

58,000 Homes: The Roadmap

Part One

November 2021

Current Homebuilding Rates and the Pace Needed to Meet Sonoma County's Needs

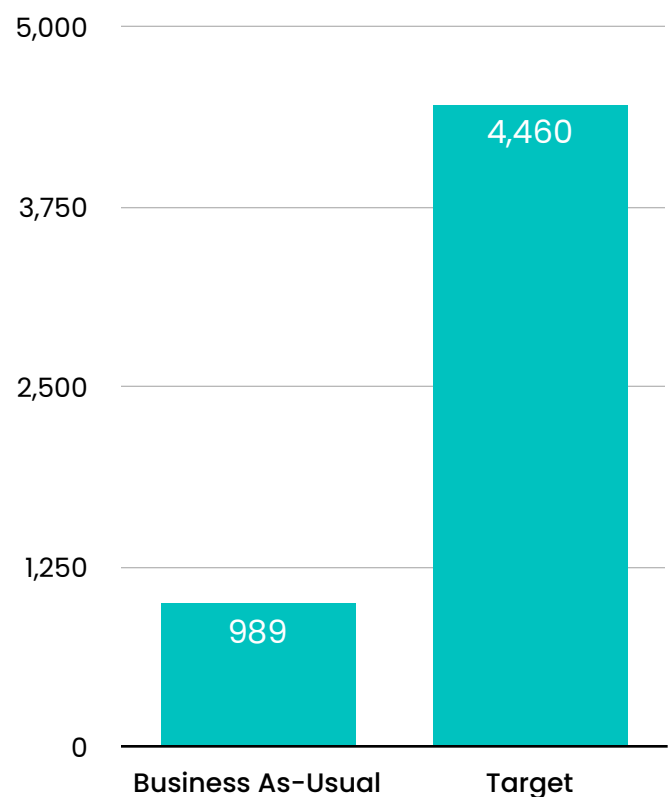
Achieving the ambitious goal of producing 58,000 new homes for Sonoma County residents requires grounding the discussion in the data that reflects existing homebuilding levels and identifying the new levels of production necessary to improve affordability.

In the figure below, we start by forecasting to 2030 by using a weighted average to predict future levels of home production. The existing levels of home production from 2000 to 2018 are used to estimate home production levels between 2018 to 2030. The estimate under this scenario is labeled "Business As-Usual" given the assumption that producing homes at past to current levels would be maintaining the status quo, or business as-usual. Under this scenario, Sonoma County would produce an average of 989 homes annually. Between our time period of 2018 to 2030, Sonoma County would produce about 12,857 new homes.

The business as-usual scenario is compared to the annual average of new homes during that time period needed to achieve the



Figure 1: Expected Yearly Building Permit Average, 2018 to 2030



Author's calculations of U.S. Housing and Urban Development

Note: Projection for Business As-Usual based on weighted averages; Target total is equally distributed across the time series.

target of 58,000. When distributed equally among this time period, the 58,000 target yields an average of 4,460, which is 4.5 times greater than the business as-usual scenario.

Homebuilding at existing rates would be greatly insufficient to meeting housing goals. In the last 3 years, 2018–2020, we've built only 4,790, leaving 53,210 units, for an annual average need of 5,310 units through 2030.

Where to Locate New Homes?

Sonoma County leaders and residents over the course of the last two decades have clearly and unambiguously stated their priorities of having greater city-centered growth. This more modern vision and plan for housing reins in sprawl development and looks inward towards developing more complete neighborhoods that are walkable, near transit and with access to amenities, jobs, and services. This type of development is more climate-friendly and less vulnerable to fire. Generation Housing endorses and aligns with the vision of building up, not out. To that end, Generation Housing sees the following three priority areas as essential in the effort to building more homes for all residents of Sonoma County:

- Transit
- Commercial corridors
- High-opportunity areas

Transit

Transit-oriented development within Sonoma County has become a greater area of focus with the advent of the Sonoma-Marín Area Rail Transit (SMART). Voters in both counties sent a clear signal in approving funding for SMART in an effort to broaden transportation options for the North Bay while reducing

greenhouse gas emissions to prioritize mitigation of climate change. As SMART stations have sprung up across Sonoma County, so have new options to expand housing near transit. These stations offer the greatest opportunity to add the highest density housing, mid to high-rise buildings, in order to optimize the opportunities for households to live near one of Sonoma County's most important newly established transportation amenities.

