

CENTER FOR CALIFORNIA REAL ESTATE REPORT

CCRE PRESENTS...

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UNLOCKING POTENTIAL: TACKLING THE BAY AREA'S HOUSING SUPPLY CHALLENGE



CENTER FOR
CALIFORNIA
REAL ESTATE



BACKGROUND

The Center for California Real Estate (CCRE), an institute of the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.), is dedicated to intellectual engagement in the field of real estate. Its mission is to advance industry knowledge and innovation with an emphasis on convening key experts and decision-makers. CCRE reflects C.A.R.'s increasing role in shaping the future of the industry by advancing innovative policy solutions and active dialogue with experts and industry stakeholders. Additional information on CCRE and C.A.R. can be found online at [CCRE.us](https://ccre.us).

EXECUTIVE SUMMARY

The Center for California Real Estate assembled a group of housing specialists in a San Francisco panel titled *Unlocking Potential: Tackling the Bay Area's Housing Supply Challenge*. The discussion dissected the causes and laid out potential solutions for addressing the dearth of housing stock in the nine-county region.

With Melanie Barker, president of the CALIFORNIA ASSOCIATION OF REALTORS®, moderating, the panel featured experts: Xiomara Cisneros, Senior Program Officer of Housing Affordability for the Chan Zuckerberg Initiative; Andrew Fremier, Executive Director of the Metropolitan Transportation Commission & Association of Bay Area Governments; Brian Hanlon, President & CEO of California YIMBY; Noni Ramos, CEO of Housing Trust Silicon Valley; and Jeff Schroeder, Senior Vice President of Land, Planning & Operations for Ponderosa Homes.

The conversation focused on significant barriers to increasing the housing supply, such as restrictive zoning laws and high construction costs, while also examining the role of political and public will in overcoming these challenges. One key theme was the need for regulatory reform in the permitting process and zoning laws to better meet current housing demands.

Further, the panel explored innovative solutions to finance and develop housing, emphasizing the importance of collaboration among public agencies, private sector partners, and nonprofits. There was a consensus on the potential of cultural shifts in public opinion to support housing initiatives. Building a broad coalition to champion housing reforms was identified as crucial for achieving substantial progress.

Over all, the panel underscored a comprehensive approach that integrates regulatory reform, innovative financing models, and robust community engagement to effectively address the Bay Area's housing shortage. The solutions proposed aim to foster a dynamic and inclusive housing market, reflecting the diverse needs of the region's population and ensuring that new and existing developments contribute positively to all socio-economic backgrounds in the Bay Area.

KEY TAKEAWAYS

- 1 Recent efforts to boost housing supply do not compensate for decades of under-development:** Housing has been historically underinvested. There exists a clear need for continued efforts to develop housing. Focusing on outcome-oriented solutions will aid in the momentum of housing development, though it will take time for expansion
- 2 A shift in public sentiment is necessary to produce housing and eliminate barriers:** Political will, regulatory hurdles, and rising costs present barriers to increasing Bay Area housing supply. The alignment of pro-housing sentiment and political will of the public are critical to ensure the backing of additional housing developments.
- 3 There is an express need for housing development that meets the demand for all income levels:** A myriad of housing development is necessary to support and meet the demands of both market-rate and affordable housing, while preserving the housing stock that exists. There is not a 'one-size-fits-all' future that supports the advancement of various socio-economic groups.

INTRODUCTION

The Bay Area's housing crisis is a complex issue that has been looming for decades, exacerbated by underinvestment and resistance to development. To address the shortage and meet growing demand, the California Department of Housing & Community Development estimates the state needs to permit 2.5 million new homes by 2030.

As the Bay Area grapples with skyrocketing home prices, the challenge of housing supply and affordability becomes increasingly pressing. According to CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) data, the median home price in the Bay Area soared to \$1.4 million in April 2024, marking a 15% increase from the previous year. In San Francisco, the median price reached an even more staggering \$1.8 million.

C.A.R.'s 2024 first-quarter Housing Affordability Index (HAI) shows that one in five households can afford a median-priced home in this nine-county region. The HAI data highlights that these households must earn at least \$321,200 annually to afford a home in the Bay Area. This stark economic reality set the backdrop for a robust conversation from the panel of housing experts.

