

City of Modesto Affordable Housing Implementation Tools

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Community & Economic Development Department
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Modesto, CA 95354

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Acronyms and Glossary

A. Acronyms

ACS	American Community Survey, U.S. Census
ADA	Americans with Disabilities Act
AMI	Area Median Income
CBO	Community Based Organization
CDBG	Community Development Block Grant
CEQA	California Environmental Quality Act
CHAS	Comprehensive Housing Affordability Strategy
CHDO	Community Housing Development Organization
CRL	Community Redevelopment Law
CUP	Conditional Use Permit
DOF	California Department of Finance
ESG	Emergency Shelter Grants
FMR	Fair Market Rent
HCD	California Department of Housing and Community Development
HMDA	Home Mortgage Disclosure Act
HOME	Home Investment Partnership Program
HUD	U.S. Department of Housing and Urban Development
LIHTC	Low Income Housing Tax Credit
MCC	Mortgage Credit Certificate
MSA	Metropolitan Statistical Area
NAHA	National Affordable Housing Act
NOFA	Notice of Funding Availability
RHNA	Regional Housing Needs Assessment
SHP	Supportive Housing Program
SRO	Single Room Occupancy housing unit

B. Glossary

Above Moderate Income: Persons or households earning more than 120% of the area median income (AMI), adjusted for household size.

Accessory Dwelling Unit (ADU): A self contained apartment in an owner occupied single-family home/lot that is either attached to the principal dwelling or in a separate structure on the same property.

Affordability Covenant: A legally binding clause to a deed that specifies that the property will remain affordable by setting certain terms and conditions related to its long-term use.

Affordable Housing: Under State and Federal statutes, housing that costs generally no more than 30 to 35% of the gross household income, depending on tenure. Housing costs include rent or mortgage payments, utilities, taxes, insurance, homeowner association fees, and other costs.

Affordable Housing Cost: Affordable housing costs for assisted owner-occupied units are determined using the income limits set forth by the State Department of Housing and Community Development (HCD). For extremely low income households, affordable housing costs do not exceed 30% of 30% of the area median income (AMI); for very low income households, 30% of 50% of AMI; for lower income households, 30% of 70% of AMI; for moderate income households, the affordable housing cost is between 28% of gross household income and 35% of 110% of AMI.

Annexation: The incorporation of land area into the jurisdiction of an existing city with a resulting change in the boundaries of that city.

Area Median Income (AMI): The State Department of Housing and Community Development (HCD) adjusts each county's median family income, as determined by the United States Department of Housing and Urban Development (HUD) for its Section 8 Housing Voucher Program, to reflect economic conditions in each county in the State. AMI is used to set affordability levels for State housing programs, and is revised annually.

Assisted Housing: Housing that has been subsidized by Federal, State, or local housing programs.

At-Risk Housing: Multi-family rental housing that is at risk of losing its status as housing affordable to low and moderate income tenants due to the expiration of Federal, State or local agreements.

California Department of Housing and Community Development (HCD): The State department responsible for administering State-sponsored housing programs and for reviewing housing elements to determine compliance with the State Housing Element Law.

California Housing Finance Agency (CalHFA): A State agency, established by the Housing and Home Finance Act of 1975, which is authorized to sell revenue bonds and generate

funds for the development, conservation and rehabilitation of low and moderate income housing.

Census: The official United States decennial enumeration of the population conducted by the U.S. Bureau of the Census.

Community Development Block Grant (CDBG): A grant program administered by the U.S. Department of Housing and Urban Development (HUD). This grant allots money to cities and counties for housing rehabilitation and community development activities, including public facilities and economic development.

Condominium: A building or group of buildings in which units are owned individually, but the structure, common areas and facilities are owned by all owners on a proportional, undivided basis.

Density: The number of dwelling units per unit of land. Density is usually expressed "per acre," e.g., a development with 100 units located on 20 acres has density of 5.0 units per acre.

Density Bonus: The allowance of additional residential units beyond the maximum allowable density in exchange for the provision or preservation of affordable housing units at the same site or at another location.

Development Impact Fees: A fee or charge imposed on developers to pay for a local jurisdiction's costs of providing services to new development.

Dwelling, Multi-family: A building containing two or more dwelling units for the use of individual households; an apartment or condominium building is an example of this dwelling unit type.

Dwelling, Single-family Attached: A one-family dwelling attached to one or more other one-family dwellings by a common vertical wall. Row houses and town homes are examples of this dwelling unit type.

Dwelling, Single-family Detached: A dwelling not attached to any other dwelling, which is designed for and occupied by not more than one family and surrounded by open space or yards.

Dwelling Unit: One or more rooms, designed, occupied or intended for occupancy as separate living quarters.

Emergency Shelter: A facility that provides shelter to homeless households and/or homeless individuals on a limited short-term basis.

Emergency Shelter Grants (ESG): A grant program administered by the U.S. Department of Housing and Urban Development (HUD) provided on a formula basis to large entitlement jurisdictions.

Extremely Low Income: Persons or households earning up to 30% of the area median income (AMI), but at least the minimum Social Security Income (SSI).

Fair Market Rent (FMR): Fair Market Rents (FMRs) are rental rates defined by HUD as the median gross rents charged for available standard units in a county or Standard Metropolitan Statistical Area (SMSA). Fair Market Rents are used for the Section 8 Rental Program and many other HUD programs, and are published annually by HUD.

First-Time Home Buyer: Defined by HUD as an individual or family who has not owned a home during the three-year period preceding the HUD-assisted purchase of a home. Local jurisdictions may adopt local definitions for first-time homebuyer programs that differ from non-federally funded programs.

Floor Area Ratio (FAR): The gross floor area of all buildings on a lot divided by the lot area; usually expressed as a numerical value (e.g., a building having 10,000 square feet of gross floor area located on a lot of 5,000 square feet in area has a FAR of 2:1).

Foreclosure: The legal process in which a bank or other secured creditor sells or repossess a parcel of property or home after the owner has failed to comply with an agreement between the lender and the borrower called a mortgage or deed of trust. The common violation is a default in payment of a promissory note which is secured by a lien on the property. When the foreclosure process is complete, the lender can sell the property and keep the proceeds to pay off its mortgage and any legal costs.

Group Quarters: A facility that houses unrelated persons not living in households (U.S. Census definition). Examples of group quarters include institutions, dormitories, shelters, military quarters, assisted living facilities and other quarters, including single room occupancy housing.

Home Mortgage Disclosure Act (HMDA): The Home Mortgage Disclosure Act requires larger lending institutions making home mortgage loans to publicly disclose the location and disposition of home purchase, refinance and improvement loans. Institutions subject to HMDA must also disclose the gender, race, and income of loan applicants.

HOME Program: The HOME Investment Partnership Act, Title II of the National Affordable Housing Act of 1990. HOME is a Federal program administered by HUD that provides formula grants to states and localities to fund activities that build, buy, and/or rehabilitate affordable housing for rent or home ownership, or provide direct rental assistance to low income people.

Household: The Census Bureau defines a household as all persons living in a housing unit whether or not they are related. A single person living in an apartment as well as a family living in a house is considered a household. A household does not include individuals living in dormitories, prisons, convalescent homes, or other group quarters.

Housing Stock: All housing units, occupied or vacant, located in a specific geographic area.

Housing Unit: A room or group of rooms used by one or more individuals living separately from others in the structure, with direct access to the outside or to a public hall.

Income Limits: The State determines income limits for extremely low, very low and lower income households based on equivalent limits established by the U.S. Department of Housing and Urban Development (HUD) for its Section 8 program. In addition, the State determines income limits for moderate income households. Income limits are adjusted for family size and revised annually.

Live/Work Unit: A dwelling unit comprised of both living space and work space, where either a residential use or a commercial use can be the primary use.

Large Household: A household with five or more members.

Lower Income: Generally, persons or households earning up to 80% of area median income (AMI). For purposes of qualifying for assisted housing, lower income households include Low income households, very low income households, and extremely low income households.

Low Income Housing Tax Credit (LIHTC): The Low Income Housing Tax Credit (LIHTC) was created by the Tax Reform Act of 1986. Under the LIHTC program, states issue Federal tax credits for the acquisition, rehabilitation, or new construction of affordable rental housing. The credits can be used by property owners to offset taxes on other income, and are generally sold to outside investors to raise initial development funds for a project.

Market-Rate Housing: Housing available on the open market without any subsidy of which the price is determined by the market forces of supply and demand.

Moderate Income: Generally, persons or households earning up to 120% of the area median income (AMI), adjusted for household size.

Notice of Default: A notice of default is the first step in the foreclosure process. It is a formal notice to a borrower declaring that a default (lack of payment) has occurred and that legal action may be taken.

Overcrowding: A household with more than one person per room, excluding bathrooms, kitchens, hallways, and porches. Severe overcrowding is defined as a household with greater than 1.5 persons per room.

Project-Based Rental Assistance: Rental assistance provided for a project, not for a specific tenant. A tenant receiving project-based rental assistance gives up the right to that assistance upon moving from the project.

Public Housing: A project-based low-rent housing program operated by independent local public housing authorities. A low income family applies to the local public housing authority in the area in which they want to live.

Reasonable Accommodation: In the context of the Housing Element, reasonable accommodation refers to providing flexibility in the application of land use and zoning regulations or, in some instances, even a waiver of certain restrictions or requirements in order to achieve equal access to housing.

Redevelopment Agency: California Redevelopment Law provides local jurisdictions with the authority to establish a Redevelopment Agency with the scope and financing mechanisms necessary to remedy blight and provide stimulus to eliminate deteriorated conditions. The Law provides for the planning, development, redesign, clearance, reconstruction, or rehabilitation, or any combination of these, and the provision of public and private improvements as may be appropriate or necessary in the interest of the general welfare by the Agency. The Redevelopment Law requires an Agency to set aside 20% of all tax increment dollars generated from each redevelopment project area for the purpose of increasing and improving the community's supply of housing for low and moderate income households.

Regional Housing Needs Assessment or Allocation (RHNA): The Regional Housing Needs Assessment (RHNA) is based on projections of population growth and housing unit demand, and assigns a share of the region's future housing need to each local jurisdiction within the STANCOG (Stanislaus County Association of Governments) region. The housing need numbers serve as the basis for the update of the Housing Element.

Rehabilitation: The upgrading of a building previously in a dilapidated or substandard condition for human habitation or use.

Second Unit: A self-contained living unit, either attached to or detached from, and in addition to, the primary residential unit on a single lot.

Section 8 Housing Choice Voucher Program: A tenant-based rental assistance program that subsidizes a household's rent in a privately-owned house or apartment. The program is administered by local public housing authorities. Assistance payments are based on 30% of household annual income. Households with incomes of 50% or below the area median income are eligible to participate in the program.

Shared Equity: An approach to homeownership that balances ongoing housing affordability and individual asset accumulation. Under shared equity, a public or philanthropic entity provides funding to help a family purchase a home. In return, the entity in any home price appreciation that occurs while the family lives there is shared with the owner and the funding party. This preserves the buying power of the subsidy in the face of rising home prices, and allows an initial investment in homeownership to help one generation of homeowners after another.

Special Needs Groups: Segments of the population that have a more difficult time finding decent affordable housing due to special circumstances. The State Housing Element Law identifies the elderly, disabled, large families, single-parent households, farmworkers, and the homeless as special needs groups. A local jurisdiction may also consider additional special needs, such as students, military households, etc.

Subdivision: The division of a lot, tract or parcel of land in accordance with the Subdivision Map Act (California Government Code Section 66410 et seq.).

Substandard Housing: Housing that does not meet the minimum standards contained in the State Housing Code (i.e., does not provide shelter, endangers the health, safety or well-being of occupants). Local jurisdictions may adopt more stringent local definitions of substandard housing.

Supportive Housing: Housing that includes a supportive service component.

Tenant-Based Rental Assistance: A form of rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. The assistance is provided for the tenant, not for the project.

City of Modesto

Affordable Housing Implementation Tools

Executive Summary

A. Purpose and Intent

In the State of California every governing body (City Council or Board of Supervisors) of a local government is required to adopt a comprehensive, long-term general plan for the physical development of the city, city and county, or county. The housing element is one of the seven mandated elements of the local general plan. Housing element law mandates that local governments adequately plan to meet the existing and projected housing needs of all economic segments of the community. The law acknowledges that, in order for the private market to adequately address housing needs and demand, local governments must adopt land use plans and regulatory systems which provide opportunities for, and do not unduly constrain, housing development.

On April 27, 2004, the City of Modesto approved the Housing Element component of Modesto's General Plan. The Housing Element was then certified by the California Department of Housing and Community Development. The Housing Element calls for a number of implementation programs, including consideration of measures to enhance the supply of affordable housing such as the adoption of an inclusionary program.

On December 11, 2006, the Economic Development Committee considered options and asked staff to pursue the development of an Affordable Housing Toolbox that would list specific implementation tools developed to a level at which they can be adopted and implemented.

On July 3, 2007, the City Council authorized execution of an agreement with consultant Veronica Tam for the identification of affordable housing tools. Ms. Tam has identified and provided a report outlining: Tools that are used in Modesto, and/or in other jurisdictions, Tools that provide options in procedural or regulatory planning processes, and Funding tools that promote and enable the development of affordable housing.

This list of tools presents an array of options for the City Council to review, prioritize, and potentially adopt. Some of the tools listed are already in place and the Affordable Housing Tool Box provides information regarding utilizing existing tools in conjunction with tools or opportunities.

B. Organization of Report

This report is comprised of the following sections:

- **Introduction:** A description of the process undertaken in developing this report.
- **Community Context:** A review of quick facts about Modesto today.
- **Recommendations for Modesto:** Recommended affordable housing tools for Modesto and specific implementation steps required.
- **Implementation and Responsibility:** Phases of implementation and agencies responsible for implementation.
- **Toolkit Scenarios for Developer:** Overview of how combinations of affordable housing tools could work together to achieve affordable housing objectives.
- **Available Funding Sources:** An inventory of affordable housing funding sources currently available to Modesto and potential funding sources.

C. Summary of Housing Issues

Based on recent market conditions, housing issues facing Modesto include:

- Housing construction in recent years has been geared toward the income levels of the Bay Area, and not affordable to those who work in Modesto or in Stanislaus County. Geographic and income mismatch between jobs and housing available in the City, resulting in increased commuting time and exacerbated air quality, among other issues.
- Lower-income households have limited housing choices and most likely cannot afford homeownership.
- Affordable and accessible housing options for seniors and persons with disabilities are limited.
- Lack of multi-family housing construction, leading to overcrowding and cost burden issues among renter-households. Although rents in the past year have been stable, the recent slowing down of the home construction industry and rise in foreclosures will put additional pressure on the rental market.
- The City is experiencing a staggeringly high number of Notices of Default. Homeowners are having difficulty in keeping up with their mortgage payments; many of these households have ultimately lost or will lose their homes due to foreclosure.

D. Menu of Affordable Housing Implementation Tools

A menu of affordable housing tools was developed in response to the specific housing issues confronting the City of Modesto. Development of the affordable housing implementation tools involved consultations with City staff and community stakeholders, and research and interviews with other jurisdictions for their affordable housing efforts. The result is a menu of affordable housing tools that are considered appropriate in the City of Modesto. The menu includes the following program options:

- Single-Family Rehabilitation Loans and Grants
- Multi-Family Rehabilitation
- Acquisition/Rehabilitation
- Rent Subsidies
- First-Time Homebuyer Assistance
- Foreclosure Assistance
- Extension of Affordability Covenant
- Universal Design Principles
- Reasonable Accommodation Ordinance
- Prototypes for Accessory Dwelling, Second Units, and Living Quarters
- Density Bonus Incentives/Regulatory Concessions
- Graduated Density Zoning
- Small Lot Development Incentives
- Priority Processing
- Fee Waivers
- Gap Financing in Construction
- Land Banking/Write-Downs

Each of these tools is described in this report, with a brief summary of its benefits and limitations, appropriateness in Modesto, current status/implementation in Modesto, and recommendations for future actions.

Introduction

The City of Modesto recognizes the importance of providing decent and affordable housing for its residents. As part of the City's 2003-2008 Housing Element, the City identified a number of potential strategies for addressing the varied housing needs in the community. This Affordable Housing Implementation Tools report summarizes the City's efforts in exploring realistic and appropriate strategies that can be implemented in Modesto. This report represents a collaborative effort among City decision makers, various City departments, community stakeholders, residents, and the development industry.

A. Community Outreach

A community outreach program was designed and implemented for development of this Affordable Housing Implementation Tools study. The outreach program included the following components:

- Interviews with stakeholders
- Community workshop
- Public meetings before the Economic Development Committee (EDC), and City Council

Stakeholders Interviews

On November 1 and November 2, 2007, the City conducted focused group meetings with various stakeholders. Community groups, housing developers, architects and engineers, and surrounding jurisdictions were invited to these meetings to provide their input on feasible strategies for Modesto. The following agencies/organizations attended the meetings:

- Building Industry Association (BIA) of Central California
- Disability Resource Agency for Independent Living (DRAIL)
- Housing Authority of the County of Stanislaus
- Stanislaus Community Assistance Project (SCAP)
- Self Help Enterprises
- Visionary Homebuilders
- City of Riverbank
- County of Stanislaus

Appendix A provides a summary of the comments received during the interviews.

Community Workshop

A community workshop was held on July 31, 2008 to review the Draft Affordable Housing Implementation Tools report. The City publicized the community workshop via various means, including a public notice in the local newspaper, *The Modesto Bee*, posting at City's website, and direct mailing to interested parties.

Public Meetings

In addition to the community workshop mentioned above, the City held two public meetings to review the Draft Affordable Housing Implementation Tools report as follows:

- Economic Development Committee – August 11, 2008
- City Council Workshop – September 30, 2008

The report has been modified, as appropriate, based on the outcome of the community workshop and the public meetings, to culminate in this final document.