But the SMART station is not the only factor in transit-oriented development. High-frequency bus routes also serve as an important conduit for expanding mobility for local residents. High-frequency bus routes — those which have regular stops at 15 minute intervals during peak hours — offer the most economical and often the broadly most used type of transit services. The flexibility bus routes offer to connect residents to the rest of a city and major transit centers is unmatched and an important reason for why investing in bus services should remain a priority.

Commercial corridors

Commercial corridors, the places that serve as the center for many neighborhoods where commerce, culture, and community activities often take place, are also important areas for new housing. Commercial corridors often have access to better transportation options like frequent bus stops that make them easier to access. But perhaps most importantly, they offer an opportunity to have a better work life balance in which

new housing can be coupled with access to jobs, shops, and services. Commercial corridors are also more likely to have sub-optimal land-uses than can be transformed into higher-quality opportunities. For example, midcentury strip malls and big box stores, most of which have been impacted by the move to online shopping, offer opportunities for re-imagining and redeveloping these sites into mixed-use projects that can serve multiple functions and needs within a community. These type of projects offer cities a chance to develop mid-rise buildings that can include housing and commercial uses and can help to create more walkable and bike-able neighborhoods.

High-resource areas

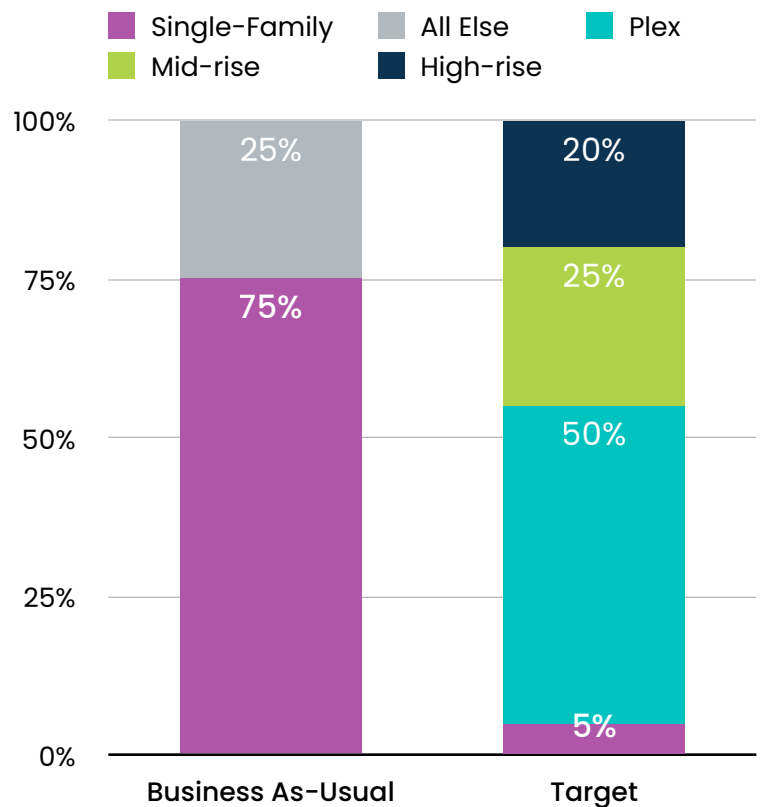
High-resource areas are typically defined as residential neighborhoods with a greater degree of affluence that have access to good schools and other valuable quality of life amenities and services. These neighborhoods have historically been and endure as racially and economically homogenous and segregated exclusive enclaves. The State of California’s recent push to affirmatively further fair housing, originally an Obama White House rule and since adopted by the State, has reinvigorated efforts to address patterns of residential segregation by emphasizing the need to reduce barriers to homebuilding within high-resource areas. Prioritizing equity can translate into allowing families access to opportunity

where children can attend higher-performing schools, greater availability of jobs, and other vital services. Most of these neighborhoods as defined by the State of California tend to be lower density neighborhoods, which suggests that plexes and small apartments might be most appropriate in scale for new homebuilding within these areas.

What Kind of New Homes Are Needed?