GOVERNMENT BARRIERS TO HOUSING DEVELOPMENT

Major obstacles to the development of housing are the regulatory and legislative challenges presented at various levels of government. Multiple panelists addressed three specific policy areas to consider addressing in the housing supply crisis: permits, zoning and costs.

- **Permits:** Brian Hanlon, President & CEO of California YIMBY, argued the discretionary nature of issuing permits hinders development, where projects that comply with all local regulations still face unpredictable delays and demands. Even Andrew Fremier, Executive Director of the Metropolitan Transportation Commission & Association of Bay Area Governments, a conglomerate of municipalities that have jurisdiction in housing development, acknowledged the relatively inhospitable regulatory environment that prevents or delays housing development. He said, "Regulatory burdens have just added on to the challenges associated with developing good housing and makes it more difficult and more expensive."
- **Zoning:** Highlighting the outdated zoning practices, Hanlon pointed out that much of the urban land in the Bay Area, and California at large, is zoned exclusively for detached single-family homes. Jeff Schroeder, Senior Vice President of Land, Planning & Operations for Ponderosa Homes, added that current urban growth boundaries are doing a disservice to residents seeking more affordable housing options. With less land on which to build, builders such as his company are not able to respond to existing demand.

- **Costs:** Focusing on government-imposed costs, both Hanlon and Schroeder discussed how high impact fees make projects financially unfeasible. Hanlon mentioned specific examples like the excessive parks fees in Sunnyvale, which can be upwards of \$106,000. Schroeder lamented these prohibitive costs imposed on builders can reach up to \$250,000 for a single-family home. These fees have caused such consternation, that a case was brought to the Supreme Court. In *Sheetz v. El Dorado County*, a California resident sued the municipality over a fee paid to receive a permit. While the Court ruled in favor of the resident, both Schroeder and Hanlon acknowledged the ruling was very narrow, essentially leaving it up to the state to determine the guardrails of these fees. Schroeder added, "it's not going to change anything overnight for us builders," highlighting the ongoing challenges in the regulatory landscape. Hanlon added that another cost comes from mandating affordable housing percentages within developments without compensatory subsidies make projects challenging, too.



Brian Hanlon
President & CEO,
California YIMBY

Jeff Schroeder
Senior Vice President of Land,
Planning & Operations

CEQA: AN ANTI-DEVELOPMENT TOOL

Another regulation that drew the ire of panelists was the California Environmental Quality Act (CEQA). While intended to safeguard environmental and community interests, CEQA often poses significant barriers to housing development, especially when it comes to affordability and timeliness.

Schroeder expressed frustration over the way CEQA is utilized in practice, describing it as “legalized extortion.” In his view, CEQA lawsuits tend to delay projects, which not only adds costs but also keeps units off the market, exacerbating the housing supply issue.

Hanlon, a self-professed environmentalist with a background in federal environmental agencies, criticized CEQA for transforming into a “full-employment act for consultants and lawyers.” He argued that the law is frequently exploited to preserve the status quo in the built environment, which hinders efforts to enhance housing availability.

LOBBYING SUCCESS-ES, POLICY FAILURES

Another particular obstacle discussed during the panel is the phenomenon of what Hanlon dubbed “Christmas tree” bills. These bills are often burdened with numerous amendments designed to satisfy a wide array of stakeholders. He criticized these types of bills for complicating and ultimately undermining straightforward legislative goals. Despite the broad support they garner, they often do not lead to actual construction, as projects become economically unfeasible once enacted.

Schroeder highlighted a legislative imbalance impacting housing development. He referenced

his experience as the former chairman of the California Building Industry Association, pointing out the challenges in advancing housing initiatives within the current legislative environment. “In Sacramento this year, there were two bills that were housing creators and eight bills that were housing killers,” he explained. “Still, after all these years of a housing crisis, we get more bills that are housing killers than housing creators.”

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- Jeff Schroeder

LEGISLATIVE & REGULATORY SOLUTIONS

Multiple panelists called for an overhaul on these issues to foster housing production. Hanlon said, “Today, with the stroke of a pen, we can end all of these various government-imposed costs that are absolutely killing the financing for housing production in California.” He also advocated for a system where compliance with established rules results in guaranteed permit approval, akin to recent accessory dwelling unit (ADU) laws passed in recent years. He suggests that zoning should evolve to reflect contemporary housing needs, especially in areas with high demand. Schroeder offered that additional zoning in regions where development is currently prohibited would allow for more units to be built.