B. Target Income Groups

Consistent with State Housing Element and Community Redevelopment laws,¹ this Affordable Housing Tools study focuses on housing affordable to the following income groups, based on Area Median Income (AMI) developed by the State Department of Housing and Community Development:

- Extremely Low Income: up to 30% of AMI
- Very Low Income: between 31 and 50% of AMI
- Low Income: between 51 and 80% of AMI
- Moderate Income: between 81 and 120% of AMI

Combined, extremely low, very low, and low income households are typically referred as lower income households. The income figures for these groups in the City of Modesto are shown in Table 6 on pages 6-7.

C. Target Special Needs Groups

In addition to housing affordable to lower and moderate income households, affordable housing tools proposed in this study will also address housing issues for the following special needs groups in the City of Modesto:

- Seniors
- Large households
- Persons with disabilities
- Single-parent households

¹ Sections 50052.5 and 50053 of the California Health and Safety Code.

- Farmworkers

Community Context

A. Owner-Occupied Housing

The City of Modesto has experienced a number of changes since it was founded in 1870. It has evolved from a one-square-mile railroad town to a thriving agricultural center and is now a large bedroom community working to attract business from all industries.

As shown in Table 1, Modesto’s population as of January 2008 was 209,906, yielding an 11% increase since 2000. Paralleling this, from 2000 to 2008 there was nearly an 11% increase in the number of housing units. However, the majority of the housing growth was in single-family housing construction, which increased almost 14% between 2000 and 2008, compared to less than a four percent increase in multi-family housing. Single-family homes are typically owner-occupied and are primarily affordable to those in the above-moderate income range (those making above 120% of the median household income). Overall, single-family units comprise 76% of the City’s housing stock.

	2000	2008	% Change
Population	189,460	209,936	10.8%
Housing Units	67,179	74,700	11.2%
Single-Family Units	49,926	56,795	13.8%
Multi-Family Units	15,310	15,854	3.6%
Mobile Homes	1,944	2,051	5.5%

Sources:

1. Bureau of the Census, 2000 Census.
2. California Department of Finance, Population and Housing Estimates, January 1, 2008.

There has been a substantial increase in housing costs in Modesto over recent years, generally compounding the housing affordability issue. However in the last couple years, there has been some reprieve to the escalating home prices, in that Modesto’s housing market, much like the rest of California, has been experiencing a downturn.

Table 2 below shows that home prices in Stanislaus County decreased by 41% overall between June 2007 and June 2008. City of Modesto home prices have decreased by 45% to \$175,000 during the same period. While this has made home ownership generally more affordable, those in the low income, very low income and extremely low income groups, continue to be unable to afford home ownership at this level (see Table 6).

City	# Homes Sold in June 2008	Median Sale Price		Percent Change
		June 2008	June 2007	
Patterson	74	\$230,000	\$414,000	-44.44%
Waterford	16	\$161,500	\$285,500	-43.43%
Newman	29	\$185,000	\$297,000	-37.71%
Hughson	13	\$226,500	\$307,500	-26.31%
Ceres	69	\$212,000	\$360,000	-41.11%
Denair	7	\$278,000	\$358,000	-22.35%
Oakdale	44	\$247,500	\$432,750	-42.81%
Keyes	9	\$107,500	\$315,750	-65.95%
Salida	28	\$222,500	\$323,500	-31.22%
Modesto	368	\$174,500	\$317,000	-44.95%
Riverbank	45	\$250,000	\$355,000	-29.58%
Turlock	89	\$240,000	\$365,000	-34.25%
Stanislaus County	795	\$201,000	\$341,750	-41.19%

Source: DQNews, accessed August 13, 2008.

B. Rental Housing

Rental data as of August 2008 in the City of Modesto were obtained from internet services (www.move.com) and are presented in Table 3. The median rent for a one-bedroom unit was \$745 but the prices ranged from \$600 to \$810. Two-bedroom units ranged from \$675 to \$1,000 with a median of \$875. There were only two studio apartments available at the time with an average rent of \$680 and two three-bedroom units with a median rent of \$1,108.

Size	Range		Median	Average	#
	Low	High			
Studio	\$660	\$700	\$680	\$680	2
1-Bedroom	\$600	\$810	\$745	\$740	17
2-Bedroom	\$675	\$1,000	\$875	\$881	19
3-Bedroom	\$1,100	\$1,115	\$1,108	\$1,108	2
Total	\$660	\$1,115	\$810	\$822	40

Source: Move.com, accessed August 13, 2008.

Low interest rates, coupled with the subprime loans, allowed many renters to become homeowners, thereby keeping rental housing prices relatively stable, despite the lack of production of new multi-family and other rental units over the last several years.

However, the trend of high-risk loans has turned into a foreclosure problem throughout the nation. California is currently experiencing this more than any other state. Six out of the top ten highest foreclosure rate cities are located in California.² Modesto placed third on this list, with one out of every 188 household in foreclosure. The most foreclosures are in Stockton where one out of every 88 households has been foreclosed. Merced places second with one out of every 100 households. Table 4 compares Notices of Default (NOD) in various California regions.

Region	2007 2 nd Quarter	2008 2 nd Quarter	Percent Change
Bay Area	7,696	18,516	140.6%
Central Valley	12,964	28,883	122.8%
Coast	1,280	3,640	184.4%
Mountains	328	662	101.8%
Northern California	847	1,412	66.7%
Southern California	30,828	68,228	121.3%
Total California	53,943	121,341	124.9%

Source: DQNews, accessed August 13, 2008.

The high rate of defaults combined with a housing market that is in decline is an indication of significant housing problems. People losing homes to foreclosure will need affordable rental housing and people that must sell homes while the market is down will end up losing equity.

The area’s booming population, slowdown in the shift to homeownership, and a lower rate of new construction are expected to cause the rental market to tighten during the next few years, thereby driving prices up. In the *Comprehensive Market Analysis for the Modesto HMA*, HUD estimates a demand for 700 new rental units and 11,150 for-sale units in the HMA during the forecast period of April 1, 2006 to April 1, 2009 (Table 5).

² http://money.cnn.com/2007/11/29/real_estate/foreclosure_activity/?postversion=2007112908
http://www.consumeraffairs.com/news04/2007/09/foreclosures_august.html
<http://www.centralvalleybusinesstimes.com/stories/001/?ID=5149>
<http://www.therealestatebloggers.com/2007/08/22/top-10-cities-for-foreclosure-in-july-2007/>

	Modesto HMA	
	Sales Units	Rental Units
Total Demand (2006-2009)	11,150	700

Notes:

1. Modesto Housing Market Area is defined by HUD as Stanislaus County.
2. Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period.

Source: *Comprehensive Market Analysis for the Modesto Housing Market Area* by HUD, Office of Policy Development and Research

C. Affordability

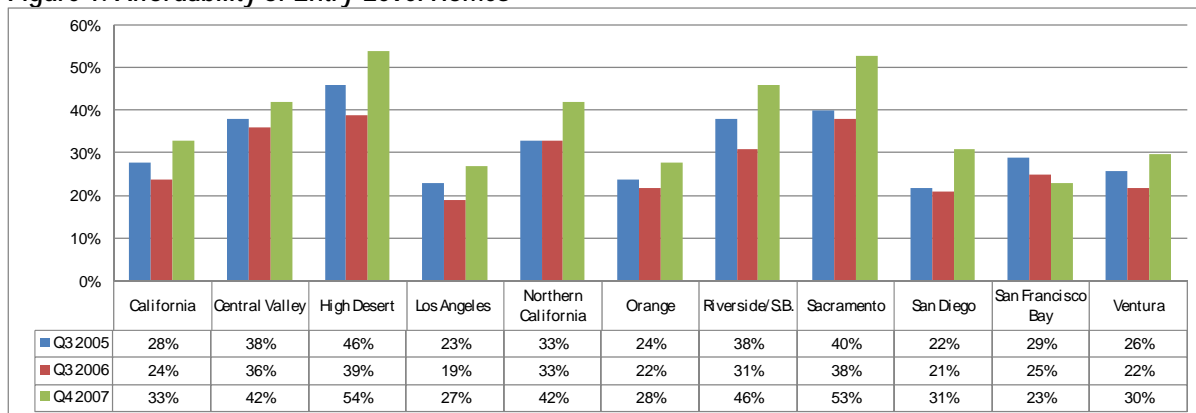
State and federal housing programs have established affordable housing costs at 30% of the gross household income. Table 6 below generally estimates the maximum affordable home purchase prices and rents for each income group by household size, based on the general 30% rule (except for homebuyers in moderate income can go up to 35 percent according to California Redevelopment law) and general assumptions regarding interest rates, utility expenses, and taxes and insurance.

	Annual Income	Affordable Monthly Housing Costs (Include Taxes, Insurance, and Utilities)		Affordable Home Purchase Price	Affordable Rent
		Ownership	Rental		
Extremely Low Income: up to 30% of Area Median Income					
1-Person	\$11,850	\$296	\$296	\$32,170	\$242
2-Person	\$13,550	\$339	\$339	\$36,564	\$276
3-Person	\$15,250	\$381	\$381	\$37,443	\$289
4-Person	\$16,950	\$424	\$424	\$41,486	\$321
5-Person	\$18,300	\$458	\$458	\$45,002	\$348
Very Low Income: between 31% and 50% of Area Median Income					
1-Person	\$19,800	\$495	\$495	\$60,120	\$441
2-Person	\$22,650	\$566	\$566	\$68,558	\$503
3-Person	\$25,450	\$636	\$636	\$73,304	\$544
4-Person	\$28,250	\$706	\$706	\$81,215	\$603
5-Person	\$30,500	\$763	\$763	\$87,895	\$653
Low Income: between 51% and 80% of Area Median Income					
1-Person	\$31,650	\$791	\$791	\$101,782	\$737
2-Person	\$36,150	\$904	\$904	\$116,021	\$841
3-Person	\$40,700	\$1,018	\$1,018	\$126,920	\$926
4-Person	\$45,200	\$1,130	\$1,130	\$140,808	\$1,027
5-Person	\$48,800	\$1,220	\$1,220	\$152,234	\$1,110

Table 6: Affordability by Income Level – 2008					
	Annual Income	Affordable Monthly Housing Costs (Include Taxes, Insurance, and Utilities)		Affordable Home Purchase Price	Affordable Rent
		Ownership	Rental		
Median Income: Area Median Income					
1-Person	\$39,600	\$1,155	\$990	\$152,937	\$936
2-Person	\$45,200	\$1,318	\$1,130	\$174,325	\$1,067
3-Person	\$50,900	\$1,485	\$1,273	\$192,607	\$1,181
4-Person	\$56,500	\$1,648	\$1,413	\$213,643	\$1,310
5-Person	\$61,000	\$1,779	\$1,525	\$230,871	\$1,415
Moderate Income: between 81% and 120% of Area Median Income					
1-Person	\$47,500	\$1,385	\$1,188	\$185,341	\$1,134
2-Person	\$54,200	\$1,581	\$1,355	\$211,241	\$1,292
3-Person	\$61,000	\$1,779	\$1,525	\$234,035	\$1,433
4-Person	\$67,800	\$1,978	\$1,695	\$259,993	\$1,592
5-Person	\$73,200	\$2,135	\$1,830	\$280,912	\$1,720
Note: "Affordable Monthly Housing Costs" include taxes, insurance, and utility costs for homeowners and include utility costs for renters. The last column "Affordable Rent" represents the amount of rent payment a household can afford excluding utility costs.					
Assumptions: 2008 HCD median income for Stanislaus County - \$56,500; affordable housing costs based on Health and Safety Code standards; 20% of monthly affordable cost for taxes and insurance; 10% downpayment; and 6.5% interest rate for a 30-year fixed-rate mortgage loan.					
Source: Veronica Tam and Associates, 2008.					

According to the California Association of Realtors (CAR), approximately 42% of the first-time homebuyers in Central Valley are able to afford an entry-level home (defined by CAR as 85% of the median price home). Compared to areas like Los Angeles, Orange County, San Diego and San Francisco, homes in the Central Valley are generally more affordable (Figure 1).

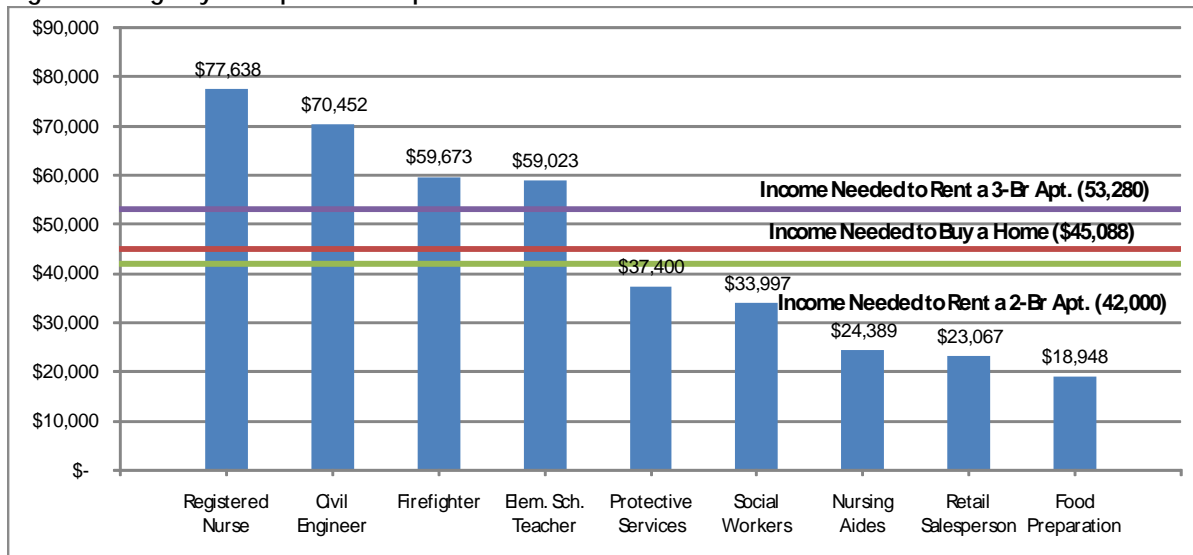
Figure 1: Affordability of Entry-Level Homes



Source: California Association of Realtors.

However, based on the 30% threshold for affordable housing, at the current market interest rate of 6.2%, a household income of about \$45,000 would be needed to afford the median priced home of \$175,000 in Modesto. An income of \$53,000 would be needed to rent a median priced three-bedroom apartment. A two-bedroom apartment would require an income of close to \$42,000. When comparing wages earned by workers in Stanislaus County, it is clear that under current market conditions, many professionals can afford median priced homes. However, workers in the retail and service industries, and some single professionals, can barely afford to rent an apartment in Modesto (Figure 2).

Figure 2: Wage by Occupation Compared with Income Needed for Median Prices Homes and Rents



Sources:

1. Wage information obtained from Occupational Wage Survey by the State Employment Development Department for Stanislaus County in first quarter 2007.
2. Income/affordability calculations by Veronica Tam and Associates based on 6.2% interest on a 30-year fixed rate loan with 10% downpayment and 30% monthly income for housing (including taxes, utilities, and insurance).

D. Special Needs Groups

Certain segments of the population have more difficulty in finding decent and affordable housing due to their unique circumstances and associated special housing needs. These groups in Modesto include: seniors, large households, persons with disabilities, single-parent households, farmworkers, and homeless & persons at risk of becoming homeless.

Seniors

Seniors (aged 65 or older) have special housing needs due to their limited and fixed incomes, disabilities, and dependency on public transportation. According to the 2006 American Community Survey (ACS)³, seniors represented 11.7% of the City's population. Many seniors have one or more disabilities that limit their ability to earn incomes, go

³ American Community Survey (ACS) is survey conducted by the Bureau of the Census for large communities (population over 60,000) between Census years. However, due to the small sample size used, the margin of error is usually large. Therefore, results of the ACS are usually presented only as percentages/proportions to illustrate the magnitude of order.

outside of home, or live independently. Among the senior persons in Modesto, an estimated 43% had one or more disabilities, according to the 2006 ACS.

According to Comprehensive Housing Affordability Strategy (CHAS) data⁴, 56% of the senior renter-households and 28% of the senior owner-households were paying more than 30% of their incomes on housing in 2000.

Persons with Disabilities

According to the 2006 ACS, 18.6% of the residents in Modesto had one or more disabilities. The Americans with Disabilities Act was passed in 1990. Housing constructed prior to 1990 is not usually accessible to persons with disabilities and single-family homes are not subject to the accessibility requirements under ADA. Therefore, given that 76% of the City's housing stock is comprised of single-family homes and the limited multi-family housing construction in recent years (Table 1), accessible housing units in the City are limited.

Large Households

Large households are defined as those with five or more members. Large households have unique housing needs due to their greater need for affordable and adequately sized units. Most large units in Modesto are single-family homes. Rental housing that is sized appropriately for large households is particularly short in supply. As a result, overcrowding is typically more prevalent among renter-households. Overcrowding is defined as a unit that is occupied by more than one person per room (including living and dining rooms, and other habitable rooms but not including kitchens and bathrooms).

According to the ACS, of the estimated 68,000 households in Modesto in 2006, approximately 14.5% were large households. Specifically, 14.6% of the owner-households and 14.3% of the renter-households were large households. However, since most rental housing units are smaller in size, overcrowding may tend to impact renter-households more significantly. The ACS estimates that three percent of the owner-households were considered overcrowded compared to nine percent of the renter-households.

According to the CHAS data, 43% of the large renter-households and 27% of the large owner-households were paying more than 30% of their incomes on housing in 2000.

Single-Parent Households

Single-parent households are considered a special needs group due to their limited ability to earn adequate income and their greater need for child care and other supportive services (compared to two-parent households). Female-headed households, in particular, tend to earn less income than their male counterparts and more often take on the childrearing responsibility. According to the ACS, an estimated six percent of the City's families in 2006

⁴ The Comprehensive Housing Affordability Strategy (CHAS) data was developed for HUD by the Bureau of the Census using 2000 Census data. This dataset contains the estimated proportion of households with housing problems (primarily cost burden) by tenure, household type, and income.

were single-parent, male-headed families with children, compared to 12% being single-parent, female-headed families with children.

