmond residents to improve their chances of attaining and/or maintaining homeownership. Each form of assistance has its own role and population that it serves.

CAL Housing Finance Agency
The CAL Housing Finance Agency (CalHFA) was chartered in 1975 as the State's affordable housing bank. The agenda makes low interest rate loans through the sale of tax-exempt bonds. CalHFA offers a variety of mortgage and down payment assistance programs for both first time homebuyers and individuals who previously owned a home. The agency also offers several options for down payment and closing cost assistance, including subordinate loans with payments that are deferred until the home is sold, refinanced or paid in full. CalHFA participates in the Mortgage Credit Certificate Tax Credit
Program, enabling first-time homebuyers to convert a portion of their annual mortgage interest into a
direct dollar for dollar tax credit on their U.S. individual income tax returns. The program also helps
individuals enroll in Individual Development Accounts (IDA). IDAs are special savings accounts designed
to assist low income borrowers on their path toward ownership of a long-term asset, such as a home,
through matched contributions by nonprofit organizations and eligible banks.5

CalVet Home Loans
CalVet’s Home Loans program provides military veterans home loans and home buying assistance.
Veterans living in Richmond can take advantage of preapprovals, real estate agent recommendations,
and home buying tutorials through CalVet designed to provide homeownership to as many veterans as
possible throughout the state.6

Community Housing Development Corporation
The Community Housing Development Corporation’s (CHDC) homeownership program offers first time
homebuyer assistance, down payment assistance, counseling for homeowners and foreclosure
intervention and loan modification. Established in 2002, CHDC’s first time homebuyer program has
helped more than 600 households purchase homes in Contra Costa County. As an organization that
institutes an Individual Development Account Program, potential homebuyers working with CHDC are
able to save money for a down payment and receive a return on their personal investment through a
match program. CHDC also partners with CalHome to provide down payment assistance based on
household income level.7

Richmond Neighborhood Housing Services
Richmond Neighborhood Housing Services’ Homeownership Program has served the city’s lower-income
population since 1992. The organization serves not only to advance homeownership for low-income
households in Richmond and the East Bay, but also to decrease community blight and disinvestment as
well. Having assisted over 7,500 East Bay residents, Richmond Neighborhood Services provides several
programs including credit counseling, pre-purchase counseling, and mortgage delinquency and default
resolution services. Through these programs, households seeking homeownership or assistance staying
in their home are given access to services originally designed to cater to the needs of Richmond
residents in most need of housing stability.

Federal Home Loan Bank of San Francisco
The Federal Home Loan Bank of San Francisco’s Workforce Initiative Subsidy for Homeownership (WISH)
Program collaborates with regional banks to provide match grants to low-income households to assist
with down payment or closing costs. In March 2016, the Federal Loan Bank reported that $9.4 million in
WISH funds had been allocated to 35 banks providing first-time homebuyer assistance to qualified
households. Two banks serving Richmond residents – Mechanics Bank and Travis Credit Union –
received $250,000 and $60,000 respectively to benefit lower-income homebuyers. According to the

5 CalHFA website: www.calhfa.ca.gov/
6 CalVet website: www.calvet.ca.gov/HomeLoans
7 Community Development Housing Corporation website: http://www.chdcnr.org/homeownership/
Federal Home Loan Bank, eligible households can receive up to $15,000 in WISH funding, providing $3 for every $1 a homebuyer invests towards the purchase of a home.8

Individual Development Account Programs
An Individual Development Account (IDA) is a financial tool designed to allow people with lower incomes save money towards a target amount which can vary for each individual or household. In the case of homeownership, IDAs are a useful tool to allow homebuyers a savings plan in an account designated for a specific purpose. Several organizations such as the Community Housing Development Corporation and Richmond Neighborhood Housing Services encourage the enrollment into an IDA program to allow low-income clients financial stability as they continue to support their families while saving for a home. IDA’s are also matched savings accounts, which allow an account holder a return in their investment and assistance in reaching their financial goal.

