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Addressing the Housing Needs of Low-Income Households in the Bay Area:

The Importance of Public Funding

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Introduction

The Bay Area is in the midst of a decades-long housing crisis. Demand for affordable housing vastly exceeds the available supply: in the San Francisco metro area, there are only 32 available affordable rental units per 100 extremely low-income households.[1] Nearly half of Bay Area renters are cost-burdened—spending over 30 percent of their incomes on rent and utilities—and the majority of existing rental units cost over $2,000 per month.[2] High housing costs, coupled with growing income and wealth inequality, make it especially difficult for low-income households to afford a place to live. The lack of housing affordability for low-income households contributes directly to the region's homelessness crisis.[3] In 2023, over 36,000 people in the Bay Area experienced homelessness on a given night and most (69 percent) were living unsheltered in places like tents, vehicles, or the street.[4]

These figures are the direct result of housing policy failures. On the supply side, decades of restrictive zoning and barriers to new housing development in California beginning in the 1960s and 70s have contributed to the state's housing shortage and persistently rising prices.[5] Removing these barriers and expanding supply is critical for addressing long-term housing costs: research shows that increases in housing supply can slow rent growth and lead to modest decreases in rents city-wide.[6]

The lack of housing supply is just one side of the equation, however: the other is insufficient funding to provide housing assistance to those who need it. Most low-income families do not receive any kind of housing assistance, even though they are eligible. For example, less than half (42 percent) of very low-income renter households receive some type of rental assistance.[7] Although new market-rate housing can alleviate overall pressures on the Bay Area housing market and bring down rental costs, these dynamics alone are unlikely to bring overall rents down to levels that very low-income renters can afford.

Recognizing these pervasive challenges, policy-makers are developing approaches to address the housing needs of low-income households. The limiting factor in many cases is insufficient resources: without more public funding, efforts to reduce housing insecurity among low-income households in the region are unlikely to get to the scale necessary to reverse affordability challenges. There is also a need to develop new and innovative models to build and preserve lower-cost housing, as well as overcome the barriers low-income households face in accessing rental assistance.

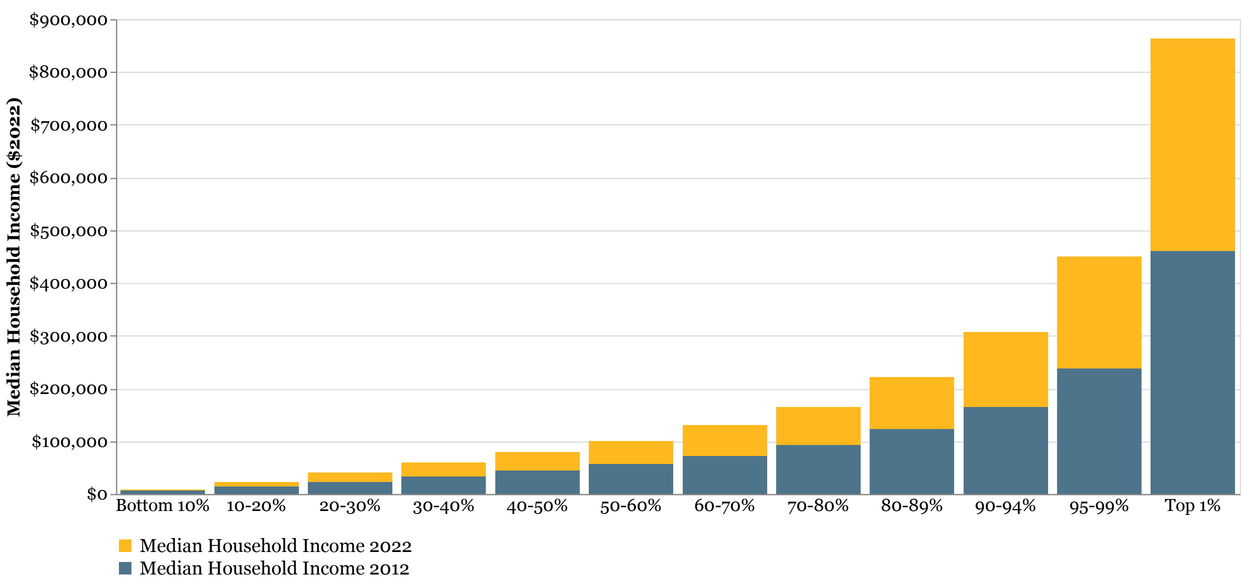
To contribute to ongoing efforts to address the affordability crisis in the Bay Area, this report starts by providing the most recent data on regional inequality and housing trends for renters. Then it describes the challenges to overcome, including barriers to increasing the supply of affordable housing, preserving existing affordable housing stock, and keeping renters stably housed. Throughout, *Solution Spotlights* highlight various programs, policies, or funding initiatives that hold promise for the region's housing crisis, but which need additional funding to get to scale. The report concludes with a discussion of policy implications for investing in solutions going forward.