Farmworkers

Countywide, according to the State Employment Development Department's Projection of Employment by Industry, farming-related jobs are expected to reach 13,900 by 2014. Farmworkers tend to earn lower incomes and many farmworkers migrate from one area to another depending on the harvesting seasons of various crops. The ACS estimates that only 1.4% of the residents in Modesto in 2006 had farming-related occupations. The Employment Development Department's Occupational Wage data for Stanislaus County for the first quarter of 2007 reported an average annual salary of \$18,619 for all farming-related occupations in the County. As shown in Table 6 on page 6, this level of income is not adequate to rent or own housing in Modesto.

E. Summary of Housing Issues

Based on recent market conditions, housing issues facing Modesto include:

- Housing construction in recent years has been geared toward the income levels of those working in the Bay Area, and not affordable to those who work in Modesto or in Stanislaus County. Geographic and income mismatch between jobs and housing available in the City, resulting in increased commuting time and exacerbated air quality, among other issues.
- Lower-income households have limited housing choices and most likely cannot afford homeownership.
- Affordable and accessible housing options for seniors and persons with disabilities are limited.
- Lack of multi-family housing construction, leading to overcrowding and cost burden issues among renter-households. Although rents in the past year have been stable, the recent slowing down of the home construction industry and rise in foreclosures will put additional pressure on the rental market.
- The City is experiencing a high number of Notices of Default. Homeowners are having difficulty in keeping up with their mortgage payments; many of these households have ultimately lost or will lose their homes due to foreclosure.

Recommendations for Modesto

The following represents a list of affordable housing tools that may be appropriate for addressing various housing needs in Modesto. Many of these tools are currently beyond the capacity of the City of Modesto's available financial resources. Implementation of some of these tools can only be realized if additional funding is available. Several housing tools included in this list address the issue of expanding the City's financial capacity for affordable housing.

Table 10 on page 31 and Table 11 on page 32 at the end of this section organize the recommended tools by their targeted special needs and income areas.

A. Preservation of Existing Housing

1. Single-Family Rehabilitation Loans and Grants

Description:

Provision of loans and/or grants to income-qualified households to make necessary repairs and improvements. Most communities provide loans of larger amounts to low and moderate income households for moderate and substantial repairs. Very low income households, seniors, and disabled persons typically receive small grants for minor or emergency repairs.

Benefits:

- Improve housing conditions and encourage private reinvestments.
- Easy to administer and usually widely used.

Limitations:

- Do not create new affordable units.
- Units are usually not deed restricted as affordable housing.

Appropriateness in Modesto:

According to the 2000 Census, an estimated 62% of the City housing stock is at least 30 years of age. This is the age threshold when housing may require substantial improvements and upgrading, such as electrical and plumbing systems, as well as roofing. It is important to provide assistance to homeowners so that housing stock conditions are maintained and improved. Providing single-family rehabilitation loans and grants will foster additional private reinvestment in neighborhoods.

Modesto (Current Status):

The City currently offers the following programs:

- Emergency Home Repair Program/Disabled Access Assistance Program
- Minor Home Repair Grant Program
- Property Enhancement Program
- Housing Maintenance Program

- Tool Bank Rental Program

Rehabilitation assistance offered by the City focuses on owner-occupied single-family and mobile homes. While the Property Enhancement Program is available to rental properties, eligible activities include only exterior/cosmetic improvements. The Housing Maintenance Program and Tool Bank Rental Programs are available to households in targeted neighborhoods (Airport, Highway Village, Maple, Oak and Pine-400 Block). Other programs are available citywide.

These programs are funded primarily with CDBG funds. During the last five years, Congressional appropriations for the CDBG program had declined by five to 10% every year. As a result, the City's ability to fund these programs also diminished. Furthermore, the City's current rehabilitation programs focus on emergency repairs and maintenance, not for substantial rehabilitation.

Recommended Actions:

Consider one or more of the following options:

- Consider incorporating a substantial rehabilitation component to the existing rehabilitation program.
- Consider providing a rehabilitation loan in conjunction with a first-time homebuyer assistance to encourage potential buyers to purchase "fixer-up" units.
- Amend the Single-Family Rehabilitation Loans Program to include construction of second units, accessory units, or living quarter as eligible activities.

2. Multi-Family Rehabilitation Loans and Grants

Description:

Provision of low-interest loans or grants to property owners to make moderate or substantial rehabilitation. Rehabilitation of units may involve merging of one- and two-bedroom apartments into bigger units that meet the housing needs of families. In exchange for the financial assistance, deed restrictions are imposed on a portion or all of the rehabilitated units to maintain the units as housing affordable to lower and moderate income households.

Benefits:

- Improve housing conditions and encourage private reinvestments.
- Create affordable housing for lower income households.

Limitations:

- Largely not capitalized on when the rental housing market is tight and landlords have no difficulty renting out substandard or less-than-quality units at high rents.

Appropriateness in Modesto:

According to the 2000 Census, most multi-family housing construction in Modesto occurred prior to 1990, with about 62% being constructed prior to 1980 and another 24% being constructed during the 1980s, indicating a significant portion of the rental housing units reaching or exceeding 30 years of age - the age when substantial rehabilitation is

required. Multi-family rental housing represents an important affordable housing resource for lower income households. It is important to maintain and improve this valuable resource.

Modesto (Current Status):

The City has created a pilot program offering rehabilitation assistance for ADA Section 504 accessibility improvements to rental properties. In exchange, the owner must agree to an affordability covenant. In addition, landlords are eligible for the Property Enhancement Program for exterior/cosmetic improvements. However, no affordability covenant is placed on the improved units due to the limited financial assistance provided.

The programs in operation focus on ADA improvements and minor exterior/cosmetic improvements. Rehabilitation assistance is currently not provided. While the City has established a multi-family rehabilitation program, no funding has been allocated to this program.

Recommended Actions:

Consider one or both of the following options:

- Continue implementation of the City’s two multi-family rehabilitation programs.
- Fund the multi-family rehabilitation program that focuses on moderate/substantial rehabilitation.

3. Acquisition/Rehabilitation

Description:

Financial assistance is provided to nonprofit housing developers to acquire and rehabilitate substandard housing units. Rehabilitated units are subject to affordability covenants. Acquisition/rehabilitation programs can target both single-family and multi-family units. For single-family acquisition/rehabilitation, the finished units are sold to income-qualified households. For multi-family acquisition/rehabilitation, the nonprofit developer usually retains ownership and management of the units, which are made available as long-term affordable housing to lower and moderate income households.

Benefits:

- Improve housing conditions and encourage private reinvestments.
- Create long-term or permanent affordable rental housing.
- Create affordable homeownership opportunities for first-time homebuyers.

Limitations:

- Require participation of experienced nonprofit developers.
- Require willingness of landlords to sell properties.

Appropriateness in Modesto:

According to the 2000 Census, 60% of the City's multi-family rental housing was constructed prior to 1980, indicating a significant portion of the rental housing units reaching or exceeding 30 years of age - the age when substantial rehabilitation is required. According to the 2003 Modesto Housing Element, the City has about 1,000 affordable rental units created through various funding programs. The need for affordable rental housing in the City exceeds its supply. According to the CHAS data, 43% of all renter-households in the City were paying more than 30% of their incomes on housing in 2000. Specifically, CHAS estimates that 82% of the City's 9,600 very low income renter-households and 48% of the City's 6,000 low income households were paying more than 30% of their incomes on housing.

Modesto (Current Status):

The City offers CDBG and HOME funds to nonprofit housing developers to pursue acquisition/rehabilitation of existing housing developments and convert them into affordable housing. In 2006, funding was provided to the Housing Authority of the County of Stanislaus to purchase and improve the 12-unit Paramount Apartments. The City is working with the Housing Authority on the acquisition/rehabilitation of a 32-unit project. In addition, the City is pursuing the acquisition/rehabilitation of distressed/foreclosing single-family homes and multi-family projects.

Recommended Actions:

If funding permits, consider one or more of the following options:

- Continue to work through the Housing Authority to pursue funding for acquisition/rehabilitation projects.
- Conduct an assessment of multi-family housing conditions to identify potential properties for acquisition/rehabilitation.
- Identify a list of qualified nonprofit housing developers with interest and capacity to acquire and rehabilitate projects in Modesto.
- Begin communicating with property owners regarding rehabilitation needs and the possibility of property sales to the City or non-profit organizations.

B. Enhancement of Affordability

4. Rent Subsidies

Description:

Provision of direct subsidies to lower income tenants to afford rental housing. The amount of subsidies usually represents the difference between Fair Market Rents (established by HUD) and the recipient's ability to pay (30% of household income). The most common assistance is Housing Choice Vouchers funded by HUD. Some communities augment the Housing Choice program to provide rent subsidies with HOME or other funds. Some communities provide funding for emergency utility/rent payments or help with security deposits.

Benefits:

- Allow tenants to locate housing of their choice as long as the rents are within the payment standards.
- Offers supportive service programs with financial incentives that encourage families to become independent of government assistance and to pursue homeownership.

Limitations:

- Do not create permanent affordable housing.
- Difficult to solicit participation of landlords to accept vouchers in a tight housing market.
- Difficult to project subsidies needed as both market rents and household incomes fluctuate.
- Funding is needed on an ongoing basis.

Appropriateness in Modesto:

According to the CHAS data, 82% of the City's 9,600 very low income renter-households and 48% of the City's 6,000 low income households were paying more than 30% of their incomes on housing. With limited local resources, this federally funded program represents one of the few affordable housing options for lower income households, particularly those with very low (50% AMI) and extremely low income (30% AMI).

Modesto (Current Status):

The City currently provides rent subsidies through the Section 8 Housing Choice Voucher program administered by the Housing Authority of the County of Stanislaus. In addition, the City utilities Redevelopment Housing Set-Aside funds to provide rent subsidies to tenants of mobilehome parks. The City's Consolidated Plan has also established a Tenant Based Rental Assistance (TBRA) program using HOME funds. However, no funding has been allocated to the TBRA program.

Recommended Actions:

If funding permits, consider one or more of the following options:

- Continue Section 8 Housing Choice Voucher program.
- Maintain a listing of housing developments that accept Housing Choice Vouchers to assist voucher recipients in locating housing.
- Provide funding for the TBRA program.

5. First-Time Homebuyer Assistance

Description:

Homebuyer assistance is usually in the form of downpayment and closing costs assistance, or a silent second loan. The amount of assistance varies based on local market conditions. Most funding programs have maximum values for homes that can be purchased. Some communities also offer rehabilitation assistance in conjunction with first-time homebuyer assistance to allow the homebuyers to purchase "fixer-up" units.

Some communities require monthly repayments and some defer the payments until sale of property, or upon refinancing or change in ownership. In addition, a shared equity formula is usually built in to prevent households from retaining the units for just a short period of time but making a windfall from public assistance as property values appreciate. The homebuyer's share of equity increases with the number of years he/she owns and resides in the unit.

Benefits:

- Promote homeownership opportunities.

Limitations:

- Deep subsidies are required even for low and moderate income households and therefore, most programs have difficulty reaching down to the very low income level.
- In a hot housing market, home prices usually exceed the maximum home values established by the funding programs.

Appropriateness in Modesto:

According to the 2000 Census, owner-households represented 66% of all households in the City. Table 1 on page 3 indicates that approximately 75% of the City's housing stock is comprised of single-family units. This would indicate that at least 10% of the City's single-family units are used as rentals.

The City's current first-time homebuyer programs have not been very successful due to high home prices; however home prices are now declining for the first time in five years. This may prove to be an excellent time to help low and moderate income residents become homeowners.

Modesto (Current Status):

The City currently offers the following homebuyer assistance:

- Down Payment Assistance Program - up to \$60,000 with a maximum home value of \$362,790.
- Mortgage Credit Certificate Program (administered by the Housing Authority of the County of Stanislaus).

Due to the high home prices, these programs have not been very successful in the last few years. However, the City is still able to promote homeownership among first-time homebuyers by providing project-based assistance to households for the purchase of units that were developed with HOME funds.

The City used to participate in the Lease-to-Own Program through the Pacific Housing and Financing Agency. However, due to unresolved tax issues with the IRS, the Lease-to-Own Program has been terminated.

Recommended Actions:

If funding permits, consider one or more of the following options:

- Continue to offer the Down Payment Assistance Program to first-time homebuyers.
- Obtain information on foreclosure and short sale properties to be used in conjunction with the Down Payment Assistance Program.
- Add rehabilitation loan component to homebuyer assistance program to encourage the purchase of “fixer-up” units.

6. Foreclosure Assistance

Description:

In response to the foreclosure crisis throughout California, many communities are exploring means to provide assistance. However, most communities do not offer direct assistance to homeowners facing foreclosures, as many of these households do not qualify for public assistance either because of their household incomes or the home values.

A number of strategies are being explored by communities to address foreclosure prevention and post-foreclosure actions.

- **Default Prevention:** Provide counseling to homeowners to avoid defaulting on mortgage payments. Offer alternative financing to address delinquencies and refinance eligible homeowners into more favorable, fixed-rate loans. Provide advocacy service to negotiate with lenders for alternative financing.
- **Post-Foreclosure:** Purchase foreclosed properties and resell as affordable housing to income-qualified homebuyers.

Benefits:

- Assist households facing foreclosure.
- Stabilize neighborhoods and to prevent abandoned or vacated homes.

Limitations:

- Many of the homes and households facing foreclosure do not qualify for financial assistance; the most viable option for these households is advocacy on behalf of these households, through nonprofit agencies, to renegotiate the loan terms with the lenders.

Appropriateness in Modesto:

Modesto was listed as having the third highest number of foreclosures nationally at the end of 2007.⁵ Efforts to assist homeowners facing foreclosure will benefit the City by slowing the decline of property values and encouraging property upkeep.

⁵ http://money.cnn.com/2007/11/29/real_estate/foreclosure_activity/?postversion=2007112908
http://www.consumeraffairs.com/news04/2007/09/foreclosures_august.html
<http://www.centralvalleybusinesstimes.com/stories/001/?ID=5149>
<http://www.therealestatebloggers.com/2007/08/22/top-10-cities-for-foreclosure-in-july-2007/>

Modesto (Current Status):

Through the No Homeowners Left Behind program, the City is working with homeowners facing foreclosure. The City is also changing its First-Time Homebuyer Assistance program guidelines to allow for the purchase of foreclosed properties. In addition, the City is working with a nonprofit group to purchase foreclosed properties and make them available to lower and moderate income homeowners.

Stanislaus County had conducted six foreclosure prevention workshops in the area for March of 2008, two of which were located in Modesto.

Recommended Actions:

- Promote foreclosure prevention workshops. No Homeowners Left Behind, a grassroots organization has been giving foreclosure prevention workshops in conjunction with Stanislaus County, Congressman Dennis Cordoza's Office and the Federal Reserve Bank of San Francisco in Modesto.
- Maintain a database of foreclosed properties and properties at risk of foreclosure
- Acquire foreclosed properties that may be re-sold at prices affordable to qualified first-time homebuyers. Acquired properties can also be provided to nonprofit housing providers to be operated as transitional or supportive housing for persons with disabilities.

7. Extension of Affordability Covenant

Description:

Many affordable housing projects built in the 1970s and 1980s are facing the potential conversion to market-rate housing due to expiration of deed restrictions, subsidy contracts, or other affordability covenants. To preserve this valuable inventory of affordable housing, communities use various strategies to extend the affordability controls on these "at-risk" units:

- Provide financial assistance for rehabilitation or improvements;
- Allow for expansion on site to add new units;
- Provide financial assistance to buy down affordability of units;
- Assist nonprofit housing developers to purchase the at-risk projects; and
- Allow developers, subject to affordable housing requirements, to purchase affordability covenants as credits in lieu of building affordable units on site

Benefits:

- Preserve the existing affordable housing stock with the potential of improving housing conditions.
- Minimize tenant displacement.

Limitations:

- Depend on the willingness of property owners to sell the at-risk housing.

- In a tight rental housing market where there are significant gaps between market rents and affordable rents, substantial financial incentives are needed to extend the affordability covenants.

Appropriateness in Modesto:

Modesto has 213 affordable housing units that are at risk of converting to market-rate housing in 2008 and an additional 205 affordable units may face conversion in 2009. Losing these affordable units would diminish Modesto’s affordable housing inventory. To preserve the at-risk housing projects, the City could facilitate the purchase of the at-risk projects by nonprofit housing providers. Such as option would only be feasible for those projects owned by for-profit entities. Another option is to provide financial subsidies either as a lump-sum loan or cost write-down, or as on-going rent subsidies.

Modesto (Current Status):

The City has several housing developments that are considered at risk of converting to market-rate housing (Table 7).

Property	Total Units/ Affordable Units	Expiration Date	Funding Program	Owner Type
Cameron Villa Apartments	68/68	9/30/2008	221 (d)(4)	For Profit
Colonial Farms	100/100	2/1/2013	Non HUD	Unknown
El Casa Verde I	142/142	7/31/2011	221(d)(3)	For Profit
Maple Manor	146/145	11/30/2008	202	Non Profit
Parkview Christian Estates	99/60	9/30/2009	231	Non Profit
Ralston Tower	180/145	11/30/2009	236(j)(1)	Non Profit
Vinewood Apartments	75/75	9/11/2010	221(d)(4)	For Profit

Source: City of Modesto, 2003-2008 Housing Element; updated with HUD database on multi-family housing.

Currently, the City works with the County Housing Authority to preserve housing projects that are at risk of converting to market-rate housing. However, due to the costs involved, it has not proven to be very effective. The Housing Authority has found that newer buildings in better conditions often are selling at lower prices than these older at-risk projects.