Reaching the target of 58,000 not only requires homebuilding at a faster pace, but requires shifting the types of housing built — diversifying our housing stock beyond the

Figure 2: Comparison of Homes by Type



Source: American Community 5-Year Sample for 2019 via Integrated Public Use Microdata Series (IPUMS)

Table 1: New Housing Types to Achieve 58,000 New Homes

Building Type	Description	Number of Units	Number of Buildings
Single-family	Single-family homes	2,900	2,900
Plexes	Small apartment buildings. Two- to six-unit buildings, 25 feet to 35 feet.	29,000	7,250
Midrise apartments	25 to 85 feet	14,300	140
Buildings over eight stories	85 feet and above	11,800	56
Total		58,000	10,346

ubiquitous single family homes that predominate in Sonoma County. Generation Housing envisions a shift towards building modest levels of density diluted throughout the county, through (1) the production of plexes, or small apartment buildings, that can integrate seamlessly into existing single-family neighborhoods; (2) Mid-rise apartments in urban and neighborhood commercial centers; and (3) High-rise apartments in urban centers. Single family homes would still constitute a portion, albeit proportionately smaller, slice of new construction.

Plexes offer an opportunity to add new housing at a scale that is appropriate for many of the current neighborhoods in Sonoma County with low levels of density. At least half of all new units should be of the plex variety in which neighborhoods accommodate small apartments – an effort that would most meaningfully contribute towards achieving 58,000 new homes.

Single-Family Homes: Three in four existing homes in Sonoma County are single-family homes, while under the new formula only about 5 percent, or 1 in 20, new homes would be single-family. Instead, at least half of new homes by 2030 should be modest density type homes ranging from duplexes to sixplexes.

Mid to High Rise Apartments: like Santa Rosa have taken proactive steps to developing at higher densities in prime location like their initiative UpDowntown Santa Rosa, the focus on developing mid to high rise residential properties is increasing in Sonoma County. Generation Housing projects that 25 percent of new units should be mid-rise buildings that range from 25 to 85 feet totaling around about 14,300 new homes within about 140 buildings. High-rise buildings that scale to 85 feet and beyond would constitute about 20 percent of the needed units under this vision for new housing.

Lessons Learned from Other Cities

The supply and demand of housing remains the central mechanism by which we can best understand, and ultimately solve, our housing affordability issues. The high demand and low inventory of housing is a driving force in the unaffordable home prices and rents experienced by local residents. Despite the need for the provision of housing, skeptics abound on the question of whether supply can alleviate the demand for housing. Case studies of cities that have pursued housing supply policies are offered to underscore the importance of advancing solutions that can meet demand through the abundant supply of new housing.

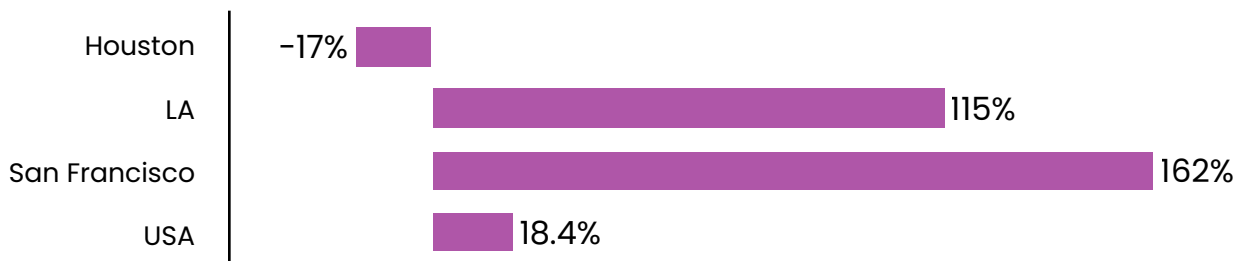
Houston

The City of Houston where the homebuilding rate has been moving at a breakneck speed has also seen a corresponding decrease in its home prices over the last 30 to 40 years. For example, the cost of a home in Houston today is less than it was in 1980.¹ Compare

that to San Francisco where the cost of a home today is 162 percent higher than in 1980. Houston’s approach, like much of Texas’ approach to policymaking, has been largely “light touch” with respect to development restrictions, including zoning. Houston, perhaps most famously, never implemented the traditional use-based zoning that separates land functions such as residential, commercial, and industrial activity in distinct places — instead, opting to have a mix of uses across the city.