Keep Your Home California
Keep Your Home California provides several services to homeowners enduring financial hardship, including Unemployment Mortgage Assistance, Mortgage Reinstatement Assistance, Principal Reduction and Transition Assistance. Households in Contra Costa County with a gross income up to $112,320 are eligible to receive assistance through Keep Your Home California’s several programs. Keep Your Home California reported in September 2016 that its programs have invested $1.48 billion into more than 66,500 households, and 94% of households who have used the organization’s services have retained homeownership two years after receiving assistance.9

9 Keep Your Home CA website: http://keepyourhomecalifornia.org
MAJOR PROJECTS AND NEW DEVELOPMENT

The key to significantly impacting the housing shortage is in large scale development. Gap financing for transit oriented and affordable housing construction, and effective land-use policy, are the basic elements that are required to realize major developments. The last decade of stagnant growth in Richmond has been extended by outdated zoning regulations, the loss of significant funding sources, and persistent opposition to projects offering increased density. Richmond is not unique in terms of how new residential development projects face community opposition. However, there are other serious factors that have worked to deter the needed supply of new housing units.

Construction costs, while variable in terms of building type, are essentially constant in the region. Richmond’s urban core and south shoreline have a vast untapped potential for new development. While some important steps positioned the city to take advantage of development potential, the building boom has in many respects failed to benefit Richmond. Throughout the process of developing this strategy document, the Mayor’s Office identified key components that need to be well understood and used in order to advance the goals of the City in providing for growth and stability.

Map of Large Scale Existing Affordable and Planned Housing Projects

Key: Blue = Existing Affordable, Red = Planned Affordable, Black = Planned Market Rate
General Plan 2030

The Mayor, who participated in the development of the General Plan 2030, has made a point of maintaining the visions and goals set forth in its adoption. The General Plan was adopted in 2012 and serves to guide the City’s growth and development. Richmond’s plan includes 15 elements addressing land use, economic development, growth and management, housing, transportation, health and wellness, climate change, public safety, arts and culture, open space conservation and more. Richmond’s General Plan exceeds the state mandate to contain at least seven elements within a general plan and was created with the input of over 2,000 community members through public process.

Comprehensive Zoning Update

Background

The City of Richmond’s zoning update is critical in implementing the City’s General Plan 2030, which was adopted in 2012. The zoning update is essential to the General Plan as it conveys where housing development, various classifications of commercial sites, industrial sites, and open space are permitted or restricted within the city. It also institutes reforms to our regulatory structure that will greatly improve the accessibility and effectiveness of building codes, zoning procedures, and requirements.

Many policy studies that evaluate the obstacles to growth and affordability of housing have identified restrictive, outdated and overly burdensome zoning regulations as hindering the development needed to keep up with rising demands. While many of the factors that influence new development are external, the City needs to ensure that land-use decisions are consistently aligned with development priorities set in the General Plan 2030.

Benefits

In order to make amenities more accessible, improve public health, reduce vehicle traffic, and promote complete neighborhoods, Richmond’s General Plan is designed to achieve infill housing in and around the city’s key activity centers – Downtown, Hilltop, and the South Shoreline. Building affordable housing in and around the city’s key activity centers will allow residents close proximity to jobs, public transportation, entertainment, parks, and other amenities that contribute to boosting quality of life for constituents.

Policy Solutions

Certain elements of the zoning code proposed recommendations have a direct impact in increasing housing supply for the City or Richmond. The first of which is a recommendation to address mixed use and infill development which can attract varying residential and commercial development on a single site and develop vacant or under-used parcels to accommodate development needs in an urban area.