Recommended Actions:

- Monitor status of at-risk projects.
- Continue to work with the Housing Authority to preserve at-risk housing projects.
- Identify qualified affordable housing providers with interest and capacity to acquire and manage at-risk housing developments.
- If the Affordable Housing Program is adopted, allow developers to purchase affordability covenants as credits in lieu of building affordable units on site.

C. Alternative/Special Needs Housing

8. Universal Design Principles

Description:

Universal design, when applied to residential development, is the design of environments to be effectively and efficiently usable by people with a wide range of abilities, to the greatest extent possible, without the need for adaptation or specialized design. The seven guiding principles behind universal design are:⁶

- **Equitable Use:** The design is useful to people with diverse abilities.
- **Flexibility in Use:** The design accommodates a wide range of individual preferences and abilities.
- **Simple and Intuitive Use:** The design is easy to understand, regardless of the user's experience, knowledge, language skills, or current concentration level.
- **Perceptible Information:** The design communicates necessary information effectively to the user, regardless of ambient conditions or the user's sensory abilities.
- **Tolerance for Error:** The design minimizes hazards and the adverse consequences of accidental or unintended actions.
- **Low Physical Effort:** The design can be used efficiently and comfortably and with a minimum of fatigue.
- **Size and Space for Approach and Use:** Appropriate size and space is provided for approach, reach, manipulation, and use regardless of user's body size, posture, or mobility.

Some communities in California encourage the use of universal design principles in construction through voluntary participation by providing incentives (e.g. Irvine) or as mandatory requirements by adopting an ordinance (e.g. Dublin).

Benefits:

- Expand housing options for persons with disabilities.
- Promote aging in place without costly adaptation to make accessibility improvements.

Limitations:

- Potential increase to the initial costs of construction.
- Require participation of developers familiar with universal design principles.

Appropriateness in Modesto:

The majority of the City's recent housing construction has been single-family development, which is not subject to the American with Disabilities Act of 1990, with the exception of providing accessible features as optional upgrades for new homes. Close to 88% of the City's multi-family development (owner or renter units) was constructed

⁶ The Center for Universal Design, <http://www.design.ncsu.edu>, December 2007.

prior to 1990 and therefore not developed up to ADA accessibility standards. As a result, housing opportunities for persons with disabilities are limited in Modesto.

Modesto (Current Status):

The City does not currently have any requirements or incentives for the use of universal design principles. However, through the City’s Request for Proposal (RFP)/Notice of Funding Availability (NOFA) process for affordable housing development using HOME and Redevelopment Housing Set-Aside funds, the City provides additional ranking points for developers that utilize Universal Design Principles.

Recommended Actions:

- Implementing a voluntary Universal Design or ADA Section 504 Compliance Program that is incentive based.
- Develop a set of incentives and/or regulatory concessions for developments that utilize universal design principles.
- Develop a checklist of universal design features that would qualify for City incentives or regulatory concessions.
- Promote the universal design features to homebuilders and homebuyers.

9. Reasonable Accommodation Ordinance

Description:

Certain zoning provisions, development standards, or procedures may impede the development or improvement of housing for persons with disabilities. Reasonable Accommodation Ordinance addresses the provision of flexibility in the application of land use/zoning regulations and procedures to accommodate housing for persons with disabilities.

For example, it may be a reasonable request to relax the lot coverage, setback, or encroachment requirements in order to allow a wheelchair bound person to construct an access ramp or add a bedroom on the first floor. Such modifications to deviate from the development standards usually require the approval of a variance, which can be a costly and time-consuming process. Another example may be a request to bypass the procedures required for removing a California oak tree that blocks the path for an access ramp.

The reasonable accommodation ordinance would specify the types of requests considered to be reasonable, the procedure for applying a reasonable accommodation request, and the level of review required. In most cases reasonable accommodation requests require only ministerial reviews.

Benefits:

- Expand housing options for persons with disabilities, particularly for those who want to maintain independent living at home.
- Promote aging in place, facilitating accessibility improvements.

Limitations:

- None identified.

Appropriateness in Modesto:

The majority of the City's recent housing construction has been single-family development, which is not subject to the American with Disabilities Act of 1990, with the exception of providing accessible features as optional upgrades for new homes. Sometimes, older homes are not able to meet all current zoning and development standards when being modified for accessibility.

Furthermore, SB 520 passed in 2002 requires each local jurisdiction address constraints to housing for persons with disabilities in the Housing Element. Specifically, the Housing Element must address the provision of reasonable accommodation. The 2003 Modesto Housing Element includes a program to adopt a reasonable accommodation ordinance but this program has not yet been implemented.

Modesto (Current Status):

The City has not adopted a reasonable accommodation ordinance.

Recommended Actions:

- Adopt a reasonable accommodation ordinance to specify the eligible applicants, types of requests to be considered reasonable, the application procedure, approval body, and fees (if any), etc.

10. Prototypes for Accessory Dwelling/Second Units and Living Quarters

Description:

Accessory units (also known as second units or granny flats) offer affordable housing options to singles, seniors, and small households. Pursuant to State law, local jurisdictions are required to permit accessory/second units in single-family zones via an administrative process. To promote the development of second units, some communities provide preapproved prototypical plans for second/accessory units that meet all city standards and building code requirements (e.g. City of Santa Cruz). A successful example is the City of Santa Cruz Accessory Dwelling Unit Development Program (described later).

Another increasingly popular strategy is to develop ownership housing that is also income-generating to the owner as a means to subsidize the mortgage. Many new single-family residential developments now offer an option for the homebuyer to convert the bonus room (typically above the garage) into a "living quarter", which can be rented out for income.⁷ The living quarter has a small kitchenette and bathroom, as well as its separate entrance to protect the privacy of the homeowner and the tenant. Examples of such developments can be found in the Belmaison community in San Ramon or in the South Livermore Specific Plan area.

⁷ In more urbanized areas, developers are beginning to offer similar options in condominium/townhome developments, where a homebuyer can choose the option of converting a flexible space within the unit into a separate living quarter.

Benefits:

- Ensure quality second units to be constructed.
- Ease of use for both homeowners and City staff.
- Reduce the cost of constructing second units by reducing the architectural fees associated with designing the units.
- Offer a means to generate income and subsidize homeownership costs.
- Expand affordable housing options for seniors, single workers, and college students, etc.

Limitations:

- No specific limitations identified.

Appropriateness in Modesto:

Older neighborhoods in the City are primarily built out. Recent residential development occurs primarily in newly annexed areas and in the form of single-family housing. Such housing is rarely catered toward the lower and moderate income households. To facilitate additional housing opportunities in older neighborhoods without substantially altering the character of established neighborhoods, second units, accessory dwelling, and living quarters are appropriate housing options. Such units are ideal for seniors, students, single professionals, single parents, and other small households.

Modesto (Current Status):

The City of Modesto Zoning Ordinance permits two dwelling units on interior lots, provided:

- The property owner must live in one of the units.
- One of the units must have no more than 640 square feet, unless:
 - One of the units is deed-restricted as affordable housing for low income households, in which case the maximum size is increased to 800 square feet; or
 - One of the units is deed-restricted as affordable housing for very low income households, in which case the maximum size is increased to 1,000 square feet.

Interest in second units has been limited in Modesto; however, the City's building permit system does not track second units separately. The City does not have an adopted prototypical design and there are no specific provisions in the City's Zoning Ordinance to prevent "living quarter" developments.

Recommended Actions:

- Develop prototypes through design charrettes or design competitive to select prototype second units, accessory dwellings, and living quarters that are aesthetically pleasing and compatible with existing character of established neighborhoods. Allow the community to select the winning designs.
- Provide technical assistance to homeowners considering accessory dwellings, second units, and living quarters.

- Simplify permit approval process for homeowners who utilize the designs selected by the community.
- Encourage developers to include accessory units, second units, or living quarters as options in new developments.

D. Affordable Housing Production

11. Density Bonus Incentives/Regulatory Concessions

Description:

Pursuant to State law, a jurisdiction must offer a density bonus of up to 35% when a developer agrees to set aside a portion of the development as housing affordable to lower and moderate income households or housing for seniors. As part of the density bonus requirements, a jurisdiction must also offer one to three development incentives and/or regulatory concessions. The most typical incentives/concessions offered include:

- Reduced parking spaces pursuant to State law for inclusion of lower and moderate income housing, or housing for seniors
- Density bonus above State requirements for inclusion of lower income housing or housing for seniors
- Approval of mixed use development
- Eligibility for funding
- Fee waivers or deferrals
- Height bonus
- Reduced setback requirements
- Expedited review process

Benefits:

- Incentives such as density bonus and reduced parking requirements and setbacks allow the developer to achieve a higher number of housing units on site. The per-unit cost to the developer is reduced by lowering the per-unit land cost and certain flat fees (e.g. permit processing fees) or costs that do not substantially increase with the number of units built (e.g. environmental clearance).

Limitations:

- Compatibility with surrounding neighborhoods.

Appropriateness in Modesto:

Pursuant to State Density Bonus law, the City of Modesto offers a density bonus along with other development incentives or regulatory concessions to the residential developments that set aside a portion of the units as housing affordable to lower and moderate income households.

Modesto (Current Status):

The City offers density bonuses that comply with State law as shown in Table 8 and Table 9 below.

Target Group	Minimum % Target Units	Bonus Granted	Additional Bonus for Each 1% Increase in Target Units	% Target Units Required for Maximum 35% Bonus
Very Low Income	5%	20%	2.5%	11%
Low Income	10%	20%	1.5%	20%
Moderate Income (Condo or Planned Development only)	10%	5%	1%	40%
Senior Citizen Housing Development	100%	20%	--	--

Target Group	Target Units		
	Very Low Income	5%	10%
Low Income	10%	20%	30%
Moderate Income (Condo or Planned Development only)	10%	20%	30%
Maximum Incentive(s)/Concession(s)	1	2	3

Incentives associated with the City’s density bonus provisions include:

- Parking: a reduction in the number of spaces required by up to 0.1 spaces per unit for one incentive, and an additional 0.1 spaces per unit for a second incentive, when compared to the standard for parking set forth in State law.
- Parking: an increase in the proportion of permitted compact spaces up to 35%.
- Use of federal, State, or local affordable housing funds to subsidize the cost of the qualifying project.
- Approval of mixed-use zoning in conjunction with the housing project if commercial, office, industrial, or other land uses will reduce the cost of the housing development and if the commercial, office, industrial, or other land uses are compatible with the housing project and the existing or planned development in the area where the proposed housing project will be located.
- Deferral of City Capital Facilities Fees until the issuance of a certificate of occupancy for the qualifying project.
- Expedited processing, technical assistance, and/or use of redevelopment funds or powers.
- Setback: a reduction of up to 10% in front yard setback.
- Height limitation: an increase of up to 10% in maximum height limitation.

Recommended Actions:

- Conduct a study to determine if the current incentives offered through the Density Bonus Ordinance are adequate to encourage affordable housing development.
- Provide additional density bonus for housing affordable to extremely low income households.

12. Graduated Density Zoning

Description:

The downtown area and older neighborhoods are characterized by small parcels that are often developed at densities lower than permitted by zoning. Fragmented ownership makes the assemblage of parcels for large-scale developments such as mixed use and multi-family housing construction difficult, if not financially infeasible. A tool to incentivize lot consolidation is “graduated density zoning.”⁸ This tool offers increased density based on the size of the site, thereby encouraging owners of adjoining properties to collaborate in development or to package parcels for sale.

Benefits:

- Encourage lot consolidation to achieve development of adequate size that can support affordable housing.

Limitations:

- None identified.

Appropriateness in Modesto:

One of the City’s residential land use goals is to facilitate higher density and mixed use residential development in the downtown area. However, many parcels in the downtown area are small and under separate ownerships. Such ownership pattern is not conducive to large-scale or affordable housing development. To encourage lot consolidation, the City many consider creating a graduated density zoning system that provides for increased density on large parcels within the same zone.

Modesto (Current Status):

The City of Modesto currently permits an extra unit to be constructed on corner lots. This policy benefits primarily small infill developments.

Recommended Actions:

- Conduct a study in multi-family residential and mixed use zones in the downtown area to assess parcel size, achievable density, and appropriate project size for affordable housing development.
- Create a graduated density zoning system to allow for increased base density based on parcel size in the downtown area or within the redevelopment project area.

⁸ Shoup, Donald. Professor, Department of Urban Planning, UCLA. “Graduated Density Zoning”, April 3, 2007.

13. Small Lot Development Incentives

Description:

Small lot subdivisions represent the most prevalent type of infill developments in many communities across California. Although townhome developments offer opportunities for comparatively affordable homeownership than single-family homes, many developers are concerned with the cost of construction liability insurance associated with townhome developments. Small lot subdivisions offer an alternative housing option that promotes homeownership but reduces the per-unit land and construction liability insurance costs.

Many communities have developed design guidelines to help developers achieve this relatively new housing type and maintain compatibility with surrounding neighborhoods.

Benefits:

- Offer a new ownership housing type.
- Improve efficient use of land while protecting the character of single-family neighborhoods.

Limitations:

- None identified.

Appropriateness in Modesto:

The City adopted the Small Lot Development Guidelines in 2005.

Modesto (Current Status):

The City of Modesto adopted the Small Lot Development Guidelines in 2005 to address development standards for single-family detached homes on small lots and courthomes.

Recommended Actions:

- Consider providing incentives to encourage small lot subdivisions, such as allowing for one additional unit when two small parcels are merged, and alternative placement of garages to enhance the site utilization.

14. Priority Processing

Description:

Many jurisdictions offer priority processing for special needs housing and affordable housing. Priority processing usually involves assigning a specific staff person to facilitate the application and review process and giving the project priority for review by staff and also by the approval bodies.

Benefits:

- Reduce holding costs associated with delays in the development review process.

Limitations:

- None identified.

Appropriateness in Modesto:

Prioritizing the processing of certain affordable housing projects could encourage the inclusion of special needs housing or affordable housing on-site above the minimum requirement. This could contribute toward Modesto's affordable housing goals.

Modesto (Current Status):

The City is subject to the Streamlining Act to improve its permit processing procedures. However, priority processing for affordable housing has not been specified.

Recommended Actions:

- Establish a threshold to determine what types of affordable housing would qualify for priority processing. For example, housing for seniors and persons with disabilities, or housing projects that include at least a certain percentage of affordable units on site.

15. Fee Waivers

Description:

Planning and development fees add to the cost of residential development, which are translated to the sales prices or rents for the units. Many jurisdictions waive certain planning and development fees for affordable housing projects.

Benefits:

- Reduce the costs of development for affordable housing projects.

Limitations:

- Potentially impact the ability of a jurisdiction in providing the services and facilities needed to serve the development.

Appropriateness in Modesto:

Due to the City's extensive infrastructure and facility needs, development fees for residential development are high. However, planning fees charged by the City are considered modest.

Modesto (Current Status):

The City currently exempts development fees for lower income housing. Specifically, affordable housing projects can apply for a fee waiver that exempts up to two percent of all units from the Community Facilities Fees. However, the application and approval process for the fee waiver is strenuous.

Recommended Actions:

- Streamline the process for applying for a fee waiver for affordable projects.
- Add emergency shelters and transitional housing as projects eligible for the fee waiver.

16. Gap Financing in Construction

Description:

Development of affordable housing in California, particularly for lower income households, requires significant financial subsidies to bridge the gap between the prices that are affordable to lower income households and the costs of development.

Benefits:

- Create long-term affordable housing through deed restrictions/affordability covenants. If developed by nonprofits, perpetual affordability is guaranteed.

Limitations:

- Limited funding available.
- Multiple funding sources are usually required.

Appropriateness in Modesto

Given the market conditions in most California communities, development of affordable housing requires some forms of public subsidies. More often, layering of multiple funding sources is required in order to make affordable housing financially feasible.

Modesto (Current Status):

The City provides HOME and redevelopment housing set-aside funds to gap finance affordable housing construction. A recent project is the Town Center Housing Project at Roselle and Belharbour. This 35-unit project is subsidized with \$450,000 redevelopment housing set-aside funds and \$1,000,000 HOME funds. Of the 35 single-family homes in this project, 27 will be affordable to lower and moderate income households.

In addition, the City will be issuing a Request for Proposal, soliciting the participation of nonprofit housing developers to develop another affordable housing project. HOME funds in the amount of \$2,000,000 will be available. However, the eligible nonprofit developers must demonstrate site control of property on which the affordable units can be constructed.

Recommended Actions:

- Continue current efforts in working with non-profit affordable housing developers and providing gap financing.
- Actively pursue other funding sources through State and federal programs.

17. Land Banking/Write-Downs

Description:

Land cost represents a significant cost component of affordable housing construction. Typically, nonprofit housing developers rely on local or State funds to gap finance the development. However, many State funding programs require proof of site control, putting many nonprofit housing developers in a catch-22 situation. In response, many jurisdictions assist in land acquisition and write-down the cost as a strategy to facilitate affordable housing development.

Land banking for affordable housing development is usually achieved through the following:

- Purchase vacant/underutilized sites as they become available;
- Use surplus properties from other local, State, and federal agencies;
- Purchase tax-delinquent properties;
- Purchase bank foreclosed properties; and
- Accept donation of land as an in-lieu option for fulfilling the affordable housing requirement.

Benefits:

- Assist nonprofit housing developers to overcome the barrier of competing for limited land in the open market.
- Enhance the nonprofits' competitiveness in application for State funding.

Limitations:

- Federal funding programs prohibit land banking (holding land for over one year).

Appropriateness in Modesto

A major obstacle in affordable housing development is the lack of available land and associated high land cost. Nonprofit housing developers usually do not have the financial readiness to compete with for-profit developers in the market for available sites. Many funding programs offered by the State require site control in order to be competitive in the application for funding.

Modesto (Current Status):

Due to State and Federal regulations, the City's RFP for affordable housing funds requires proof of site control. However, the City does engage in some land banking efforts, particularly in partnership with the Stanislaus County Housing Authority.