Rental Affordability in the Bay Area

One of the drivers of the housing crisis in the Bay Area is the widening income gap between low- and higher-income households. From 2012 through 2022, the top 1 percent's median income has grown by 87 percent—from $461,000 to $863,000 (Figure 1). In contrast, the bottom 10 percent's income has grown by only 27 percent, from $6,200 to $7,900. This widening income gap has direct implications for housing affordability: in the context of limited supply, higher-income households can push up rents of existing units. It also contributes to rising Area Median Incomes (AMIs), with significant implications for affordable housing policies and who they benefit.[8]

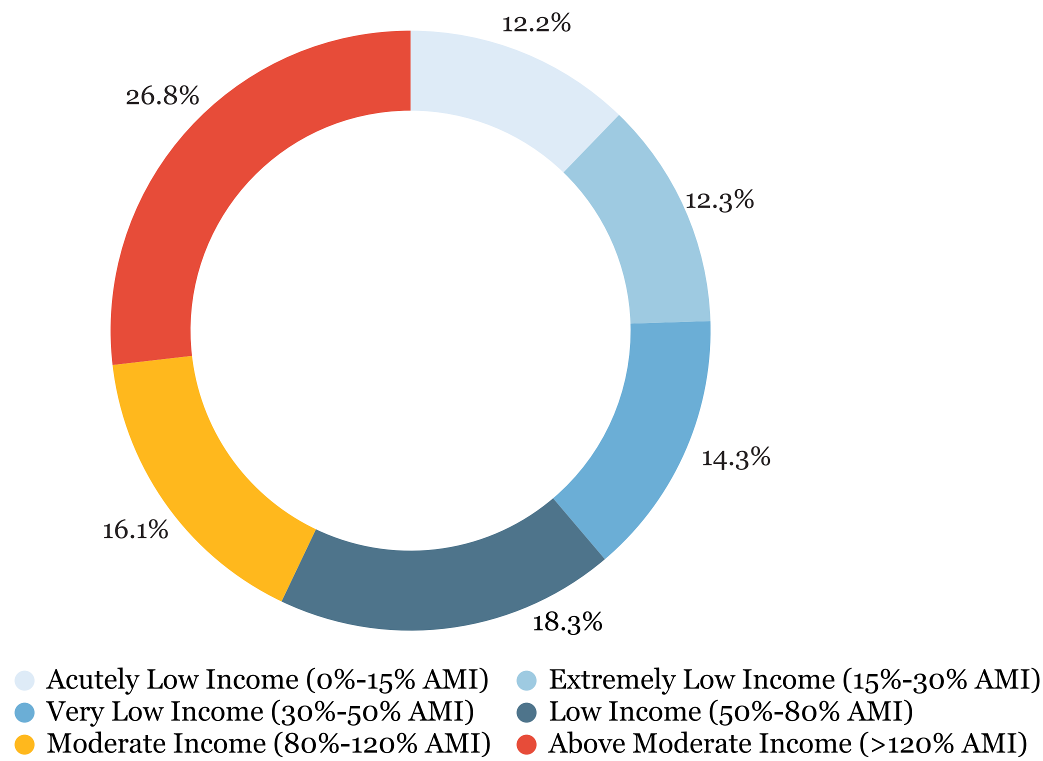
Implications of widening income inequality are particularly severe for low-income renters, who are more vulnerable to shifts in housing costs. Bay Area rents are among the highest in the country, and while prices declined in many places during the Covid-19 pandemic, they remain well above what a low-income renter can afford. In 2023, the typical Bay Area rent was over $3,000, up from $2,360 in 2015.[9] High housing costs are in part mediated by the higher household incomes,[10] but renters are more likely to have lower incomes than homeowners, and be more affected by changes in housing costs. Of the Bay Area's 1.2 million renter households, 57 percent have incomes lower than 80 percent of AMI (Figure 2). And almost 40 percent of renters—more than 470,000 households—have incomes below 50 percent of AMI.

Figure 1: Change in Median Household Income by Income Decile, 2012–2022



Source: American Community Survey 1-year estimates from the United States Census Bureau accessed through IPUMS USA, University of Minnesota, www.ipums.org. Group quarters were excluded.