Using the decentralized approach anathema to California’s modern approach to policymaking, the Lone Star state city has produced results. For example, Houston produced nearly as many single-family homes in 2014 as the entire state of California, which has about six times as many residents. But Houston isn’t only building single-family homes, it’s also densifying. During the early part of the last decade, Houston ranked second among U.S. cities in terms of new multifamily housing.² The explosion of infill and modest density

Figure 4: Percentage Change in US Home Prices, 1980 to 2016



Sources: Zillow, The Economist

¹ <https://www.economist.com/graphic-detail/2016/08/24/american-house-prices-realty-check>

² Joel Kotkin, “The Cities Doing the Most to Address the U.S. Housing Shortage,” *Forbes*, December 17, 2015.

housing has also been a part of the housing boom for Houston. With the median price of a home in Houston being around \$220,000, less than a third of the median home in Sonoma County at \$740,000, it's no surprise why some California residents are opting for Texas.³

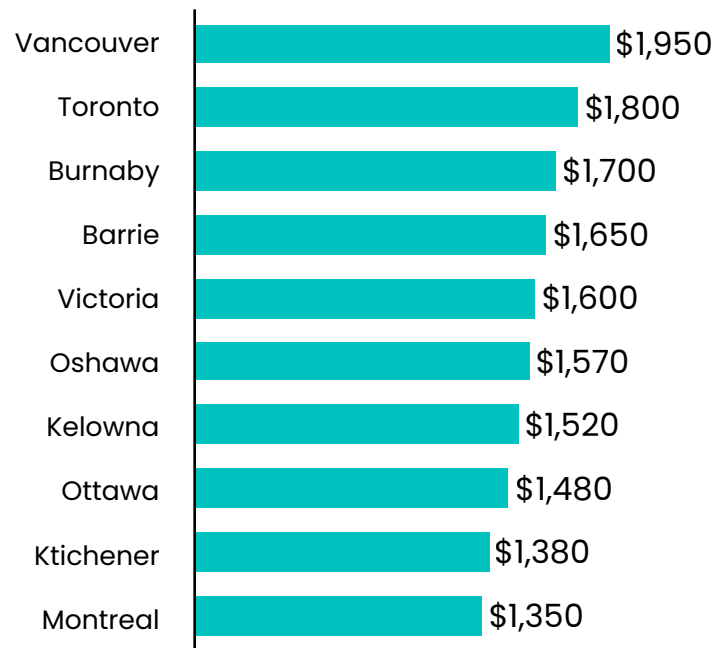
Montréal

To the north, we find dueling examples of cities planning for affordable housing. Canada's economic and cultural capitals, Toronto, Vancouver, and Montreal, are also its three most populous cities. The cost of entry to relocate to one of these cities is dramatically different depending on the city. Vancouver and Toronto are among the most expensive cities in the world. Montreal, on the other hand, is a relatively affordable city both in global and Canadian terms.

Median rents between the two cities vary significantly with Vancouver charging \$1,950 and Toronto \$1,800 for a 1-bedroom home. Montreal? \$1,350. Between Vancouver and Montreal, that's a 36 percent difference in savings for the Quebecois city.⁴ In fact, among Canadian cities, Montreal ranks 10th in median rents for 1-bedroom units, far behind Vancouver, Toronto, and other cities like Ottawa and Victoria.

What helps explain Montreal's relative housing affordability as compared to other Canadian cities despite it being Canada's second most populous metro area? In large

Figure 5: Top Canadian Cities by Median Rent for 1 Bedroom, June 2021



Sources: PadMapper Research

part, the combination of pro-housing policies and diversity of housing types have driven its affordability. Vancouver and Toronto's skylines have principally been defined by a mix of towering skyscrapers in its downtown core and sprawling car-centric single family home neighborhoods. High-density towers and low-density single-family homes account for about 70 percent of Toronto's housing stock. Compare that to Montreal where those two housing types account for only 24 percent of its housing stock. Instead, the majority of Montreal's housing stock, 54% to be exact, is comprised of low-rise apartments (under five stories).