Recommended Action:

- Develop a property acquisition strategy that includes surplus sites owned by public agencies, foreclosed properties, and available properties in the market.

Table 10: Implementation Tools by Special Needs Benefit						
		Income Categories				
		Seniors	Disabled	Large HH	Single Parents	Farmworkers
Affordable Housing Tools	Existing Programs with No Modifications					
	MF Rehab Loans and Grants	✓	✓	✓	✓	✓
	Acquisition/Rehabilitation	✓	✓	✓	✓	✓
	Rent Subsidies	✓✓	✓✓	✓	✓	✓✓
	Foreclosure Assistance	✓	✓	✓	✓	
	Extension of Affordability Covenant	✓	✓	✓	✓	✓
	Gap Financing	✓	✓	✓	✓	✓
	Existing Programs with Potential Modifications					
	SF Rehab Loans and Grants	✓	✓	✓✓	✓	
	First Time Homebuyer Assistance		✓	✓	✓✓	
	Density Bonus Incentives and Regulatory Concessions	✓	✓	✓	✓	✓
	Small Lot Development Guidelines	✓	✓	✓	✓	✓
	Priority Processing	✓✓	✓✓	✓✓	✓✓	✓✓
	Fee Waivers	✓✓	✓✓	✓	✓✓	✓✓
	Land Banking	✓	✓	✓	✓	✓
	New Programs					
	Universal Design Principle/504 Compliance	✓✓	✓✓			
	Reasonable Accommodation Ordinance		✓			
	Graduated Density Zoning	✓	✓	✓		✓
	Second Dwelling/Accessory Units	✓	✓	✓		✓
	Not Applicable					
	✓ = Applicable Tool ✓✓ = Particularly Applicable Tool					

Table 11: Implementation Tools by Income Benefit

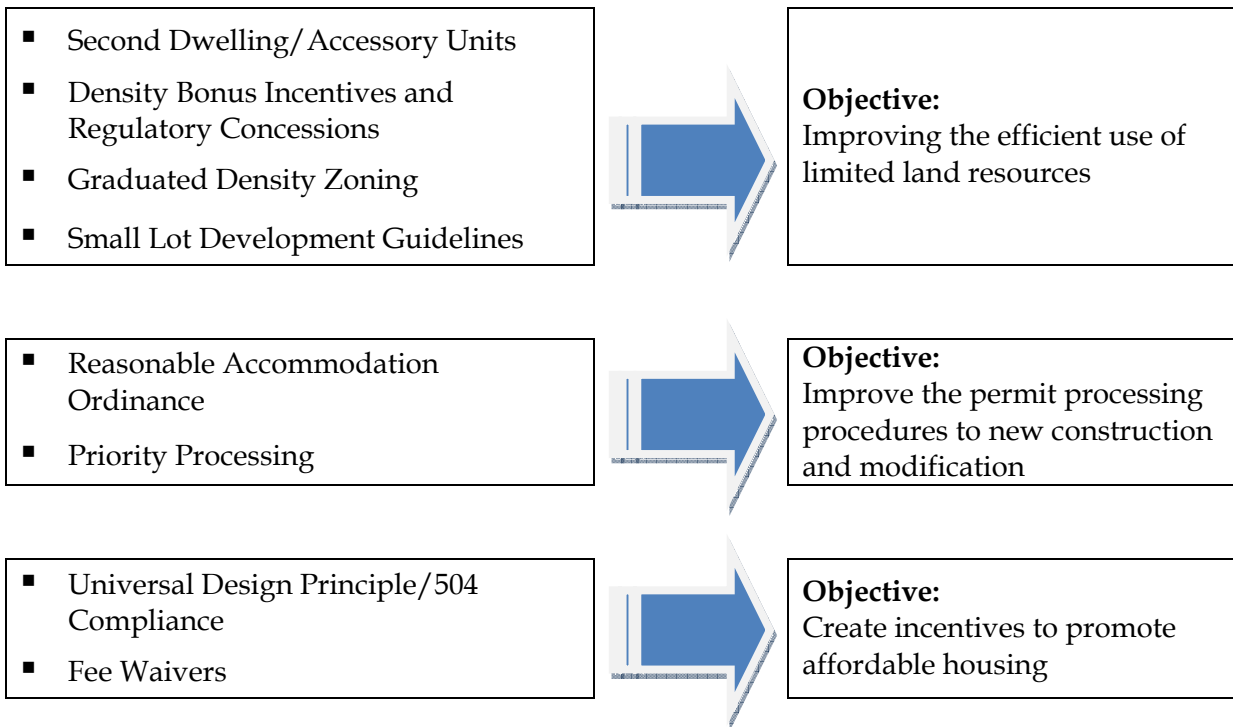
		Income Categories			
		Extremely Low Income	Very Low Income	Low Income	Moderate Income
Affordable Housing Tools	Existing Programs with No Modifications				
	MF Rehab Loans and Grants	✓	✓	✓	
	Acquisition/Rehabilitation	✓	✓	✓	✓
	Rent Subsidies	✓✓	✓✓	✓	
	Foreclosure Assistance	✓	✓	✓	✓
	Extension of Affordability Covenant	✓✓	✓✓	✓	✓
	Gap Financing	✓	✓	✓	✓
	Existing Programs with Potential Modifications				
	SF Rehab Loans and Grants	✓	✓	✓	✓
	First Time Homebuyer Assistance			✓	✓
	Density Bonus Incentives and Regulatory Concessions	✓✓	✓✓	✓	✓
	Small Lot Development Guidelines			✓	✓
	Priority Processing	✓	✓	✓	
	Fee Waivers	✓✓	✓✓	✓	
	Land Banking	✓✓	✓✓	✓	✓
	New Programs				
	Universal Design Principle/504 Compliance	✓	✓	✓	✓
	Reasonable Accommodation Ordinance	✓	✓	✓	✓
	Graduated Density Zoning	✓	✓	✓	✓
	Second Dwelling/Accessory Units	✓	✓	✓	✓
Not Applicable					
✓ = Applicable Tool ✓✓ = Particularly Applicable Tool					

Implementation and Monitoring

The affordable housing implementation tools recommended in this report can be generally grouped into several categories with respect to their objectives. Some tools can achieve more than one objective. The following discusses these tools based on their objectives and departments responsible for their implementation.

A. Creating a Favorable Development Environment

Several tools are designed to create a development framework (e.g. land use control, development standards, and development review and approval procedures, etc.) that is favorable to create affordable housing by both for-profit and non-profit developers. These tools do not directly create affordable housing units but they work to mitigate existing regulatory constraints (e.g. priority processing, fee waivers), or provide incentives to counter the impact of market constraints (e.g. density bonus incentives, graduated density zoning).



Synergy

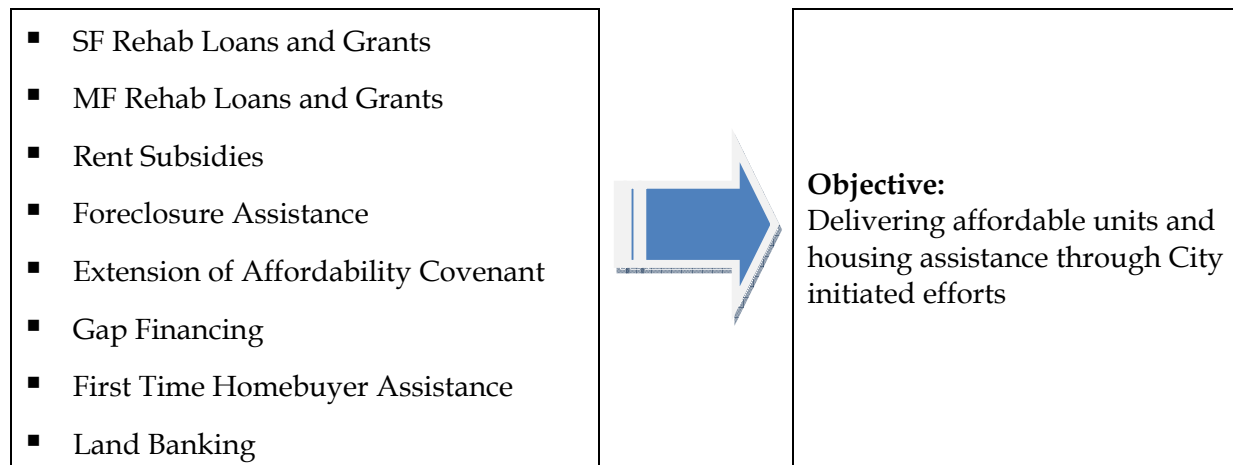
- Density Bonus Incentives, and Graduated Density Zoning in particular, could work hand-in-hand to expand the capacity and efficient use of the City’s limited multi-family land.
- Graduated Density Zoning encourages lot consolidation and when applied with Small Lot Development Guidelines, works to promote infill housing development in areas where small parcel sizes constrain residential development.

Implementation and Monitoring

Implementation of these tools will primarily be the responsibility of the Planning Department. They require amending the municipal/zoning codes, or adopting policies by the City Council. Once established, the City should also create a marketing strategy to promote these tools to residential developers and property owners. Periodically, the City should monitor and assess the effectiveness of these tools in responding to the changing market conditions.

B. Delivering Housing Units and Assistance

Several tools involve the direct delivery of affordable housing and assistance through efforts initiated by the City. Many of these tools are existing programs in operation in the City of Modesto (see Table 10 on page 37). However, some of these programs can be expanded to benefit increased number of households if funding is available.



Synergy

To a large extent, the ability of the City to implement some of these tools depend on if additional funding tools are adopted. If there is not a significant and steady source of revenue to infuse into the City's housing funds, few of the recommended actions to expand or modify the existing programs can be implemented.

Implementation and Monitoring

The Housing Department is responsible for implementing and monitoring all of these existing programs.

Toolkit Scenarios for Developers

Assuming all of the recommended tools are implemented, the following scenarios illustrate how developers and property owners are able to take advantage of these tools to enhance their project feasibility.

Example #1: New Construction on Vacant Land

Parameters:

- 10-acre site
- Zoned R-2 (allowable density = 11.0 - 14.5 du/ac)
- Disabled /handicap accessible housing project
- Combination of “Very Low” and “Low” income
- Affordable housing development /developer

Applied Toolkit:

The following tools could be used in combination as described below, to facilitate entitlement and development of the project.

- **Land Banking/Write-Down:** The City could acquire the property with HOME, Redevelopment Housing Set-Aside and provide the land for affordable housing construction through the City’s NOFA process.
- **Density Bonus Incentives and Regulatory Concessions:** As a 100% affordable housing development for lower income households, this project would be eligible for a State density bonus of 35%.

In conjunction with the density bonus, this project would be eligible for three regulatory concessions.

- **Universal Design Principles/504 Compliance:** The project could employ Universal Design Principles, above the ADA accessibility requirements for multi-family. The project’s use of Universal Design Principles would qualify it for additional incentives, including increased density (assumed an additional five percent bonus) and increased height limit.
- **Priority Processing:** The project may be eligible for priority processing, potentially shortening the holding time and lowering costs associated with holding the property during the entitlement process.
- **Gap Financing:** This project would be eligible for HOME and Redevelopment Housing Set-Aside funds. The City could provide funding to gap finance the construction of the project. Rents will be restricted to affordable levels pursuant to the funding used.

- **Rent Subsidies:** Individual tenants may also be able to utilize Section 8 Housing Choice Vouchers to further subsidize the rents.

Project Summary	
Total Density Bonus	40%
Total Project Units (@ 12 du/ac) Prior to Bonus	120 units
Total Project Units After Bonus	168 units
Affordable Units (Affordable housing requirement is calculated based on the base density)	168 very low and low income units

Example #2: New Construction on Underutilized Land

Parameters:

- 10-acre site (one 5-acre vacant parcel, one 5-acre parcel developed at 2 du/ac)
- Zoned R-3 (allowable density = 22 - 29 du/ac)
- Senior housing project
- Combination of “Low -” and “Moderate -” income
- Market-Rate development/developer

Applied Toolkit:

The following tools could be used in combination as described below, to facilitate entitlement and development of the project.

- **Density Bonus Incentives and Regulatory Concessions:** This project could qualify for a density bonus of 20% for being a senior housing or up to 35% in density bonus if it would include 20% of the units for low income seniors. Moderate income rental units do not qualify for a density bonus under State law.

This scenario assumes 20% of the units as low income housing to maximize the density bonus under State law. (Typically, the project could only receive a density bonus under one provision but not both under the State Density Bonus law.)

- **Universal Design Principles/504 Compliance:** The project could employ Universal Design Principles, above the ADA accessibility requirements for multi-family. UDP benefits also seniors, allowing them to age in place and eliminating the need to make accessibility modifications later. The project’s use of UDP would qualify it for additional incentives, including increased density (assumed an additional five percent bonus) and increased height limit.
- **Priority Processing:** The project may be eligible for priority processing, potentially shortening the holding time and lowering costs associated with holding the property during the entitlement process.

- **Gap Financing:** This project would be eligible for Redevelopment Housing Set-Aside funds. The City could provide funding to gap finance the construction of the project. Rents will be restricted to affordable levels pursuant to the funding used.

Project Summary	
Total Density Bonus	40%
Total Project Units (@ 25 du/ac) Prior to Bonus	250 units
Total Project Units After Bonus	350 units
Affordable Units/Senior Units (Affordable housing requirement is calculated based on the base density)	50 low income units/350 senior units

Example #3: Infill Development

Parameters:

- 2-acre site (comprising of 3 parcels with marginal uses under separate ownership)
- Zoned R-2 (allowable density = 11.0 - 14.5 du/ac)
- Condominium project
- In downtown area
- Market-rate development/developer

Applied Toolkit:

The following tools could be used in combination as described below, to facilitate entitlement and development of the project.

- **Graduated Density Zoning:** Through this approach, owners of the individual properties would have the incentive to package their parcels for sale, as the combined site area would allow the development to be developed at a higher density. This scenario assumes five% increase.
- **Density Bonus Incentives and Regulatory Concessions:** This project would qualify for a five% density bonus for setting aside 10% of the units as affordable to moderate income households under State Density Bonus law. In conjunction with the density bonus, this project would be eligible for one regulatory concession.
- **First-Time Homebuyer Assistance:** The City could provide downpayment assistance to income-qualified households to purchase the affordable units in this development.

Project Summary	
Total Density Bonus	5%
Total Project Units (@ 12 du/ac) Prior to Bonus	24 units
Total Project Units After Bonus	25 units
Affordable Units (Affordable housing requirement is calculated based on the base density)	2 moderate income units

Available Funding Sources

A. Funding Available

Currently the City of Modesto has three major sources of funding for affordable housing: Community Development Block Grant; HOME Investment Partnership; and Redevelopment Housing Set-Aside.

Community Development Block Grant

The Community Development Block Grant (CDBG) program was initiated by the Housing and Community Development Act (HCDA) of 1974. The primary objective of the program is to develop viable urban communities by providing decent housing, a suitable living environment, and economic opportunities, principally for persons of low incomes (up to 80% AMI).

CDBG funds can be used for a wide array of activities, including:

- Housing rehabilitation;
- Downpayment and other homeownership assistance;
- Lead-based paint screening and abatement;
- Acquisition of buildings and land;
- Construction or rehabilitation of public facilities and infrastructure;
- Removal or architectural barriers;
- Public services for low-income persons and persons with special needs;
- Rehabilitation of commercial or industrial buildings; and
- Loans and grants for businesses that provide employment for low-income persons.

For FY 2007, the City received \$2,419,397 in CDBG funds. However, during the past five years, Congressional appropriation for CDBG funding had continued to decline by about five percent each year. For FY 2008, the City anticipates receiving \$2,325,981 in CDBG funds.

HOME Investment Partnership

The HOME program was created as part of the 1990 National Affordable Housing Act to provide federal funds for the development and rehabilitation of affordable housing for low-income households. The program gives local governments flexibility to fund a wide range of affordable housing activities through partnerships with private industry and nonprofit organizations. HOME funds can be used for activities that promote affordable rental housing and homeownership by low-income households, including:

- Building acquisition;
- New construction and reconstruction;
- Moderate or substantial rehabilitation;

- Homebuyer assistance; and
- Tenant-based rental assistance.

Strict requirements govern the use of HOME funds. Two major requirements are that the funds must be: 1) used for activities that target low-income families (up to 80% AMI); and 2) matched with 25% of non-federal funding sources. For FY 2008, the City anticipates receiving \$1,183,886 in HOME funds.

Redevelopment Housing Set-Aside

Pursuant to state Community Redevelopment Law (CRL), 20% of the tax increment generated from a redevelopment project area is required to be set aside for low and moderate-income housing activities. CRL also sets forth a variety of options for expending the Housing Set-Aside Fund, including the following:

- Acquire real property or building sites;
- Improve real property or building sites with on-site or off-site improvements;
- Donate real property to private or public persons or entities;
- Finance insurance premiums during the construction or rehabilitation of affordable housing that are administered by governmental or nonprofit organizations;
- Construct, acquire, or rehabilitate properties;
- Provide subsidies to lower and moderate income households;
- Develop plans, pay principal and interest on bonds, loans, advances, or other indebtedness, or pay financing or carrying charges;
- Maintain the supply of mobile homes;
- Preserve publicly assisted housing units that are at risk of converting to market-rate housing;
- Fulfill replacement housing requirements; and
- Subsidize administrative expenses provided the expenses are proportionate to the amount spent on the production, improvement, and preservation of housing.

While the Housing Set-Aside Fund can be used for on- and off-site improvements, the improvements must be made as part of an overall project/program that directly results in new construction or rehabilitation of affordable units.

The Modesto Redevelopment Agency receives approximately \$1,000,000 in Redevelopment Housing Set-Aside funds annually.