Figure 2: Share of Bay Area Renters by Area Median Income

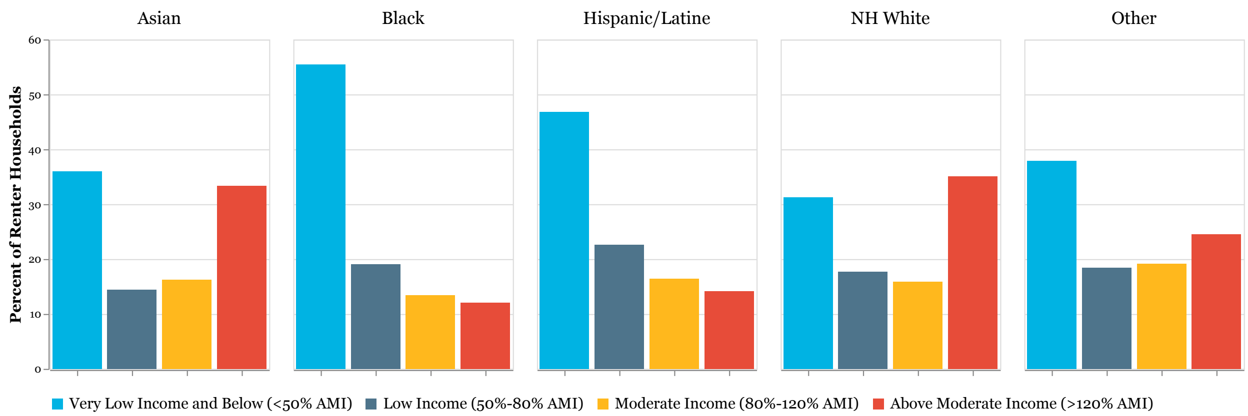


Sources: American Community Survey 1-year estimates from the United States Census Bureau accessed through IPUMS USA, University of Minnesota, www.ipums.org. Group quarters were excluded. Income limits are from the California Department of Housing and Community Development https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2023.pdf.

Decades of discriminatory and racist practices have contributed to the racialized nature of the affordability crisis. Some of these practices explicitly relate to housing (such as redlining). Others (such as hiring biases, underfunded schools, and unequal access to preventative care) contribute to the compounding effects of economic and health disparities that make it harder for people of color to build wealth. As a result, people of color are more likely to be renters, and have lower incomes that make them more vulnerable to rent increases: more than half of Black renters—55 percent—have very low incomes compared to 30 percent of Non-Hispanic White renters (Figure 3).

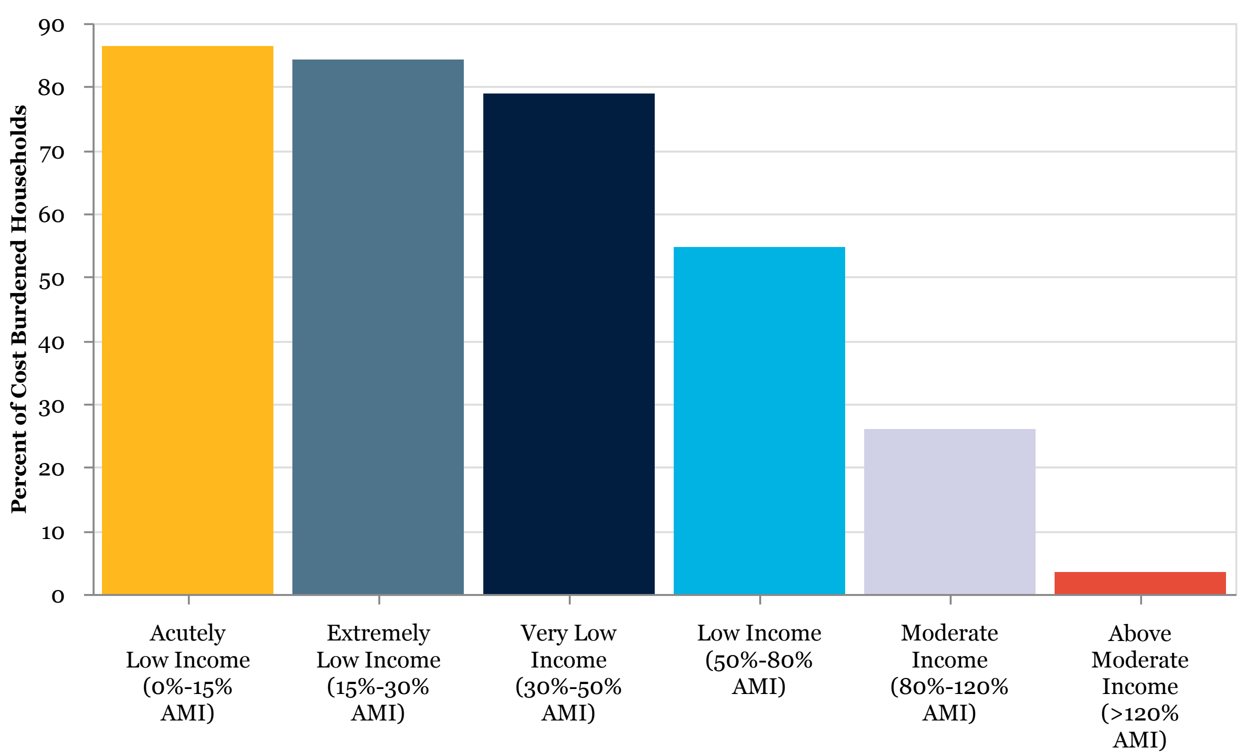
As rents rise faster than incomes, many Bay Area renter households are put under financial strain. Nearly half (43.7%) are cost-burdened, meaning they spend more than 30 percent of their income on rent and utilities. These households are at higher risk of housing instability, material hardships, and inability to meet their basic needs.[11] They are also at increased risk of homelessness, which has been on the rise throughout the Bay Area over the past decade. The financial strain is worst for renters with very low incomes, which often include workers in low-wage jobs such as janitors or home health care aids, as well as seniors on fixed incomes.[12] More than 80 percent of renters earning less than 50 percent of AMI are housing cost-burdened (Figure 4).