Additionally, Fremier offered a separate cost solution in the form of affordable housing financing flexibility from the federal government. He explained, “A lot of our ability to spend money is restricted. And so getting some breaks in terms of what is eligible at the federal level for operating subsidies would be very helpful,” Fremier continued. This flexibility from the federal government could also enhance the effectiveness of local housing initiatives.



Andrew Fremier
Executive Director, Metropolitan Transportation Commission & Association of Bay Area Governments

LEVERAGING PARTNERSHIPS

Another solution offered during the discussion was the significant role of partnerships in addressing the Bay Area’s housing crisis. Xiomara Cisneros, Senior Program Officer of Housing Affordability for the Chan Zuckerberg Initiative (CZI), stated, “Our housing crisis is so intense, that we really need everyone to come together to address the crisis.” Both Cisneros and Noni Ramos, CEO of the Housing Trust Silicon Valley, shared insights into how their organizations are collaborating with the private sector to foster innovative housing solutions.

Cisneros discussed the Partnership for the Bay’s Future (PBF), initiated with seed funding from

tech entities and philanthropic groups. PBF has been instrumental in protecting 73,000 tenants and financing 4,400 homes for 11,000 people, demonstrating the potential of cross-sector collaboration. According to Cisneros, the PBF’s success story serves as a blueprint for how leveraging diverse resources and expertise can lead to substantial impacts in housing affordability.

Ramos elaborated on her organization’s TECH (Tech + Equity + Community + Housing) Fund, which aims to harness capital from large corporate entities for housing projects. This fund of nearly \$120 million has come from companies like Google and Apple, reflecting a commitment from the tech sector to address regional housing challenges. The TECH Fund serves as an example of how targeted financial instruments can mobilize resources, providing a possible model for other regions facing similar issues.

While some panelists highlighted the importance of tech companies’ capital in developing housing, Hanlon advocated for companies to engage in other ways than just giving money. He stated, “The most valuable thing they could do by far is get involved and more engaged in politics and advocacy and fix the market. Philanthropy is not going to save us here.”

PRIORITIZING THE MOST VULNERABLE

While the housing shortage has impacted people from varied backgrounds, panelists emphasized the importance of focusing public and private initiatives on those most in need. Fremier succinctly captured the breadth of the issue, stating, “There’s a housing crisis at all levels.” He added, “We are very supportive of folks that are building market-rate housing. And then, of course, our projects are really designed to be investments in historically disinvested communities.”

Cisneros introduced the concept of preserving naturally occurring affordable housing (NOAH) as



Melanie Barker
President CALIFORNIA ASSOCIATION OF REALTORS®

Xiomara Cisneros
Senior Program Officer of Housing Affordability, Chan Zuckerberg Initiative®

a strategy to increase affordable housing stocks. NOAH refers to older housing units that, with renovations, can continue to provide affordable options. “According to a McKinsey report, the largest affordable housing stock in the US are these NOAH types,” Cisneros remarked. She highlighted a specific project in Los Angeles that CZI hopes to scale nationwide.

Emphasizing inclusivity in housing initiatives, Premier noted that the regional bond includes an equity framework to ensure new construction and housing investments prioritize those most in need. Ramos emphasized the role of an equity framework in promoting anti-displacement policies, such as giving priority to local residents in new affordable housing developments, to maintain community integrity and prevent the displacement of established community members.

“For too long, we’ve just been saying to those folks, ‘Well, just move to where you can afford. Sorry that where you live today, you can’t afford anymore.’ That’s been the strategy. And that strategy has had really negative consequences on our community.”

Hanlon offered a critique of the prevailing approaches to housing, suggesting that building market-rate housing could effectively benefit people across all income brackets. By building housing without income restrictions, he said it does two things: 1) allows for more units where people can live and 2) it creates a “chain of

moves.” He noted, “There’s been a ton of social scientific research over the past [several] years. What they found is that in neighborhoods that build new housing, lower-income people benefit immediately because there they are able to then move into housing that maybe a moderate-income person vacated.”

“There’s been a ton of social scientific research over the past [several] years. What they found is that in neighborhoods that build new housing, lower-income people benefit immediately...”