Another recommendation for the City’s zoning update is to foster greater variety and choice of housing styles and options. This recommendation intends to set minimum density requirements, ensure a greater variety of affordable housing, develop a greater mix of housing types throughout neighborhoods, and create more affordable housing through density bonuses.
### Status of Entitled Housing Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country Club Vista –</td>
<td>22 Single family homes</td>
<td>Final phase nearing completion</td>
</tr>
<tr>
<td>Westridge Apartments</td>
<td>400 Unit rehabilitation project and 62 new units</td>
<td>Project nearing completion</td>
</tr>
<tr>
<td>Anchorage Homes-Marina</td>
<td>88 townhomes in Marina District</td>
<td>Final phase of construction is nearly complete</td>
</tr>
<tr>
<td>Nevin Homes</td>
<td>289-unit affordable apartments</td>
<td>Engineering drawings have been submitted and are under review</td>
</tr>
<tr>
<td>Garrity Way apartments</td>
<td>Construct 98 rental units on vacant parcel</td>
<td>Construction plans have been approved</td>
</tr>
<tr>
<td>The Point – Point Richmond</td>
<td>27- unit residential project</td>
<td>Construction plans have been submitted and approved</td>
</tr>
<tr>
<td>Baywalk Mixed use live-work</td>
<td>208-unit Mixed use community</td>
<td>Construction drawings have been submitted and are under review</td>
</tr>
<tr>
<td>Shea Homes 60 Unit Condominium project-</td>
<td>60 Unit market rate condominium project</td>
<td>Additional grading and surcharging will occur before mid-October</td>
</tr>
<tr>
<td>Terminal #1</td>
<td>334- Unit for-sale residential community</td>
<td>Delay due to litigation</td>
</tr>
<tr>
<td>Mira Flores Senior housing</td>
<td>80-unit affordable senior housing</td>
<td>DRB completed, project seeking additional funding</td>
</tr>
<tr>
<td>5620 Central Avenue Apartments and creek restoration</td>
<td>155 affordable apartments</td>
<td>Project must return to Design Review Board</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Developer is still working out scope of work on creek restoration</td>
</tr>
<tr>
<td>Hilltop Apartments</td>
<td>180 market rate apartment units on two story podium</td>
<td>Developers are redesigning the project to reduce two story parking podium</td>
</tr>
</tbody>
</table>
Gap Financing

This section outlines, reviews and makes recommendations for the utilization of affordable housing gap financing. The financing sources include local state and federal sources. These and others will be considered in terms of how they can impact, or be used to advance, various goals for major new development.

Affordable Housing and Sustainable Communities (AHSC)

One of the more exciting and promising sources of gap financing in the post-redevelopment world is the State’s AHSC program. Last year, in the first round of the program, AHSC was funded with $120 million from the Greenhouse Gas Reduction Fund which receives auction proceeds from the state’s Cap-and-Trade legislation. The Mira Flores Senior Housing project in Richmond received $5.1 million from AHSC in the first grant cycle for the program in 2015.

Richmond is particularly well positioned to compete for AHSC grants. The primary project criteria for the program include affordability standards, close proximity to transit and job centers, and priority for disadvantaged communities. The second round of the program in 2015-2016 included $320 million in available funding and there were no submissions for the grant from Richmond. The next round is estimated to have allocated $250 million and it is important that a coordinated public-private partnership work to compete for the grant and put the funds towards large housing developments in our major activity centers.

Low Income Housing Tax Credit (LIHTC)

Established as a part of the Tax Reform Act of 1983, the Low Income Housing Tax Credit (LIHTC) provides funds to maintain and create affordable housing by utilizing private capital and investor equity. The Department of Housing and Urban Development reports that 43,092 projects in the United States were funded by LIHTC between 1987 and 2014. The department also states that state and local LIHTC agencies are eligible to receive funding from the federal government’s $8 billion dollar LIHTC program allocation budget. In 2015 California’s LIHTC allocating agency, the California Tax Credit Allocation Committee, invested $132,476,827 worth of Tax-Exempt Bond Financing Awards into 124 projects throughout the state. The investment financed the creation or maintenance of 13,000 housing units.