³ Zillow home values <https://www.zillow.com/sonoma-county-ca/home-values/>

⁴ Padmapper, June 2021 Canadian Rent Prices, <https://blog.padmapper.com/2021/06/16/june-2021-canadian-rent-report/>

For Toronto, the "missing middle" really is missing; that housing type is a meager 15 percent.⁵

Therein lies much of the magic of Montreal — its zoning and other housing policies do not specifically incentivize or protect single-family homes and high-rise towers. Instead, Montreal has grown a more diverse housing stock profile by devoting most of their land to low- and mid-rise apartments, resulting in more, and more affordable housing.⁶

Moreover, Montreal levies no impact fees, or development fees, on new housing. This stands in stark contrast to Toronto, where impact fees can range from 20 to 25 percent of the total project cost; an additional expense ultimately shouldered by the renter or homeowner. Montreal's efforts have resulted in more, and more affordable housing, and a stable housing market, while Vancouver and Toronto have seen stratospheric home price and rental surges.

Minneapolis

In December, 2018, the City Council of Minneapolis approved the 2040 Comprehensive Plan. The plan outlined the vision for the city's growth for the next 20

years, which included a series of new initiatives designed to densify the city and make it a more affordable one. At the heart of the reforms? Ending the stronghold of exclusionary, single family-home zoning. The plan paved the way for permitting triplexes across the city where 70 percent of its land had previously been reserved for only detached single-family homes.

But this wasn't the only change enacted in the plan to support new housing.⁷ The end of the parking mandate, allowing new homebuilding without requisite off-site parking, created more space for homes — rather than cars, aligning with the city's climate goals via reduced automobile travel.⁸ It will take years to meaningfully understand the impact of this comprehensive plan, but thus far, the city's efforts to improve density and affordability appear to be working.

Portland

In July 2019, following the lead of the Minneapolis City Council, the Oregon Legislature approved a bill eliminating single family-home zoning and allowing duplexes in all previous single family-home neighborhoods. The Portland City Council

5 Mario Polese, "How One City Makes Housing Affordable," City Journal, Winter 2020, <https://www.city-journal.org/montreal-affordable-housing>

6 Alan Durning, "Yes, You Can Build Your Way to Affordable Housing," Sightline Institute, September 21, 2017, <https://www.sightline.org/2017/09/21/yes-you-can-build-your-way-to-affordable-housing/>

7 Daniel Kuhlman, "Upzoning and Single-Family Home Prices: A (Very) Early Analysis of the Minneapolis 2040 Plan," American Planning Association, February 16, 2021.

8 Dan Bertolet, "Minneapolis Takes Big Step Toward Legalizing Triplexes On All Single-Family Lots," Sightline Institute, December 10, 2018, <https://www.sightline.org/2018/12/10/minneapolis-single-family-zoning-housing>

saw both efforts, and opted to raise them both by adopting a policy that allowed four homes on almost any lot across the city.⁹

The “Residential Infill Project”, as it’s known, offers a deep affordability option. Homebuilders may build beyond the four units, up to six, if at least half of the units are dedicated for lower-income Portland residents. The initiative also includes several other policies to help spur new missing middle housing. Parking mandates, like in the Minneapolis example, were also eliminated in nearly three-quarters of the city.

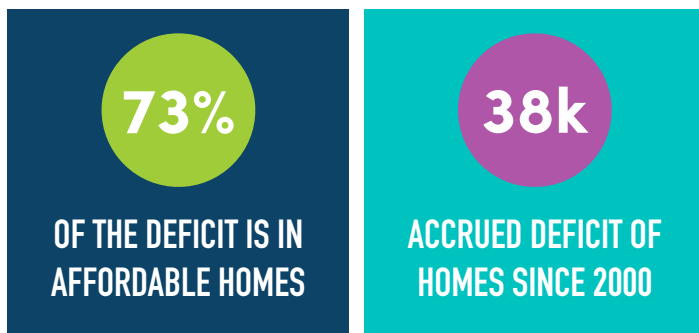
But will these efforts help increase the supply of housing and affordability? Recent research from Hongwei Dong about the City of Portland’s upzoning efforts over the last 20 years has found promising initial results for increasing the supply of housing. In Dong’s research, he finds that parcels upzoned from 2000 to 2017, relative to

comparable parcels, led to significantly greater development probabilities, higher development densities, and more housing supply. Upzoning as a strategy, as Dong finds, is particularly successful when applied to vacant and underutilized sites.¹⁰ Though like Minneapolis, the results of Portland’s recent housing reforms are yet to be seen, both are taking proactive approaches to legalizing missing middle housing types that have proven to offer more affordability in cities like Montreal, a city that has long led the way on missing middle housing.