Emergency Shelter Grant

The Emergency Shelter Grant (ESG) program provides homeless persons with basic shelter and essential supportive services. ESG funds can be used for a variety of activities, including:

- Rehabilitation or remodeling of a building used as a shelter;

- Operations and maintenance of a homeless facility;
- Essential supportive services (e.g. case management, physical and mental health treatment, substance abuse counseling, and child care); and
- Homeless prevention.

ESG funds must be matched dollar-for-dollar with non-federal funds or “in-kind” donations, such as the value of a donated building, supplies and equipment, new staff services, and volunteer time. For FY 2007, the City received \$104,750 in ESG funds.

B. Potential Funding Sources

Development of affordable housing requires layering of funding from multiple sources. **Error! Reference source not found.** presents some of funding programs potentially available to the City of Modesto or to developers of affordable housing. However, many of these funding programs require that the City maintains its compliance status with the State Housing Element law.

Program	Eligible Activities	Funding Cycle	Additional Information
Low Income Housing Tax Credit (LIHTC)			
Federal – 9% LIHTC State – 4% LIHTC	<ul style="list-style-type: none"> ▪ Construction ▪ Substantial Rehabilitation ▪ Preservation of At-Risk Housing ▪ Units targeted to residents earning below 46% of AMI 	<ul style="list-style-type: none"> ▪ First round deadline – April 9, 2008 ▪ Second round deadline – July 24, 2008 	<ul style="list-style-type: none"> ▪ Competitive application process ▪ State credits are only eligible if federal credits have been allocated ▪ Open to any organization (public or private) developing affordable rental housing within established standards
Proposition 46/Proposition 1C Funds			
Multifamily Housing Program <ul style="list-style-type: none"> ▪ Assist the new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households. 	<ul style="list-style-type: none"> ▪ Low-interest loan for development of rental affordable housing ▪ Loans for rental housing with supportive services for the disabled who are homeless or at risk of homelessness ▪ Housing with supportive services for homeless youth 	<ul style="list-style-type: none"> ▪ General -\$70 Million NOFA starting January 2008 ▪ Supportive Housing - \$37 Million NOFA starting January 	<ul style="list-style-type: none"> ▪ Local public entities, for profit and non-profit corporations, housing co-ops, individuals and limited partnerships with one of the above mentioned applicants are all eligible ▪ Applications are invited through the

Table 12: Potential Funding Sources			
Program	Eligible Activities	Funding Cycle	Additional Information
		2008 <ul style="list-style-type: none"> ▪ Homeless Youth - \$24 million NOFA since January 2007 ▪ Available until funds are exhausted 	issuance of a NOFA
Calhome <ul style="list-style-type: none"> ▪ Purpose is to enable low and very-low income households to become or remain homeowners. 	<ul style="list-style-type: none"> ▪ Grants to local public agencies and nonprofits to fund first-time homebuyer mortgage assistance and owner-occupied housing rehabilitation. ▪ Grants also cover homebuyer counseling, technical assistance and loans to individual homeowners. ▪ Loans to local public agencies and nonprofits to fund homeownership development projects. Funds become grants as qualifying households occupy units. ▪ Loans are for real property acquisition and most development costs as well as permanent financing. 	<ul style="list-style-type: none"> ▪ Grants - \$50 million NOFA available March 2008 ▪ Loans - \$20 million NOFA January 2008 	<ul style="list-style-type: none"> ▪ Eligible applicants are local public agencies and non-profit corporations ▪ Project loans to developers may be forgiven as developers make deferred payment loans to individual homeowners.
Building Equity and Growth in Neighborhoods (BEGIN) <ul style="list-style-type: none"> ▪ Aims to reduce local regulatory barriers to affordable ownership housing and provide down payment assistance loans to qualifying first-time buyers of homes in BEGIN projects. 	<ul style="list-style-type: none"> ▪ Grants to cities and counties that adopt measures to encourage affordable housing, to make second mortgage loans to low and moderate income homebuyers. ▪ Eligible homes must be newly constructed in projects facilitated by local regulatory incentives or barrier reductions and may include manufactured homes. 	<ul style="list-style-type: none"> ▪ \$33 million NOFA available May 2008 	<ul style="list-style-type: none"> ▪ Loans made by grant recipients are at simple interest to, not to exceed 20% of home sale price or \$300,000.

Program	Eligible Activities	Funding Cycle	Additional Information
<p>CalHome Self-Help Housing Technical Assistance Allocation</p> <ul style="list-style-type: none"> Aims to fund programs that assist low and moderate income families to build their homes with their own labor. 	<ul style="list-style-type: none"> Grants to organizations to assist low and moderate income households who build their own homes. Grants fund technical assistance program operation, training and supervision of qualifying home builder. 	<ul style="list-style-type: none"> \$3.3 million NOFA available 11/16/07 	<ul style="list-style-type: none"> Local government agencies and non-profit corporations are eligible applicants.
<p>Emergency Housing and Assistance Program Capital Development (EHAPCD)</p> <ul style="list-style-type: none"> Aims to fund capital development activities for emergency shelters, transitional housing and safe havens that provide shelter and supportive services for homeless individuals and families. 	<ul style="list-style-type: none"> Deferred payment loans for capital development of emergency shelters and transitional housing for the homeless (no operating subsidy authorized). 	<ul style="list-style-type: none"> \$31 million NOFA, applications due 2/21/08 	<ul style="list-style-type: none"> Competitive annual application process, 80% allocated to urban counties and 20% to non-urban counties Eligible applicants are local government agencies and non-profit corporations that shelter the homeless on an emergency or transitional basis and provide supportive services.
<p>Affordable Housing Innovation Fund</p> <ul style="list-style-type: none"> Created three programs to demonstrate innovative, cost-saving approaches to creating and preserving affordable housing. 	<ul style="list-style-type: none"> Funding for pilot programs to demonstrate innovative, cost-saving ways to create or preserve affordable housing. 	<ul style="list-style-type: none"> TBD 	<ul style="list-style-type: none"> A number of funding opportunities to be announced Winter 2008 and Spring 2009 Programs include California Affordable Housing Revolving Development and Acquisition Program, the Construction Liability Insurance Reform Pilot Program and the Innovative Homeownership Program

Table 12: Potential Funding Sources			
Program	Eligible Activities	Funding Cycle	Additional Information
Infill Infrastructure Grant Program <ul style="list-style-type: none"> Aims to assist in the new construction and rehabilitation of infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill 	<ul style="list-style-type: none"> Funding of public infrastructure (water, sewer, traffic, parks, site cleanup, etc.) to facilitate infill housing development. Min/Max grant amounts for qualifying infill projects ranges from \$500,000 to \$20 million. Min/Max grant amounts for qualifying infill areas ranges from (\$2 million to \$30 million). 	<ul style="list-style-type: none"> \$240 million NOFA starting January 2008 	<ul style="list-style-type: none"> For qualifying infill projects, eligible applicants include profit and non-profit housing developers, localities, public housing authorities and redevelopment agencies. For qualifying Infill Areas, eligible applicants include localities, public housing authorities, redevelopment agencies and BIDs as joint applicants.
Transit-Oriented Development Program <ul style="list-style-type: none"> Aims to stimulate the production of housing development located near transit stations that include affordable units and increase public transit ridership and minimize automobile trips. 	<ul style="list-style-type: none"> Low interest loans are available as gap financing for rental housing development that include affordable units and as mortgage assistance for homeownership developments. Grants are available for infrastructure improvements necessary for the development of specified housing developments or to facilitate connections between these developments and the transit station. 	<ul style="list-style-type: none"> \$95 million NOFA, deadline 3/7/08 	<ul style="list-style-type: none"> Funds are allocated through a competitive application process. Cities, counties, and transit agencies are eligible for the grants.
Housing Urban-Suburban-and-Rural Parks	<ul style="list-style-type: none"> Grants for housing-related parks. 	<ul style="list-style-type: none"> TBD 	<ul style="list-style-type: none"> New program, information is not fully available
California Housing Finance Agency (CalHFA)			
California Homebuyer's Downpayment Assistance Program	<ul style="list-style-type: none"> Designed to provide a deferred payment, simple interest rate junior loan of an amount up to 3% of the sales price or appraised value, whichever is less. The junior loan may be used for down payment or closing costs and may be combined with a CalHFA or non-CalHFA conventional or government first mortgage loan. 	<ul style="list-style-type: none"> \$100 million NOFA available December 2007 	Borrowers must meet the following requirements: <ul style="list-style-type: none"> Be a first-time homebuyer Be the primary occupant Cannot earn above the moderate income limits Meet credit and

Table 12: Potential Funding Sources			
Program	Eligible Activities	Funding Cycle	Additional Information
			mortgage requirements
Residential Development Loan Program <ul style="list-style-type: none"> ▪ Objective to provide affordable homeownership through program partnerships with local government entities consistent with their affordable housing priorities. 	<ul style="list-style-type: none"> ▪ Project-specific funding that provides a 3% interest rate loan with a maximum term of 4 years to local government agencies for site acquisition and predevelopment expenses attributed to affordable infill, owner-occupied housing developments. The Program also directly links RDLP-financed developments to CalHFA's California Homebuyer's Downpayment Assistance Program (CHDAP) to provide subordinate loans, as necessary, to first-time homebuyers. 	<ul style="list-style-type: none"> ▪ Last funding cycle ended in February 2008. 	<ul style="list-style-type: none"> ▪ Proposals are competitively evaluated and ranked.

Appendix A
Stakeholders Meetings - Summary of Comments

Appendix A: Stakeholders Meetings – Summary of Comments

This appendix summarizes comments from various agencies and organizations interviewed for this study:

Building Industry Association of Central California

- Opposed to imposing affordable housing requirement on single-family housing development. Lower income affordable housing is best suited for multi-family housing development.
- Amenable to affordable housing policies that provide flexibility for meeting the requirements.
- Amenable to the idea of donating/setting aside a portion of the land for affordable housing.
- Issue is workers in the County are not making adequate income. Commercial development should also be responsible for solving the affordable housing issues.
- City should offer density bonus, deferral of Community Facilities Fees.
- Suggested transferring a portion of real estate tax for affordable housing development.

Disability Resource Agency for Independent Living

- City needs to address housing for very low and low income households.
- Suggested implementing universal design principles and visitability.
- Home modification grants are needed to make accessibility improvements.

County of Stanislaus

- Interested in forming a partnership with the City of Modesto and other small jurisdictions to address affordable housing issues.
- Looking into purchasing foreclosed properties with the intent of reselling the homes at affordable rates to lower income households.
- One of the most significant constraints is the lack of funding to pursue affordable housing.
- Interested in establishing a regional land trust with Modesto and other jurisdictions in the County.

City of Riverbank

- Interested in partnering with jurisdictions in the region to address affordable housing.
- Funding available through CDBG and redevelopment housing set-aside funds; however, the City lacks adequate staffing to pursue to affordable housing projects.
- Suggested collaborative efforts such as a regional land trust or regional housing trust fund.

Housing Authority of the County of Stanislaus

- Emphasized the need for land zoned for multi-family development and importance of an expeditious development review/approval process.
- NIMBYism (Not-in-my-back-yard) is an ongoing barrier to providing affordable housing.
- High planning and development fees charged by local jurisdictions represent another major barrier to affordable housing.

Self Help Enterprises

- Develops affordable housing for very low and low income first-time homebuyers.
- Develops affordable multi-family housing, e.g. Gateway Village.
- Affordable housing for extremely low and very low income households is most likely in the form of multi-family housing. However, affordable single-family homes are feasible for some low income households.
- Interested in pursuing affordable housing projects in Modesto.
- The most difficult barrier is lack of land and not being able to compete with market-rate housing developers for land. If land can be provided, they can find the funding needed to develop the homes.

Stanislaus Community Assistance Project (SCAP)

- SCAP provides housing and supportive services for low income households and persons with special needs (e.g. homeless and persons with disabilities).
- Interested in pursuing acquisition/rehabilitation opportunities in Modesto.

Visionary Homebuilders

- Develops primarily rental housing for lower income households but also pursues some single-family projects.
- Offers a first-time homebuyer program for low income households.
- Commented that prevailing wage as a major barrier to affordable housing; construction costs can increase up to 20-30% due to prevailing wages.

Appendix B

Telephone Interviews: Jurisdictions and Agencies Contacted

Appendix B: Telephone Interviews – Jurisdictions and Agencies Contacted

The following jurisdictions and organizations were interviewed via telephone for their affordable housing efforts. However, inclusion of the experiences of these jurisdictions and agencies in the study depends on their uniqueness and appropriateness to the housing market conditions in Modesto.

Jurisdictions and Agencies Interviewed

1. City of Chula Vista
Housing Division
Stacy Kurz, Sr. Community Development Specialist
2. City of Claremont
Redevelopment and Housing
Brian Desatnik, Redevelopment and Housing Manager
3. City of Fontana
Administrative Services/Housing Development
Brent Mickey, Project Manager
4. City of Livermore
Housing and Human Services Division
Milly Siebel, Housing Specialist
5. City of Lodi
James Wood, Community Improvement Manager
6. City of Manteca
Redevelopment Agency
Rachelle Debord, Administrative Analyst
7. City of Oxnard
Housing Department
Ernie Whitaker, Program Manager
8. City of Ripon
Planning Department
Sheryl Prater, Development Specialist
9. County of Riverside
Housing Department
Jim Yerdon, Housing Program Manager

10. City of Santa Clara
Erwin Ordonez, Housing Planner
11. City of Stockton
Housing Department
Laurie Montes
12. City of Sunnyvale
Community Development Department, Housing Division
Rich Gutierrez, Housing Rehabilitation Specialist
13. City of Tracy
Development and Engineering Services, Housing and Redevelopment Division
Sharon Marr, Administrative Analyst
14. Santa Clara Housing Trust
Salvador Castro Jr., Program Manager
Mori Kendall, Marketing

List of Questions

Each telephone interview generally involves discussions on the following topics; however, specific discussions may vary depending on programs offered, readily available information, and experience in implementing these programs. Follow-up interviews were also conducted with several jurisdictions/agencies.

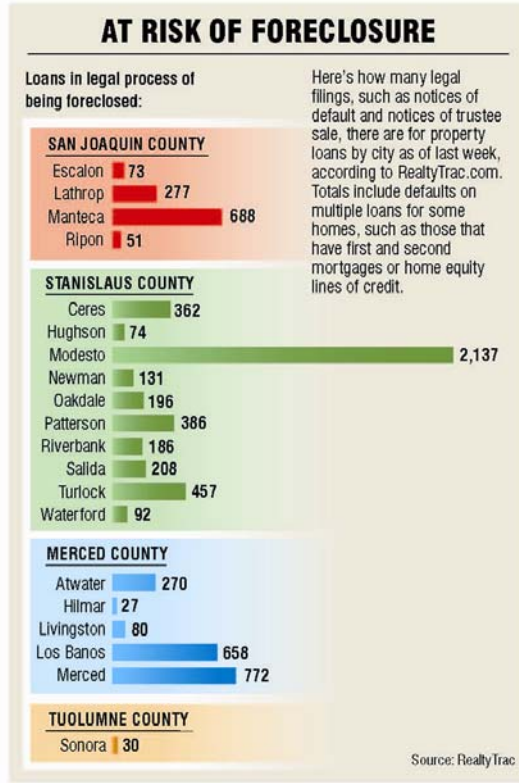
1. What affordable housing programs are currently in place in the City?
2. Do you have any affordable rental housing separate from Section 8?
3. How many affordable units have been built in the City in the last 5 years?
4. If you have an affordable housing ordinance, how does it work? Has it been effective?
5. What was your experience with adopting an affordable policy?
6. Do you focus any efforts on acquisition/rehabilitation project? How does this work out in the community?
7. What type of first time homebuyer programs do you administer?
8. Are they utilized by the community? Any statistics?
9. How many staff members administer the programs?
10. Where is the funding from for the various programs?
11. What programs do you find to be the most successful?
12. What factors do you think make it successful?
13. What programs have you tried to implement that have not been successful and why do you feel that they were not successful?
14. Do you have a specific housing strategy to address affordable housing? What does it focus on?
15. How do you work with nonprofits?

Appendix C
Foreclosures in Modesto

Appendix C: Foreclosures in Modesto

Figure C- 1, from the Modesto Bee, graphically represents the magnitude of homes at risk of foreclosure in the Central Valley. Modesto stands out with more than double the number of homes at risk than any of the neighboring cities.

