



## Building California's Future: Increasing the Supply of Housing to Retain California's Workforce

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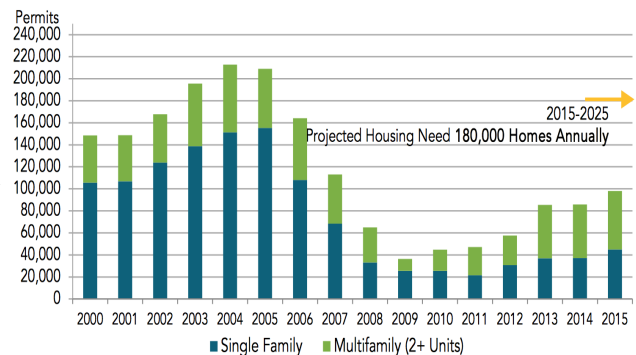
### Highlights

- **Adaptive reuse can be successful if a city ordinance is adopted and if there is a supply of commercial buildings available.**
- **A major barrier to the production of ADUs is the inability to acquire construction loans.**
- **Grassroots pro housing advocacy groups can play an important role in protecting developers' rights to build.**

### Background

California is experiencing a housing crisis. For 2015 to 2025, California needs to build 180,000 units annually to meet demand.<sup>1</sup> This results in higher housing costs, as construction isn't keeping up with population growth.<sup>2</sup>

Annual Production of Housing Units 2000-2015  
Compared to Projected Statewide Need for Additional Homes



As a result of the shortage of available housing units, and the high prices of such units, many California households who pay more than 30% of their income on housing are leaving the state at high rates.<sup>3</sup> Adding to the issue of an exodus of California residents, employers are experiencing difficulty with recruiting and retaining their workforce due to the high housing prices, and the shortage of housing units which are affordable to California's workforce.<sup>4</sup> California's economy may suffer from the negative impacts of the housing crisis as workers are choosing to live in more affordable housing markets outside of the state.

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## Methodology

This report focused on adaptive reuse, accessory dwelling units, and the California Housing Accountability Act as its areas of interest. Case studies were used to examine adaptive reuse and accessory dwelling unit programs using permit data and information from annual reports. Existing case law and literature review of current legislation were used to examine the Housing Accountability Act (HAA).

Methodology	Information	Sources
<b>Case Study: Adaptive Reuse</b>	<ul style="list-style-type: none"> <li>Units Created</li> <li>Barriers to Development</li> </ul>	<ul style="list-style-type: none"> <li>City Permit Data</li> <li>City Adaptive reuse reports</li> <li>Literature Review</li> </ul>
<b>Case Study: Accessory Dwelling Units</b>	<ul style="list-style-type: none"> <li>Units Created</li> <li>Barriers to Development</li> <li>Cost of Construction</li> </ul>	<ul style="list-style-type: none"> <li>City Permit Data</li> <li>Annual city planning reports</li> <li>Literature Review</li> </ul>
<b>HAA &amp; Case Law</b>	<ul style="list-style-type: none"> <li>Legal Precedent</li> <li>Stakeholder Analysis</li> </ul>	<ul style="list-style-type: none"> <li>Lawsuits</li> <li>Legislation review</li> <li>Literature Review</li> </ul>

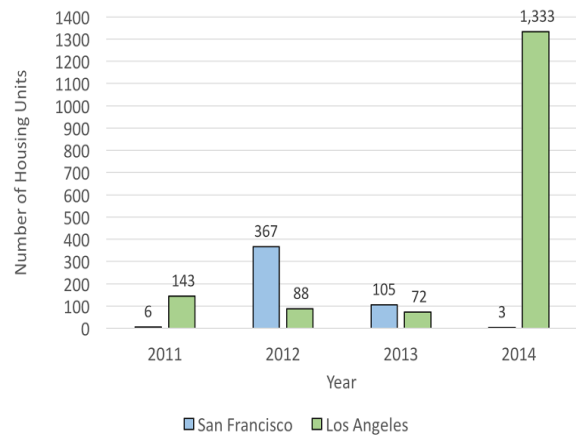
## Case Studies

### Adaptive Reuse

The adaptive reuse ordinance in Los Angeles has been successful at producing housing units. When comparing San Francisco to Los Angeles from 2011 to 2014, Los Angeles created more housing units during this time constructing 1,636 housing units. During the same period San Francisco only created 481 housing units.<sup>5&6</sup> Based on these results there are many aspects of the adaptive reuse ordinance in Los Angeles other cities may wish to incorporate into their ordinances.