Policy Recommendations

End exclusionary zoning

Exclusionary zoning laws prohibit multifamily homes, like plexes and low- and mid-rise apartments, which drive up the cost of housing, keep families from moving to neighborhoods with more resources and opportunities for them and their kids, and create or maintain ethnic and income segregation. It was no accident that the Biden Administration chose to announce their support for ending exclusionary zoning on Juneteenth, an important recognition of how exclusionary zoning perpetuates racial segregation and blocks upward mobility. It’s why President Biden’s American Jobs Plan featured the Unlocking Possibilities



9 City of Portland, Residential Infill Project, <https://www.portland.gov/bps/rip>

10 Hongwei Dong, “Exploring the Impacts of Zoning and Upzoning on Housing Development: A Quasi-Experimental Analysis at the Parcel Level,” *Journal of Planning Education and Research*, February 2021.

Program, a competitive grant program of \$5 billion to incentivize cities to eliminate exclusionary zoning.¹¹

Legalizing multifamily dwellings where only single-family homes were once permitted can help increase the supply of housing and improve affordability by lifting restrictions on a diverse type of homes, foster inclusion and equity by addressing persistent inequities in the U.S. housing market, and help align with climate goals by creating more walkable, bike-able neighborhoods with less dependency on vehicles. Cities should build on the recent passage of California's Senate Bill 9 that legalized duplexes and lot splits across the state by expanding to include other forms of low and mid-density homes like quadplexes and small apartments.

Prioritize high-resource areas when selecting sites for lower-income housing opportunities

All of us should share in the duty and responsibility of accommodating affordable housing by fairly distributing lower-income housing across all neighborhoods. Locating affordable housing only in lower-income neighborhoods creates or maintains racial and income segregation. Yet that has often been the case when deciding the location

of new housing. As new research from Katherine Levine Einstein and colleagues found, individuals who are older, white, male, long-residents, and homeowners were disproportionately represented at public hearings about housing proposals, and were more likely to oppose new construction.¹² The overrepresentation of affluent neighbors opposed to new housing has meant a concentration of new housing in lower-income neighborhoods that has resulted in increased racial and economic segregation.

The State of California has set the intention of increasing upward mobility by opening up exclusive high-resource neighborhoods in their Tax Credit Allocation Committee (TCAC) process that awards public funds to affordable housing proposals across the state. In the criteria, TCAC advantages housing proposals that are located in high-resource/high-opportunity areas. TCAC uses a mapping tool created and designed by the Othering and Belonging Institute at UC Berkeley. The map's indicators used to measure opportunity include neighborhoods wealth, school performance, air and water pollution, access to employment, and several other factors that make these neighborhoods particularly beneficial to lower-income residents.¹³

11 Cecilia Rouse, Jared Bernstein, Helen Knudsen, and Jeffrey Zhang, "Exclusionary Zoning: Its Effects on Racial Discrimination in the Housing Market," The White House, June 17, 2021, <https://www.whitehouse.gov/cea/blog/2021/06/17/exclusionary-zoning-its-effect-on-racial-discrimination-in-the-housing-market/>

12 Katherine Levine Einstein, Maxwell Palmer, and David M. Glick, "Who Participates in Local Government? Evidence from Meeting Minutes," 2018, Perspectives on Politics.

13 "California approves latest 'opportunity map' for affordable housing sites," The Othering and Belonging Institute, June 26, 2020, <https://belonging.berkeley.edu/california-approves-latest-opportunity-map-affordable-housing-sites>

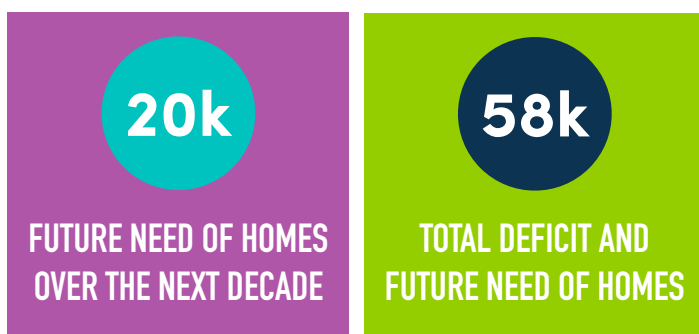
Cities have a chance to align with the State's efforts to advance access to high-opportunity neighborhoods for lower-income residents through the Housing Element update. California's Assembly Bill 686 requires cities to affirmatively further fair housing by ensuring that they upend patterns of residential racial segregation. Cities can achieve this by identifying an abundance of sites in high-resource neighborhoods for affordable housing and lower-income residents.