Figure C- 1: Foreclosure risk in the Central Valley

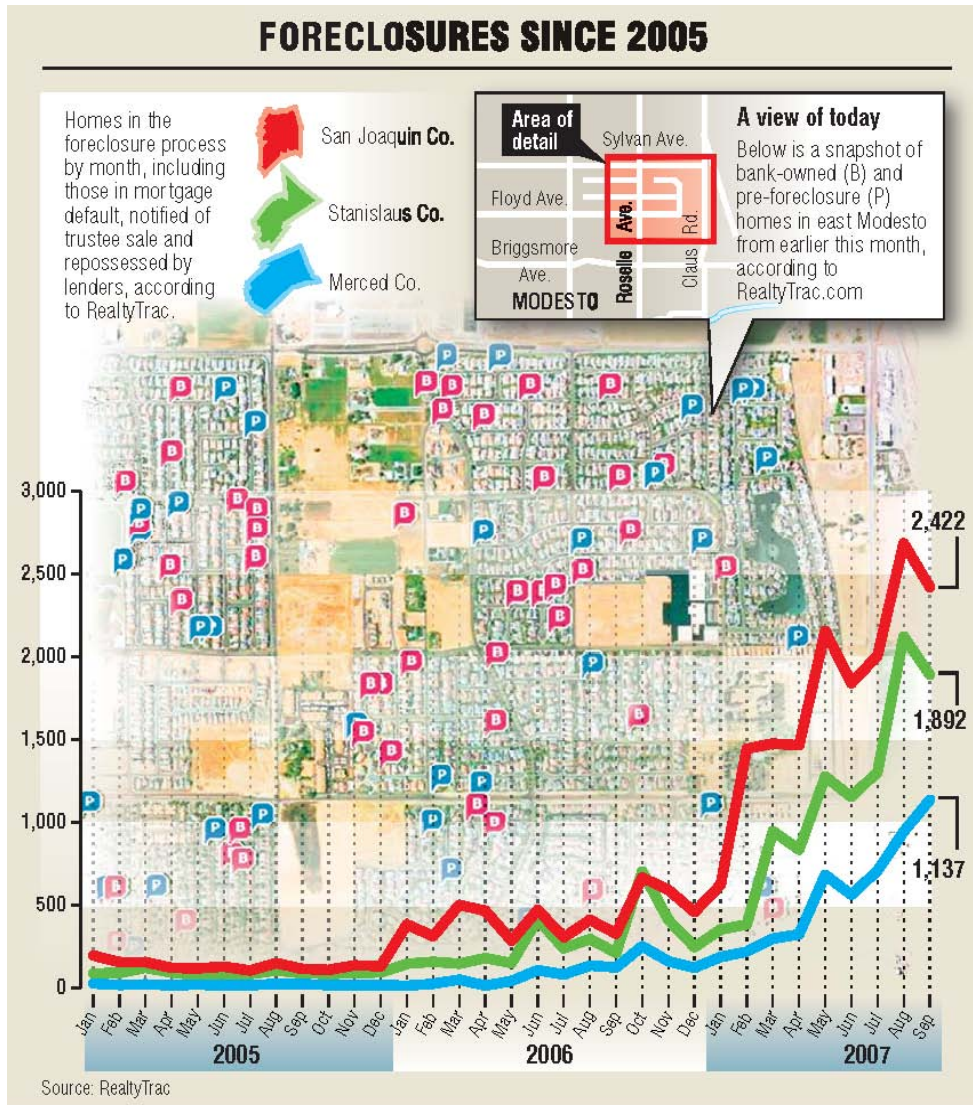


THE BEE

Source: The Modesto Bee. <http://www.modbee.com/reports/realestate/>. Accessed February 5, 2008.

Figure C- 2 provides a detailed inset of foreclosures in east Modesto, as well as overall foreclosure rates in San Joaquin, Stanislaus and Merced County from 2005 to September of 2007. The foreclosures presented in map form highlight the effects on a portion of the City.

Figure C- 2: Modesto Foreclosure Map



Source: THE BEE
Source: The Modesto Bee. <http://www.modbee.com/reports/realestate/>. Accessed February 5, 2008.

Appendix D
Survey of Affordable Housing Efforts by Other Communities

Appendix D: Survey of Affordable Housing Efforts by Other Communities

Throughout California, communities are facing similar challenges in providing affordable housing. As part of this study, surrounding communities as well as other California communities were surveyed for their affordable housing efforts.

A. Selection Criteria

Criteria

Jurisdictions were selected for interviews based on the following criteria:

- Jurisdictions with the Central Valley area, and have a similar community character or are demographically comparable to Modesto.
- Jurisdictions that have implemented innovative or exemplary affordable housing programs, regardless of geographic location.

This survey does not represent an exhaustive survey of affordable housing strategies used by communities throughout California. Selection of communities is also focused on potential strategies that may be implemented by the City of Modesto, with special attention to potential strategies identified in the City's Housing Element. These include:

- Affordable Housing Coalition
- Affordable Housing Policy
- Land Banking/Write-Downs
- Community Land Trust

Furthermore, participation in the survey is limited only to those communities that were willing to collaborate. Certain communities were contacted but declined to participate in the discussion.

Community Character

The evolution of the City of Modesto plays a vital role in the development of its community character. Modesto was founded as a railroad town in 1870 and was originally one square mile. Over time the City landscape changed from barren plains and became known as the "Rose City" or "Garden City" because of its rose bushes and manicured lawns. Modesto's location in the heart of the fertile San Joaquin Valley, along the Union Pacific Railroad and Tuolumne River, led to its expansion as an agricultural and logistics hub known for its dairy, almonds, apricots, melons, tomatoes, wine grapes, peaches, walnuts and poultry. With the increased cost of living and expansion of the Bay Area and Silicon Valley, people began moving to the adjacent Northern San Joaquin Valley in search of affordable housing. Modesto's location, less than 90 miles from San Jose and San Francisco made it an ideal

location for residents being pushed out of those areas. Modesto’s close proximity to the major business centers of the Bay Area has turned the agriculturally based city into a bedroom community. Other cities in the region experienced similar development patterns and are therefore struggling with similar issues as Modesto. They share a similar railroad, agricultural or ranching history and are becoming bedroom communities to major business centers outside the Central Valley.

Innovative or Exemplary Housing Programs

Additional jurisdictions outside the San Joaquin Valley were interviewed as part of this study. These communities were chosen primarily for their housing programs (Table D- 1).

Jurisdiction	Programs
City of Carlsbad	<ul style="list-style-type: none"> ▪ Affordable Housing Program
City of Chino	<ul style="list-style-type: none"> ▪ Affordable Housing Development Agreement
City of Chula Vista	<ul style="list-style-type: none"> ▪ Affordable Housing Program and Point System for Selecting Residents
City of Dublin	<ul style="list-style-type: none"> ▪ Universal Design Ordinance
City of Irvine	<ul style="list-style-type: none"> ▪ Affordable Housing Program ▪ Community Land Trust
City of Santa Clara	<ul style="list-style-type: none"> ▪ Housing Trust Fund ▪ Innovative First-Time Homebuyer Program
City of Santa Cruz	<ul style="list-style-type: none"> ▪ Accessory Dwelling Unit (ADU) Development Plan

B. Jurisdictions Surveyed

Overall, 15 jurisdictions were selected for the survey of affordable housing efforts. Each of the selected jurisdictions is briefly described below:

- **Carlsbad** is an affluent city in San Diego County. It is similar to Modesto in household and housing characteristics. Carlsbad has a very successful affordable housing policy in a high cost area.
- **Chino** and Modesto share a similar agricultural background and community character. Chino is a bedroom community to Los Angeles and Orange County job centers and significant price and income gaps. Chino has seen substantial residential development in recent years and has been successful in creating affordable housing through development agreements.
- **Chula Vista** is of similar size and income level to Modesto and has a similar community character. It serves as a bedroom community to San Diego and is a lower income community in a high cost housing market. The City has also implemented a successful affordable housing program that is undergoing revamping due to changing market conditions.

- **Dublin** is a small city in Alameda County. It recently adopted a mandatory Universal Design Ordinance.
- **Irvine** is similar in size to Modesto. As a high income community in Orange County, Irvine is one of the largest producers of affordable housing in Southern California. It has recently adopted an affordable housing strategy that includes a community land trust, a housing trust fund, and an affordable housing policy.
- **Livermore** has recently become a wealthier community but shares a similar history with Modesto. Livermore has adopted a Growth Limitation Plan (GLP) that regulates the rate of growth in the City but manages to achieve affordable housing with a “must-build” affordable housing policy.
- **Lodi** is a smaller community than Modesto but with a similar income profile of residents. Lodi’s small population is expected to grow with housing market pressures from the Sacramento area.
- **Manteca** shares similar housing challenges with Modesto, such as higher income East Bay workers seeking affordable housing in the Central Valley.
- **Patterson** is located in close proximity to Modesto. While it has a much smaller population than Modesto, it is experiencing similar housing pressure from the East Bay area. The City of Patterson recently modified its affordable housing policy to strengthen the production of affordable housing.
- **Ripon** is a very small community but is selected due to its proximity to Modesto and its successful housing programs.
- **Santa Clara** shares a similar history with Modesto in that they were both agricultural communities. Santa Clara has evolved into a strong business community with an affordable housing program.
- **Santa Cruz** is a small community in a high-cost area. A small cottage can command over \$800,000 in the market. With little vacant land remaining, the City created an innovative strategy through the Accessory Dwelling Unit Development Program to help create second units as a source of affordable housing and a strategy to eliminate blight.
- **Stockton** is the other large city in the area and has a median household income only slightly lower than Modesto’s. Stockton is nearly identical to Modesto in family households and tenure distribution. Stockton is also impacted by the significant growth pressures from Sacramento and the East Bay.

- **Tracy** is located near Modesto and has a similar history and community character and faces a similar price and income gap.
- **Turlock** is located in close proximity to Modesto and is very similar to Modesto in all the chosen demographics, except for population size.

Multiple attempts were made to contact the staff of the selected jurisdictions via telephone. A total of 11 jurisdictions responded to the telephone calls (Livermore, Lodi, Ripon, Tracy, Manteca, Stockton, Chula Vista, Fontana, Oxnard, Santa Clara and Sunnyvale) and staff was interviewed for their city's affordable housing efforts. For the four jurisdictions (Turlock, Irvine, Salinas and Patterson) that did not respond to the telephone calls, research on the internet was conducted to obtain information on the affordable housing programs offered.

Demographics Characteristics of Surveyed Communities

This following section provides an overview of the demographic and housing characteristics of the communities surveyed in this study. The variables used in this study are population, median household income, household types, housing tenure, and housing unit characteristics. Population was chosen to determine the size of a community. Median household income is an important indicator of housing needs because reflects what housing prices residents can afford. The percentage of family households speaks further to the character of the community and housing needs. Family households tend to prefer ownership housing and larger units.

Tenure distribution (owner- versus renter-occupied) of a housing stock often reflects stability and reinvestment in a community. Vacancy rate indicates if adequate housing units are available to meet the needs of the community. Generally, a vacancy rate between three and five percent indicates a balance in supply and demand. A vacancy rate of less than three percent often reflects a tight housing market, inflating housing prices.

Some of the chosen cities that share similar demographic features with Modesto are undergoing many of the same rapid changes that Modesto is facing. Increasing development pressures from the Bay Area are rapidly changing the demographic composition of these cities. Such trends are especially pronounced in the smaller communities and communities located near the Altamont Pass (a commuter route to the Bay Area job centers).

Table D- 2 presents the key demographic indicators of these selected communities. Modesto is the largest city in Stanislaus County and Stockton is the largest city in San Joaquin County. Other cities in both of these counties are noticeably smaller; however, they are all growing cities that are experiencing the same growth and development patterns. All of these communities are family-oriented with Lodi having more senior households and Tracy and Patterson having more younger families with children.

Chula Vista and Irvine are similar in size to Modesto while Carlsbad, Chino, Dublin, Santa Clara and Santa Cruz are smaller. Chula Vista also has a similar composition of family households and households with children. None of the chosen comparison cities that are outside the central valley have as many senior households as Modesto.

City	County	2008 Population	2005 Median Household Income ¹	2000 Census		
				% Senior ² Households	% Family ² Households	% Households with Children ²
Modesto	Stanislaus	209,936	\$45,769	19.7%	71.8%	38.7%
Carlsbad	San Diego	101,811	\$78,037	10.0%	66.3%	30.7%
Chino	San Bernardino	82,670	\$68,075	4.8%	81.5%	47.3%
Chula Vista	San Diego	231,305	\$55,610	8.4%	75.5%	40.7%
Dublin	Alameda	46,934	Not Available	8.5%	69.8%	35.4%
Irvine	Orange	209,806	\$82,827	5.1%	67.1%	36.1%
Livermore	Alameda	83,604	\$96,932	13.0%	74.7%	40.2%
Lodi	San Joaquin	63,362	Not Available	24.2%	69.3%	35.8%
Manteca	San Joaquin	66,451	Not Available	17.2%	76.3%	43.3%
Patterson	Stanislaus	21,229	Not Available	16.2%	82.9%	53.1%
Ripon	Stanislaus	14,915	Not Available	17.9%	79.6%	45.5%
Santa Clara	Santa Clara	115,503	\$71,282	9.5%	62.6%	27.4%
Santa Cruz	Santa Cruz	58,125	Not Available	15.3%	50.9%	25.1%
Stockton	San Joaquin	289,927	\$41,118	19.0%	71.5%	40.8%
Tracy	San Joaquin	81,548	\$70,643	11.7%	81.2%	51.7%
Turlock	Stanislaus	70,158	\$48,468	20.7%	73.0%	40.3%

Notes:

1. American Community Survey by the Census provides updated median household information only for communities with a population of 65,000 or more as of 2005.
2. Senior households are those headed by persons 65 years or older. Family households, senior households, and households with children are not mutually exclusive.

Sources:

1. Bureau of the Census, 2000 Census.
2. Bureau of the Census, 2005 American Community Survey.
3. State Department of Finance, Population and Housing Estimates, May 1, 2008.

Table D- 3 shows the composition of the housing stock for the surveyed communities. Modesto, Chula Vista Lodi, Santa Clara, Santa Cruz, Stockton and Turlock have closer to an even split between owner- and renter-occupied units, compared to other selected communities, which have two-third or more of the housing stock being owner-occupied. The difference in tenure is also reflected in the housing stock, where Carlsbad, Chula Vista, Dublin, Irvine and Santa Clara all have a high proportion of multi-family units. However, based on the tenure distribution, a large portion of single-family units in these communities are used as rentals. Carlsbad, Dublin and Irvine have large proportions of multi-family units, which match the proportion of renters in the communities as well.

Table D- 3: Housing Characteristics					
City	2000		2008		
	% Owners	% Renters	% Single Family	% Multi-Family	Vacancy Rate
Modesto	58.7%	41.3%	76.0%	21.2%	3.3%
Carlsbad	67.4%	32.6%	67.4%	29.7%	6.7%
Chino	68.7%	31.3%	76.0%	21.6%	3.3%
Chula Vista	57.4%	42.6%	61.4%	34.0%	3.0%
Dublin	64.9%	35.1%	58.9%	40.9%	3.5%
Irvine	60.0%	40.0%	54.7%	44.0%	4.5%
Livermore	72.2%	27.8%	80.9%	17.6%	1.8%
Lodi	54.6%	45.4%	71.1%	26.9%	3.2%
Manteca	63.0%	37.0%	79.8%	16.4%	3.4%
Patterson	69.5%	30.5%	94.3%	3.6%	3.6%
Ripon	71.2%	28.8%	88.4%	11.3%	2.3%
Santa Clara	46.1%	53.9%	50.5%	49.2%	2.8%
Santa Cruz	46.6%	53.4%	61.9%	36.2%	5.6%
Stockton	51.6%	48.4%	71.8%	26.9%	4.3%
Tracy	72.2%	27.8%	86.2%	11.9%	2.6%
Turlock	55.8%	44.2%	73.3%	24.2%	3.6%

Sources:

1. Bureau of the Census, 2000 Census.
2. State Department of Finance, Population and Housing Estimates, January 1, 2008.

C. Affordable Housing Strategies/Programs

The communities surveyed focus their affordable housing efforts primarily on four types of programs – direct assistance in rental housing construction, assistance in acquisition and rehabilitation, first-time homebuyer assistance, and affordable housing policies.

Direct Assistance in Rental Housing Construction

Only three cities directly subsidize the construction of rental housing.

Ripon: The City of Ripon is the smallest of the selected communities. However, it has built over 140 rental units in the past five years and is about to begin construction of a 21-unit senior housing project and an 18-unit family housing project.¹

Stockton: The City of Stockton has created about 150 affordable rental housing units in recent years through direct subsidy in financing.²

Manteca: The City of Manteca has funded the construction of one multi-family housing development, and another 40-unit senior complex is undergoing expansion. In addition, Manteca has three projects in development.³

Acquisition/Rehabilitation

Rehabilitation efforts of the surveyed cities focus primarily on the provision of loans and grants to individual homeowners to rehabilitate single-family and mobile homes. Each program has its own variations but in general, offer grants or forgivable loans ranging from \$2,000 to 10,000 for income qualifying homeowners or seniors.

Only a few cities offer assistance for the acquisition and rehabilitation of rental housing developments. The cities of Livermore and Manteca are pursuing the rehabilitation of older apartment buildings by private and nonprofit developers. The City of Stockton has recently completed two rehabilitation projects in a targeted neighborhood in order to stabilize the area. However, the City does not see acquisition/rehabilitation as a focus of the City's housing strategy.

Accessory/Second Units

The City of Santa Cruz has adopted an award-winning Accessory Dwelling Unit (ADU) Development Program. The ADU Development Program is designed to encourage development of small-scale neighborhood-compatible housing and to discourage the proliferation of poorly-constructed illegal ADUs. At the same time, construction of ADUs promotes infill development and sustainable land use patterns.

¹ Telephone interview with Sheryl Prater, Development Specialist, City of Ripon, August 14, 2007.

² Telephone interview with Laurie Montes, Housing Department, City of Stockton.

³ Telephone interview with Rachelle Debord, Administrative Analyst in the Redevelopment Agency, City of Manteca, September 10, 2007.

The Santa Cruz ADU Development Program assists homeowners considering the development of an ADU on their property by providing the following:

- **Technical Assistance Program:** Assist homeowners in designing an ADU for their property. Included in the program are:
 - An ADU Plan Sets Book containing seven ADU prototype concepts designed by local and regional architects.
 - An ADU Manual containing a step-by-step guide on how to plan, design and obtain permits for an ADU.
- **An ADU Loan Program:** Offer loans up to \$100,000 through the Santa Cruz Community Credit Union.

Universal Design Ordinance

The City of Dublin recently adopted a Universal Design Ordinance to require the projects in excess of 20 residential units (including duplexes and triplexes) to meet the Universal Design requirements. These requirements mandate the use of design features that make living and functioning in one these units universally accessible to all residents, including residents with impairments and disabilities. The Ordinance mandates that certain base universal design features be installed and mandates that other universal design features be offered.