In Los Angeles, there are features that can be incorporated into an adaptive reuse ordinance to help save overall time and money. For example, Los Angeles allows qualified developers to take advantage of tax credits, but San Francisco does not provide this option.

Comparison between San Francisco and Los Angeles on the Number of Housing Units Created by Adaptive Reuse



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### Accessory Dwelling Units



Both Portland and Seattle have created ADU ordinances with differing rates of success. Portland has built more ADU units annually than Seattle between 2011 to 2014, with Portland building 190 units per year and Seattle building 24 units per year.<sup>7&8</sup> This difference could be due to Portland's less restrictive regulations that the city changed in 2010. Specifically waiving the System Development Charges (SDCs) for ADUs appears to have had a major impact. Before the policy was in place, Portland had a similar annual rate of ADU production to Seattle. After creating a waiver for the SDC the production rose exponentially in Portland.

Both cities have shown strong support for ADUs from the public. Main arguments against ADUs such as bringing parking problems or changing the neighborhood aesthetics do not appear to have materialized. In Seattle one of the major barriers to development was the inability to secure loans for construction. Thus, California may wish to examine ways to help finance loans for the creation of ADUs.

### California Housing Accountability Act

The Housing Accountability Act (HAA), originally passed in 1982, places limits on a local government's ability to deny, amend, or affect a proposed housing development project so long as the project complies with the city's existing general plan and zoning laws. The HAA is also referred to as the anti-NIMBY law, which is meant to protect projects against arguments that are echoed by anti-development residents. The HAA was understood to only apply to affordable housing developments until the case of *Honchariw v. County of Stanislaus* (I) in 2011 which allowed for-profit housing developers to sue cities under the HAA.<sup>9</sup> Furthermore, Assembly Bill 2584 (AB 2584) passed in 2016 allows trade industry groups and housing advocacy organizations to take legal action pursuant to the HAA to challenge the disapproval of a housing development by a local agency.<sup>10</sup>

Since the passing of AB 2584, one of the most prominent housing advocacy groups to utilize the HAA is San Francisco Bay Area Renters' Federation (SFBARF) and the California Renters Legal Advocacy and Education Fund (CaRLA). Developers value strong working relationships with city officials and prefer not to sue local government. Therefore, grassroots pro-housing advocacy groups can play a prominent role in protecting the right to develop. YIMBY Action, a part of the greater pro-housing network, plans to establish an open source platform to catalogue HAA violations. Such resource would greatly aid the pro-housing community in mobilizing efforts to provide better protection of developers' right to build.



## Policy Implications

- Adaptive Reuse has the ability to be replicated in other municipalities if there is a large amount of historic/underutilized buildings complemented with the support from the city administration.
- ADUs can help increase the supply of housing units in residential areas if regulations are less restrictive and if there is a creation of financing packages for ADUs.
- Housing Accountability Act may be used as a tool for developers and housing advocates to protect the right to build in communities.

## Conclusion

Those concerned with increasing the supply of housing in California can advocate changes to zoning and emphasize housing units with adaptive reuse ordinances since it has proven to show promise for cities which have vacant and historical buildings that have the potential to have living units in it. Advocates can also work with financial institutions to create loan packages that can go towards the construction of ADUs. ADUs could allow for the construction of more units in residential areas without the issues that plague large development process. In regards to the Housing Accountability Act, there is a conflict of interest between developers and cities, since developers would not benefit from suing a city, therefore pro housing networks can help. The Housing Accountability Act can be used as a tool to use against cities that do not support large scale developments. These solutions may increase the supply of housing in California somewhat, but to address the severe housing shortfall in California both state and local municipalities must use other tools such as those laid out by metropolitan planning organizations. Future studies should examine further changes to zoning codes to help reduce the costs of development and increase the number of units developed.

### Citations

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### Image Credits

1. California Department of Housing and Community Development (2017). California's Housing Future: Challenges and Opportunities. Retrieved from: <http://www.hcd.ca.gov/policy-research/plans-reports/docs/California's-Housing-Future-Full-Public-Draft.pdf>
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