LIHTC financing forms the basis for a significant portion of all major affordable housing projects in Richmond. It is a primary starting point for compiling the funds needed to provide housing units to very low-income households. The LIHTC program is expected to continue to serve as a primary source of funding in Richmond and is commonly used by non-profit developers. In the past, when LIHTC financing was combined by support provided by the Redevelopment Agency, development projects were sufficiently financed. Now that support from Redevelopment Agencies is non-existent, a limited pool of competitive sources are needed to fill the gaps in financing not covered by Tax Credits.

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10 Enterprise Community Investment, Website: About LIHTC
11 U.S Dept. of Housing and Urban Development, Website: About the LIHT Database
12 Office of the State Treasurer, Website: Fast Facts 2015 totals
Community Development Block Grant (CDBG) Funds
Community Development Block Grant (CDBG) funds benefit the creation and maintenance of affordable housing units as well as the growth and retention of business and jobs. Established in 1974 by the Department of Housing and Urban Development, CDBG funds are allocated to cities, counties, and states based on entitlement to ensure that funding is invested in communities most in need of affordable housing and business development assistance.

Federal HOME Funds
The federal HOME funds program is a formula based grant program that provides funding for building, purchasing, or renovating affordable housing units for rent or for sale. HOME also provides funding to assist low-income residents pay rent. All states are automatically eligible for HOME funds and can receive an allocation based on the state’s formula based needs assessment or receive and allocation up to $3 million. Cities can also directly qualify for HOME funding based on the formula based needs assessment for affordable housing. Cities that do not directly receive HOME funds from the federal government can benefit from the program by entering a partnership with a city that does directly receive HOME allocations or by applying for funding from the state.

Veterans Housing and Homelessness Prevention
In 2015, the State of California’s Veterans Housing and Homelessness Prevention (VHHP) Program allocated $600 million to fund development and sustainability of affordable housing units and related facilities to assist veterans and their families maintain adequate housing. The VHHP committed to allocating at least $75 million in housing funds within its first project funding cycle. As of June 2016, VHHP has disbursed about $180 million in funding with nearly $30 million of such funding benefiting the Bay Area. The VHHP funding has supported six projects in the Bay Area and has created 207 housing units for veterans and their families.13

Inclusionary Housing Impact Fee Housing Fund
Inclusionary Housing (reviewed in detail on page 12) can either be built as part of a market rate building or a developer can pay a fee in-lieu of constructing inclusionary units. Those fees are collected by the City for the development of affordable housing. In cities where such funds are set up and there is a significant rate of development, the fund can serve as an important gap financing source.

The most important consideration necessary to understanding the success of the City’s impact fees is that they are only collected when new market rate development is approved and built. Subsidized or publicly owned developments to not contribute to affordable housing via impact fees. There has been very little activity contributing to the affordable housing fund, which currently holds $1.33 million. The current funds, while not insignificant, are not sufficient at this time to represent a viable gap financing alternative. A significant portion of the current funds are likely to be used as a supplement to the rehabilitation of the Hacienda housing complex, which is owned by the City and was vacated in 2015-2016.

13 CA Dept. of Housing and Community Development, Website: Veterans Housing and Homelessness Program
There are many market rate housing projects currently in the pipeline that, combined, have the potential to contribute a significant amount of fees to the fund. Estimates conclude that if all housing projects in the pipeline were completed, an additional $6.22 million would be contributed to the fund. For various reasons, the major market rate projects have been stalled and have not yet broken ground. The additional funding from stalled projects could allow the city to finance over 20 units of affordable housing or provide significant gap funds for multiple large affordable housing projects.

**Issues**

To a developer, impact fees are simply an additional line item on their list of expenses for a project. If they are too high they will contribute to the lack of interest from developers, who will shift their attention to another community if the financial picture is more favorable.