- Brian Hanlon

PUBLIC SENTIMENT, POLITICAL ENGAGEMENT

A critical element that emerged was the challenge of harnessing public sentiment and political will to drive change. The panelists highlighted that while there is a significant need for public engagement, the reality of achieving it is fraught with inconsistencies and apathy. Brian Hanlon pointed out the volatility in public opinion, revealing from polling that, “The vast majority of voters have very weakly held views on housing; they’re weakly held and very inconsistent. Specific individuals will totally change their answers and their responses from week to week.”

Cisneros echoed this sentiment, emphasizing the overarching lack of enthusiasm for robust housing solutions. She noted, “There’s a huge lack of

public and political will for housing and, in particular, the housing solutions.”

Further complicating the issue of public sentiment and political engagement is the demographic skew of those who participate in the voting process. Ramos pointed out the disparities in voter representation, noting, “Who votes? Who has the power? We know that homeowners make up a lot of the folks that are voting.” These homeowners often wield more economic resources and influence, shaping policies to their advantage.

Adding to this, Schroeder mentioned that property owners have historically benefited from existing systems, reinforcing the status quo. Ramos stressed the importance of inclusive dialogue, asserting, “How do we ensure that the voices of communities that have not historically been able to be heard,” to distribute housing resources more equitably. The panelists’ call-to-action underscores the need for a broad-based approach to engage all community members in shaping housing policies.



Noni Ramos
CEO, Housing Trust Silicon Valley

HOMEOWNERSHIP ASSISTANCE: A FORM OF “AFFORDABLE” HOUSING

Panelists also discussed the potential of homebuyer assistance programs as supplemental affordable housing tools to facilitate homeownership for those who may have challenges with acquiring the cash to put down on a home.

Schroeder highlighted the California Housing Finance Agency’s California Dream for All program, downpayment assistance money which originally received \$300 million in state funds and ran out in a matter of days.

Schroeder emphasized that such programs represent a method for facilitating affordable housing for owners, as opposed to managing deed-restricted properties. He noted the challenges of ongoing budget stresses in Sacramento, which may affect the sustainability of such programs.

Echoing Schroeder’s points, Ramos discussed a specific example from Santa Clara County where \$25 million was earmarked for a first-time homebuyer program as part of the broader \$950 million bond measure. Housing Trust Silicon Valley administers this program, which offers significant down payment assistance, catering to households earning up to 120% of the Area Median Income (AMI). She advocated for increased public and private investment in similar programs to broaden access to homeownership, reinforcing it as a one of many strategies in the broader housing affordability framework.

CULTIVATING SOLUTIONS

The panel concluded that to address the Bay Area’s housing supply challenges will require a multifaceted approach. Cisneros highlighted the significant impact of cultural shifts on policy and public perception. She stressed the importance of building public will as a precursor to unlocking political will. “If we’re going to make a dent in this housing crisis, we need to change the hearts and minds of the larger public. And we need to have a more productive conversation around housing,” said Cisneros. “We need to tell better stories and celebrate the wins,” which can lead to a cascade of solutions across the housing spectrum.

Fremier pointed to recent successes in policy-making that reflect changing cultural attitudes

towards housing and development. He referenced the Committee to House the Bay Area (CASA) Compact, an initiative that initially faced political resistance with politicians being voted out of office. However, support for the CASA Compact has grown with time, demonstrating how shift in opinion requires patience and diligence. This change, according to Fremier, presents a prime opportunity to capitalize on the current momentum to support a strong and vibrant region that tackles current housing challenges.

Ramos echoed the sentiment of sustained advocacy and momentum, underlining the

prolonged underinvestment in housing. She emphasized the necessity of continuous advocacy for resources and policies that protect, preserve, and produce housing, challenging the notion of scarcity and advocating for a comprehensive strategy that doesn't rely solely on one approach. She emphasized, "It must be all three strategies – it's the only way. We can't build ourselves out of the issue; we can't only preserve alone; and we have to protect the folks that are in homes today. It isn't a one or nothing."