The mandatory-to-install items are:

- An accessible doorbell must be installed for an installed accessible entrance.
- Grab bar reinforcements must be installed in powder rooms or bathrooms located on the primary entry level.
- Faucets and handles not requiring tight grasping, pinching, or twisting of the wrist must be installed in powder rooms or bathrooms located on the primary entry level.
- Sink controls not requiring tight grasping, pinching, or twisting of the wrist must be installed when a kitchen is located on the primary entry level.
- Hand-activated door hardware not requiring tight grasping, pinching, or twisting of the wrist
- Rocker light switches and controls or lights switches meeting ANSI A117.1 or the CBC Chapter 11A.
- Receptacle outlets, lighting controls and environmental controls throughout the unit must comply with CBC Chapter 11A or applicable provisions of the California Electrical Code.

The City of Irvine has implemented a voluntary universal design program in accordance with Title 24, Chapter 11-A Accessibility Standards. Homebuilders are encouraged to offer universal design features when permitted by architecture and elevation. Builders complete a checklist of universal design options included in the home and any other features

requested by the buyer. These options vary from a Lazy Susan in cabinets or hand-held adjustable shower head to residential elevators to roll in showers.

First-Time Homebuyer Programs

Many jurisdictions in California offer first-time homebuyer assistance. The City of Santa Clara offers a specific program that works in conjunction with its affordable housing requirements for ownership housing.

Santa Clara: In conjunction with the affordable housing requirement for ownership housing, the City offers a Below Market Home Purchase Program that provides a silent second loan of up to \$75,000 to income-qualified homebuyers. Homebuyers are subject to a deed restriction and resale provisions for 20 years. Interest and principal payments are deferred for the first five years. After five years, repayments with simple interest are due monthly. If homeowner decides to sell the unit within the first five years, the unit must be sold to income-qualified households at a restricted price. If the unit is sold after five years, the owner must repay the difference between the initial purchase price and initial market price. However, the owner receives a 5% equity share per year of ownership.

All the cities surveyed had some form of first-time homebuyer assistance. Most cities offer a fixed amount in downpayment and closing cost assistance but the City of Ripon offers an assistance that is scaled according to the purchase price (i.e. 10% of the purchase price as long as it does not exceed the area median home price). Every city reported that their first-time homebuyer program is being highly utilized by the community and there is often a wait for additional funds.

Small Lot Subdivision Incentives

Small lot subdivision has become one of the most popular types of infill development in older neighborhood. It provides for densification without substantially altering the character of existing neighborhoods. Jurisdictions often offer incentives to encourage such development. Such incentives include allowing one additional unit to be constructed if two R-2 properties are merged (e.g. Redondo Beach), or alternative placement of garages (e.g. Chino) or guest parking (e.g. Manhattan Beach).

Affordable Housing Policies

Six of the selected jurisdictions have some form of an affordable housing program. Table D-4 provides a general overview of these programs.

Jurisdiction	Requirement	Income Levels	Development Threshold
Carlsbad	15%	5% Very Low 5% Low	6+ units
Chula Vista	10%	5% Low 5% Moderate	50+ units
Ripon	10%	Very Low, Low, and Moderate: 1/3 of units for each income level	None established
Irvine	15%	5% Very Low 5% Low 5% Moderate	50+ units
Patterson	15%	Ownership: 9% Moderate/6% Low Rental: 9% Low/6% Very Low	10+ units
Santa Clara	10%	Ownership: 10% Moderate Rental: 10% Very Low and Low	10+ units

Carlsbad: The City of Carlsbad’s affordable housing policy, known in the City as the Affordable Housing Program, requires that all residential developments must include 15% of the units as housing affordable to lower income households. Units are required to be provided on site, except for developments with six or fewer units. Such small developments are allowed to pay an in-lieu fee. At the discretion of the City Council, off-site units and donation of land may also be used to fulfill the affordable housing requirement.

To avoid overconcentration of lower income households in a particular neighborhood, the City is divided into four quadrants. When off-site affordable units are constructed, the units must be provided in the same quadrant where the requirement was generated by new development.

The City of Carlsbad Affordable Housing Program has been praised in many affordable housing studies as one of the most successful programs in California. Between 2003 and 2007, the City created more than 1,000 affordable lower income units through its affordable housing requirement.

Chula Vista: The City of Chula Vista requires all residential development with 50 or more units set aside 10% of the units as affordable to low and moderate income households. When for-sale units are built, the affordable units must be reserved for first-time homebuyers. The City uses a unique priority point system to give priority to people who work in the City or are in law enforcement. Between 1999 and 2006, the City has produced close to 1,000 affordable units through its affordable housing requirement.

However, the City is noticing a trend of developers moving away from large-scale developments as green field development sites diminish. Instead, developers are pursuing

redevelopment of underutilized sites in the urban core of the City. Given the generally smaller size of infill developments, which do not meet the City's 50-unit threshold for the affordable housing requirement, the City anticipates a reduction in affordable units in the upcoming years unless the threshold is revised. The City has retained a consultant to revamp the affordable housing requirement in order to adjust market trends.⁴

Irvine: The City of Irvine requires all residential development to set aside 15% of the units as housing affordable to lower and moderate income households. The City has developed a menu of options for fulfilling the affordable housing requirements. The menu options include:

- Convert existing market rate housing to affordable housing for a period of at least 30 years.
- Extend the term of affordability for affordable units for a period of at least 40 years.
- Payment of in-lieu fees.
- Transfer control of units to a nonprofit housing agency.
- Transfer of off-site credits for affordable units not provided on the site.
- Provision of alternative housing.
- Dedication of land for affordable housing.
- An alternative option acceptable to the City.

Projects with fewer than 50 units may choose to use the menu options. Projects with 50 or more units may only use the menu options if provision of on-site affordable units can be demonstrated as infeasible.

According to the NPH study, since adoption of the affordable housing ordinance in 2003, Irvine has created 449 affordable units.

Livermore: The City of Livermore requires 15% of all new construction to be affordable to low and moderate income households. However, within the Downtown area, the requirement is 10% lower income units. Developments with ten or more units are subject to the City's must-build affordable policy. Developments with nine or fewer units may pay an in-lieu fee. The majority of the City's affordable units are ownership units.⁵ According to a study by the Non-Profit Housing Association of Northern California (NPH), Livermore's affordable housing program created 315 affordable units between 1999 and 2006.⁶

Ripon: The City of Ripon adopted a Below Market Rate (BMR) Housing Program. Developers of residential projects with more than ten units, implemented through development agreements, must provide 10% of the units as affordable to very low, low, and moderate households (with one-third of the units for each income level). For the very low income requirement, the developer has an option to either build second units or to pay an

⁴ Telephone interview with Stacy Kurz, Senior Community Development Specialist, City of Chula Vista, August 10, 2007.

⁵ Telephone interview with Milly Siebel, City of Livermore, August 28, 2007.

⁶ Non-Profit Housing Association of Northern California, *Affordable by Choice: Trends in California Inclusionary Housing Programs*, 2007, Appendix 4, p.41.

in-lieu fee. Most affordable housing units in the City are ownership units. According to the NPH study, Ripon created 127 affordable units through its affordable housing program between 1999 and 2006.

Patterson: The City of Patterson's affordable housing policy requires 15% of all new units be affordable to lower and moderate income households. However, the policy provides separate requirements for ownership and rental housing developments. For ownership development, the requirement is 60% of the 15% must be affordable to moderate income households, with the remaining 40% being affordable to low income households. For rental housing development, 40% of the required 15% must be affordable to very low income households, with the remaining 60% being affordable to low income households. Patterson does allow alternate means to meeting the affordable requirements, including construction of off-site units, payment of an in-lieu fee, or donation of land for housing. According to the NPH study, Patterson created 24 affordable units through its affordable housing policy between 1999 and 2006. Recent revisions to the affordable housing policy and resident developments in Patterson have resulted in additional affordable housing units that were not accounted for in the report.

Santa Clara: The City has an affordable housing requirement of 10% of all developments with ten or more units. For ownership housing development, the affordable units must be affordable to moderate income households. For rental housing development, the affordable units must be affordable low and very low income households.

The City also contributes funds to the Housing Trust of Santa Clara County (described later).⁷

⁷ Telephone interview with Erwin Ordonez, Housing Planner, City of Santa Clara, August 16, 2007.

Community Land Trust

While CLT is gaining popularity, it is not yet a widely used tool in California for providing affordable housing. Table D- 5 provides a list of CLTs in California based on various sources. Most of these CLTs are boutique operations without significant resources or are only in the planning stages.

Table D- 5: Community Land Trusts in California		
Name	City	Status
Bolinas Land Trust	Bolinas	Active and still growing
CHLT of Santa Cruz	Santa Cruz	No property acquired yet
Community Foundation Land Trust	Los Angeles	Active and still growing
Community Land Trust of West Marin	Point Reyes Station	Active and still growing
Concerned Citizens of South Central Los Angeles	Los Angeles	Status not known
Da'hui Man'gu CLT	Los Angeles	Actively being planned
Esperanza (Figueroa Corridor) CLT	Los Angeles	Actively being planned
Haight-Ashbury Land Trust	San Francisco	Dissolved
Hands Trust	Stockton	Status not known
Housing Land Trust of Sonoma County	Petaluma	Active and still growing
Humbolt Bay Housing Development Corporation	Arcata	Active and still growing
Inglewood Neighborhood Housing Services	Inglewood	Active and still growing
Irvine CLT	Irvine	Actively being planned
Northern California Land Trust	Berkeley	Active and still growing
Oakland Citywide CLT	Oakland	Dissolved
Ravenswood CLT	East Palo Alto	No property acquired yet
Riverside County Land Trust	Riverside	Actively being planned
San Bernardino County Land Trust	San Bernardino	Actively being planned
San Francisco CLT	San Francisco	Actively managing property
St. Josephs CLT	South Lake Tahoe	Actively managing property
Una Nueva Esperanza/South County Housing	Salinas	Actively managing property
Sources:		
1. CLT Resources Center, Burlington Associates, http://www.burlingtonassociates.net/resources/movies/cltmap.swf		
2. Institute for Community Economics, http://www.iceclt.org/clt/cltlist.html		
3. Veronica Tam and Associates		

Irvine: In 2006, the City of Irvine adopted an Affordable Housing Implementation Strategy. A key component of that strategy is the establishment of a CLT. The City envisions establishing the Irvine CLT in FY 2008. Financial support for the CLT will include Redevelopment housing set-aside, land donation from developers, and affordable housing in-lieu fees, among others. Once established, the Irvine CLT will be the first CLT in California with substantial financial resources.

Housing Trust Fund

Housing trust fund is a mechanism to safeguard the sources of funding for affordable housing. The trust fund is usually established a local ordinance, which stipulates the sources of funding, intended uses, and targeted beneficiaries, and is usually under the oversight of either the elected officials or a specially appointed committee. Once established, the monies in the trust fund cannot be reallocated or used for purposes other than those expressly identified in the ordinance.

Communities in California that have established housing trust funds include:

Cities	City	County
▪ Berkeley	▪ Pasadena	▪ Alameda County
▪ Cupertino	▪ Petaluma	▪ Napa County
▪ Livermore	▪ San Diego	
▪ Los Angeles	▪ San Francisco	Multi-Jurisdictional
▪ Mammoth Lake	▪ San Jose	▪ Sacramento City/County
▪ Menlo Park	▪ Santa Cruz	
▪ Oxnard	▪ Santa Rosa	Private
▪ Oakland	▪ Santa Monica	▪ Orange
▪ Palo Alto	▪ West Hollywood	▪ Santa Clara

The cities of Santa Monica and San Diego have established housing trust funds with dedicated public revenue sources. Housing Trust of Santa Clara County and Orange County Housing Trust are privately-funded that rely on fund-raising to generate revenue for housing.

Santa Monica Housing Trust Fund: The City of Santa Monica's Housing Trust Fund receives funding from a number of sources:

- Development Agreements
- Affordable Housing In-Lieu Fee
- Office Development Mitigation Fee
- Sale of air rights above City-owned properties
- A fraction of the City's Hotel Bed Tax

The use of Hotel Bed Tax and sale of air rights for affordable housing is innovative and rarely used in other communities.

San Diego Housing Trust Fund: The San Diego Housing Trust Fund was created in 1990 by the City. The Housing Trust Fund receives most of its funding from an impact fee on commercial development. The City has established a specific allocation plan for the use of Housing Trust Fund:

- At least 10% to transitional housing

- At least 60% to very low income households
- No more than 20% to low income households
- No more than 10% to median income first-time homebuyers

Housing Trust of Santa Clara County: In 1999, the Community Foundation Silicon Valley, Silicon Valley Manufacturing Group, County Collaborative on Housing and Homelessness and County of Santa Clara created the Housing Trust of Santa Clara County. The Trust was designed to serve as an investment tool to aid the creation of new affordable housing developments and to help first-time homeowners buy affordable homes.

Contributions came private citizens, employers and employer foundations, County government and from all 15 Santa Clara County towns and cities. An endowment of \$20 million was created. However, because this Housing Trust does not have dedicated public revenues as funding sources, the Trust has difficulty making long-term plans due to a lack of steady revenue stream.⁸

Orange County Housing Trust: The Orange County Housing Trust was created to provide regional solutions to help meet the growing demand for affordable housing options in Orange County. With the support of private investors, governments, major corporations and foundations, the Orange County Housing Trust expects to raise over \$25 million by December 31, 2008.

The Orange County Housing Trust has two main program thrusts. The first is to provide low interest second mortgages to qualified first-time homebuyers and downpayment assistance grants to members of the Orange County workforce. The second is to provide below market pre-development loans to developers encouraging the creation of quality affordable and workforce housing units, including single-family, multi-family and special needs housing projects in Orange County.

Community Housing Coalition

A community housing coalition is usually comprised of residents, community stakeholders, and housing professionals. Typically, such coalitions are formed as nonprofit organizations to further housing options and address housing issues in a community. Some housing coalitions are formed strictly to provide information to the community and to advocate certain housing policies before elected officials (e.g. Costa Mesa Housing Coalition). Other housing coalitions also have the ability to act as developers (e.g. Long Beach Affordable Housing Coalition). Formation of such organizations typically relies on community-initiated efforts.

Local jurisdictions, however, can appoint special advisory committees to provide policy guidance on housing issues. The City of Modesto established a Housing Element Advisory Committee to help develop the 2003-2008 Housing Element.

⁸ Telephone interviews with Mori Kendall, Marketing, and Salvador Castro Jr., Program Manager, Housing Trust of Santa Clara County, September 26, 2007.

Development Agreement

Chino: The City negotiated for the inclusion of affordable units in two large specific plans – College Park and The Preserve. The 2,200-unit College Park Specific Plan includes 330 affordable units for very low and moderate income households. The 9,779-unit Preserve Specific Plan includes 500 affordable units for very low, low, and moderate income households. In exchange, the City offers flexibility in height, setbacks, and density restrictions.

Other examples include Newhall Ranch Specific Plan in Los Angeles County (2,200 affordable units out of 21,308 total units), Dougherty Valley in Contra Costa County (2,751 affordable units out of 11,000 total units), and Sunset Rancho Specific Plan in the City of Rocklin (10% of up to 1,156 total units). The development agreements for all these specific plans stipulate the concurrent construction of affordable units with market-rate units. The jurisdictions have the ability to withhold the issuance of building permits for the market-rate housing if the affordable units are not constructed according to schedule.

Commercial Linkage Fee

Commercial linkage fees tie new commercial/industrial development to the construction and maintenance of affordable housing or other community needs. Linkage fee programs are subject to AB 1600 nexus and proportionality requirements to establish a legal basis for the fee and to assign a reasonable share of the impact to development.

Most linkage programs require developers of new commercial properties to pay fees, usually assessed per square foot of development) to support affordable housing. Some programs allow developers to construct the units rather than pay the fee. The fees are usually funneled into a housing trust fund if one is in existence. Communities in California with commercial linkage fee programs include the following:

City

- Alameda
- Berkeley
- Corte Madera
- Cupertino
- Livermore
- Oakland
- Palo Alto
- Petaluma
- Pleasanton

City

- Marin
- Menlo Park
- Mountain View
- Napa
- San Diego
- Santa Monica
- St. Helena
- Sunnyvale

County

- Napa

City/County

- San Francisco
- Sacramento

General Conclusions

Based on the interviews with various communities, the following are some additional general comments:

- Most communities commented on the importance of providing flexibility and incentives in affordable housing programs. The major obstacle is the lack of funding resources given the deep subsidies required to provide affordable housing, particularly housing that is affordable to lower income households.
- Another housing gap is the middle income households – those with incomes above 120% AMI (and therefore not eligible for most local, state, and federal housing programs), but not high enough to afford homeownership without assistance.
- First-time homebuyer programs have not been successful between 2000 and 2006 when home prices escalated, exceeding the maximum home value limits permitted by most funding programs. However, with the recent market conditions, first-time homebuyer programs may again be an effective tool to facilitate affordable homeownership.
- Communities with rising foreclosure rates are seizing the opportunity to reinstate or strengthen the first-time homebuyer programs to purchase foreclosed or short sale properties and to make them available to first-time homebuyers.
- Acquisition/rehabilitation of deteriorating single- and multi-family housing is an important component of the affordable housing strategy of many communities. However, the costs associated with acquisition/rehabilitation are not significantly lower than new construction due to the need to address lead, asbestos, seismic, and other hazards.
- Cities with affordable housing policies believe the affordable housing policy is their most successful program. The City of Livermore indicated its affordable housing program has the potential to add over 400 affordable units in the next three to four years. Livermore feels that their program is successful because of their must-build policy. Staff of the City of Ripon emphasized the importance of having flexibility built into the policy. Carlsbad’s affordable housing program is innovative because of the intricacies involved in dispersing the affordable units throughout the City. Carlsbad’s program has generated a large volume of affordable units in a short period of time without hindering development in the City.
- Cities without affordable housing policies believe that their downpayment assistance and rehabilitation grants are the most effective. These programs are easy to administer and residents are familiar with the programs so they are widely utilized.
- Competitive for available land and high land costs are major obstacles in developing affordable housing. In response to these constraints, community land trust is

gaining popularity. However, the use of CLT is not yet widespread. The administrative and oversight responsibilities are often beyond the capacity of many local communities.