**Policy Solutions**

The City is currently conducting a nexus study to determine the feasibility of a commercial linkage fee that would contribute to the inclusionary housing fund. When the results of the nexus study are finalized, it will be important to consider the findings on economic feasibility to ensure desired outcomes. The aggressive development outlook in the General Plan 2030 should be measured against this policy, which has the potential to stunt growth in priority development areas.

**Housing Trust Fund**

A housing trust fund (HTF) is an affordable housing financing program in which a variety of funding sources are consolidated and made available to local developers.

Since 1990, the City of Berkeley’s housing trust fund has served as one of the City’s strategies to address their community’s long-term affordable housing need. Housing trust funds support development projects that create or preserve affordable housing units. Administered by Berkeley’s Housing Department, city staff manage HTF applications completed by affordable housing developers and work with the developer until the completion of the HTF financed housing project. Housing Department staff are required to report to the city manager, City Council, and the citizen-based Housing Advisory Committee regarding operation, program compliance, and funding allocations made through the HTF. Berkeley’s HTF utilizes the following funding sources to finance affordable housing developments:

- Federal HOME Partnership for Investment Program (HOME Program) allocations
- Community Development Block Grant (CDBG) funds
- Housing fees provided by development projects, demolitions and condominium conversions
- Proceeds obtained from the sale of City-owned residential properties
- Payments of interest and principal due to the City from borrowers of previous Fund loans
- Inclusionary Zoning fees
- Funds from other sources authorized by the City Council, the Berkeley Housing Authority, the Berkeley Redevelopment Agency, the Rent Stabilization Board, and the voters.
- Gifts or awards made by individuals or organizations.
Much like housing trusts in other jurisdictions, Berkeley’s HTF monies are eligible to help develop or preserve a variety of housing units including limited equity cooperatives, group homes, and mixed-use live/work developments in which the residential units meet affordability requirements. The fund can also finance the creation or preservation of public gathering space of varying uses if such space is primarily available to residents of affordable housing units.

The South Bay’s Silicon Valley Housing Trust Fund, founded in 1998, has invested around $100 million dollars since its program’s inception to create affordable housing opportunities for more than 13,000 housing opportunities for community members. A distinct development project funded by the Silicon Valley HTF is the Paseo Senter Apartments just 3 three miles south of the heart of Downtown San Jose. Paseo Senter, which contains 218 units, occupied by 30% extremely low income and 70% very low-income residents, was granted $500,000 in funding from the Silicon Valley Housing Trust Fund.

The ability to create and preserve affordable housing units like Paseo Senter in centralized urban areas enables lower income residents adequate access to public transportation, jobs, community resources, and maintains socio-economic diversity in areas vulnerable for demographic shift. Housing opportunities and resources provided by the fund include first-time homebuyer assistance, rental assistance, and resources catered to reducing homelessness and serving community members in Silicon Valley who are homeless.14

Recommendation
The development of a housing trust fund should begin with a comprehensive understanding of the existing community resources, funding, and potential partners. While there are no funding streams identified, having the structure of a HTF in Richmond would enable the City to solicit new funding with the expanded capacity provided by a HTF.

14 Housing Trust Silicone Valley, website: http://www.housingtrustsv.org
Conclusion

In recent years the Bay Area has become known not only for the high price of housing but for the innovations in housing policy that have taken shape to address housing shortages. Richmond, as a pivotal city in the Inner Bay Area, needs to work hard to address housing needs and set an example for cities across the state.

Many rent control/just cause supporters backing Measure L in Richmond acknowledge the undisputed failures of the policy. Many of those supporters also know that the policies and strategies contained herein are essential to solving housing issues.

The emergence of high-level studies, research, advocacy, and legislation in California has focused on correcting the course in housing affordability and production. This document serves as a foundation for the development and implementation of sound approaches that can protect Richmond from the impacts of the housing crisis. This Housing Strategy is a living document. The addition of new solutions will be addressed as the City’s needs and opportunities change over time.