Create a diversity of homes for all income levels near transit and jobs

The facts are clear and indisputable: public transit reduces energy consumption and harmful greenhouse gas emissions that damage the environment. But in the middle of the twentieth century, the U.S. government made a decision to eschew public transit and put all its chips on the table for cars, and it did so by investing heavily on building the federal highway system. Since then, public transit dollars have been overwhelmingly spent on roads. The few dollars allocated to

public transportation have produced little by way of results. Building public transit in the U.S. is expensive and time-consuming. For example, "In New York, the Second Avenue Subway cost \$2.6 billion per mile, in San Francisco the Central Subway cost \$920 million per mile, in Los Angeles the Purple Line cost \$800 million per mile. In contrast, Copenhagen built a project at just \$323 million per mile, and Paris and Madrid did their projects for \$160 million and \$320 million per mile, respectively."¹⁴

If it cost so much to build public transit and we have so little of it to begin with, then why compound the problem by limiting how many people can live near it? Quality public transit is irrelevant when people can't live near it. Prioritizing transit and job rich areas for new housing can unlock more walkable neighborhoods while also reducing our climate footprint. Recent passage of California's Senate Bill 10 allows cities to voluntarily rezone parcels up to 10 units near public transit through a streamlined process making it much more efficient and straightforward to accomplish. Qualifying cities should take advantage of this new tool created by the state to rezone parcels for higher densities at and near SMART transit stops. Given the multibillion dollar investment of local taxpayers in the rail system, cities should optimize that investment with a commensurate amount of housing near it.



¹⁴ Jerusalem Demsas, "Why does it cost so much to build things in America?" Vox, June 28, 2021, <https://www.vox.com/22534714/rail-roads-infrastructure-costs-america>

Reduce time and cost of building housing

The cost and uncertainty about the homebuilding process can be a death knell to any proposed housing projection before it even begins. Reducing the cost and providing certainty to the time it will take to build housing can meaningfully improve the prospects of new housing.

There are multiple elements to the cost of new homebuilding, and most have increased significantly in recent years. The Turner Center for Housing Innovation at UC Berkeley have found that land values, construction costs, materials and labor, development fees, permitting and development timelines, regulatory requirements, and affordable housing costs have all increased.

Land values, for example, have increased by 76 percent from 2000 to 2016. Upzoning can help alleviate the cost of land values by distributing the cost of land across more units making them relatively cheaper to build. Development fees, also known as impact fees, have also skyrocketed. In 2015, the statewide average was about \$24,000 for a single-family home and \$20,000 for a multifamily unit — nearly three times more expensive than the nationwide average.¹⁵

Recent passage of California’s Assembly Bill 602 directs cities to charge impact fees by square foot rather than by unit, which have often unfairly penalized smaller units found in multifamily housing.¹⁶ Cities can build on this initiative by reducing impact fees, especially for multifamily and deed-restricted affordable housing, can meaningfully contribute to the viability of homebuilding.

The delays and cost to build a new home can range anywhere from \$400,000 to \$600,000 per unit and take several years, making housing more expensive for homeowners and tenants alike. Cities should adopt policies that streamline approval by increasing usage of the ministerial approval process and reduce project costs and development risk by using by-right development policies.

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¹⁵ The Turner Center for Housing Innovation, “The Cost of Building Housing Series,” March 20, 2020, <https://turnercenter.berkeley.edu/research-and-policy/the-cost-of-building-housing-series/>

¹⁶ Office of Governor Newsom, “Governor Newsom Signs Legislation to Increase Affordable Housing Supply and Strengthen Accountability, Highlights Comprehensive Strategy to Tackle Housing Crisis,” September 28, 2021, <https://www.gov.ca.gov/2021/09/28/governor-newsom-signs-legislation-to-increase-affordable-housing-supply-and-strengthen-accountability-highlights-comprehensive-strategy-to-tackle-housing-crisis/>