"If we're going to make a dent in this housing crisis, we need to change the hearts and minds of the larger public. And we need to have a more productive conversation around housing..." - Xiomara Cisneros

MODERATOR:



Melanie Barker

President, CALIFORNIA ASSOCIATION OF REALTORS®

A licensed REALTOR® since 2004, Barker is co-owner of Summit Real Estate, a sales and property management company in Oakhurst, Calif. As a U.S. Navy veteran where she served as a quartermaster handling the ship's navigation duties, service is something that comes naturally to Barker. At the national level, Barker has been active with the National Association of REALTORS® Board of Directors since 2012. Involved in her community, she was 2020 Oakhurst Area Chamber of Commerce Woman of the Year and the Chamber's 2018 president.

PANELISTS:



Xiomara Cisneros

Program Officer of Housing Affordability, Zuckerberg Initiative

Cisneros' work at CZI focuses on improving housing affordability and access so people from all backgrounds and income levels can live, work, and thrive. CZI is a philanthropic organization founded by Mark Zuckerberg and Priscilla Chan to help solve some of society's toughest challenges — from eradicating disease and improving education, to addressing the needs of our local communities. Prior to joining the CZI, she was director of Bay Area Council's housing policy initiative. She sits on various housing advocacy boards, and is Vice President of the City of Alameda's Planning Board.

**Andrew Fremier**

Director, Metropolitan Transportation Commission & Association of Bay Area Governments

Fremier, a licensed engineer, oversees the MTC/ABAG consolidated staff of some 380 who support both the transportation planning, funding and coordinating agency for the San Francisco Bay Area and the council of governments for the region's nine counties and 101 cities and towns. MTC and ABAG jointly develop and update the Bay Area's long-range transportation, housing and land-use plan, which guides the agencies' policy and investment decisions. Prior to joining MTC, he had a 20-year career at the California Department of Transportation.

**Brian Hanlon**

President & CEO, California YIMBY

Hanlon is the founder and CEO of California YIMBY, a statewide pro-housing advocacy organization. Brian co-founded the California Renters Legal Advocacy and Education Fund (CaRLA) in 2015, which sues cities that violate state housing law. CaRLA's novel impact litigation strategy yielded victory against Berkeley, led to the drafting of SB 167, generated enormous press coverage for the YIMBY movement, and put scofflaw cities on the defensive across the state. Prior to co-founding CaRLA, Brian spent 10 years working for the US EPA and the US Forest Service.

**Noni Ramos**

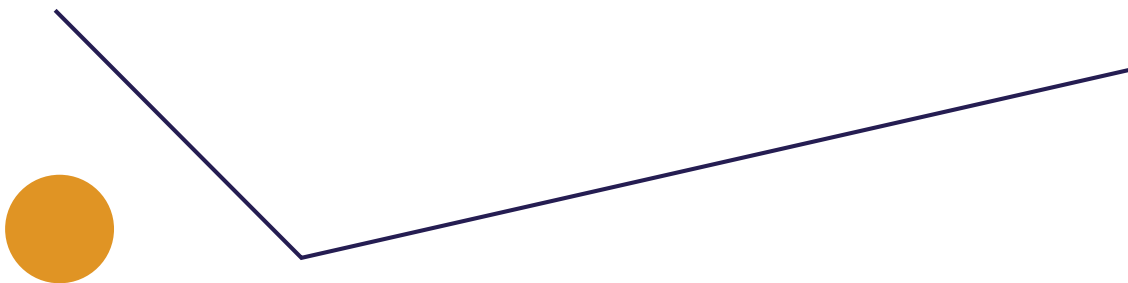
CEO, Housing Trust Silicon Valley

Ramos' impressive background spans close to 30 years working in the affordable housing field. Housing Trust is a certified Community Development Financial Institution (CDFI) working across the 14-county greater Bay Area. Since its inception in 2000, Housing Trust has invested over \$522 million to create and preserve nearly 25,000 affordable homes across the region. Prior to joining Housing Trust, Ramos was at Enterprise Community Loan Fund as Senior Vice President and Chief Operating Officer, where she oversaw the lending, credit and risk management, finance, and administration functions.

**Jeff Schroeder**

Senior Vice President of Land, Planning & Operations

Schroeder is responsible for all aspects of land acquisition, entitlement processing, site development and construction supervision. Having worked for major public and private home builders in California, he has been responsible for the development of thousands of homes in the Bay Area, the Central Valley and Southern California. He has served as the chairman of the Building Industry Association (BIA), South Bay division and the Bay Area region. In 2023, Jeff served as the Chairman of the Board of Directors of the California Building Industry Association (CBIA).





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