Figure 3: Share of Bay Area Renters in Each Income Group by Race and Ethnicity



Source: American Community Survey 1-year estimates from the United States Census Bureau accessed through IPUMS USA, University of Minnesota, www.ipums.org. Group quarters were excluded. Hispanic and other racial categories are mutually exclusive. Income limits from the California Department of Housing and Community Development https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2023.pdf.

Figure 4: Percent Cost-Burdened Among Bay Area Renters by Income Group

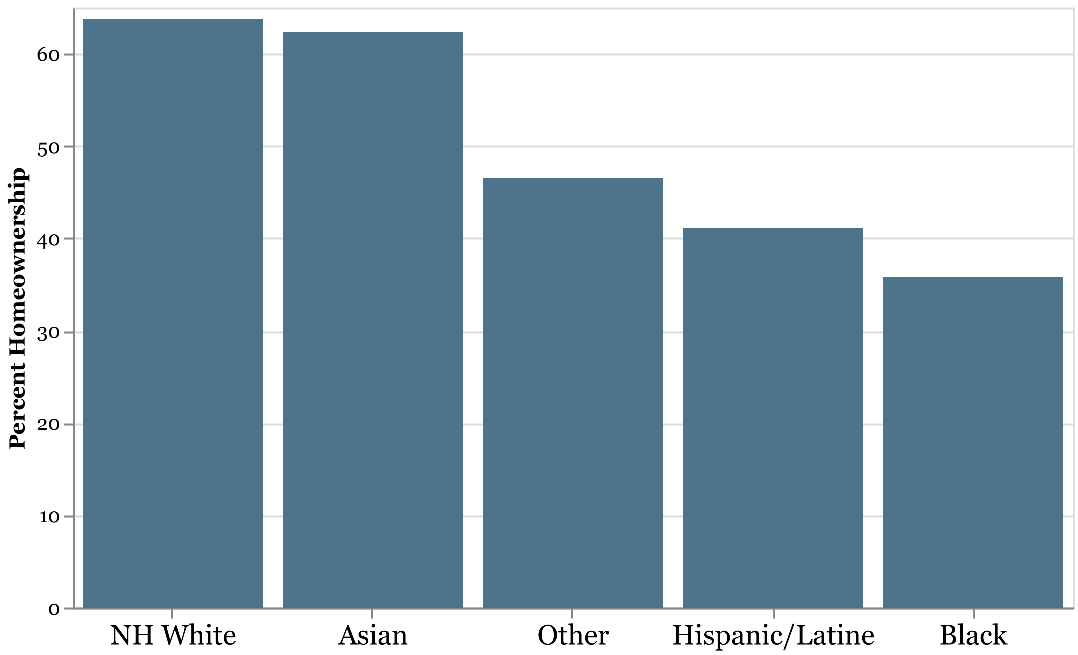


Sources: American Community Survey 1-year estimates from the United States Census Bureau accessed through IPUMS USA, University of Minnesota, www.ipums.org. Group quarters were excluded. Income limits from the California Department of Housing and Community Development https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2023.pdf.

Box 1: Homeownership

The Bay Area's affordability crisis also has implications for who can buy a home. Homeownership—which can provide both housing security and a means to build wealth—is out of reach for many. The typical Bay Area home value has more than doubled in the last 10 years, from around $600,000 in 2013 to over $1.2 million in 2023.[13] Only 56 percent of households in the region are homeowners, compared to a national average of 65 percent.[14] Significant racial disparities in rates of homeownership also exist:only 36 percent of Black and 41 percent of Hispanic/Latine households are homeowners, compared to over 60 percent of Asian or Non-Hispanic white households (Box Figure 1).

Box Figure 1: Homeownership by Race and Hispanic/Latine Origin



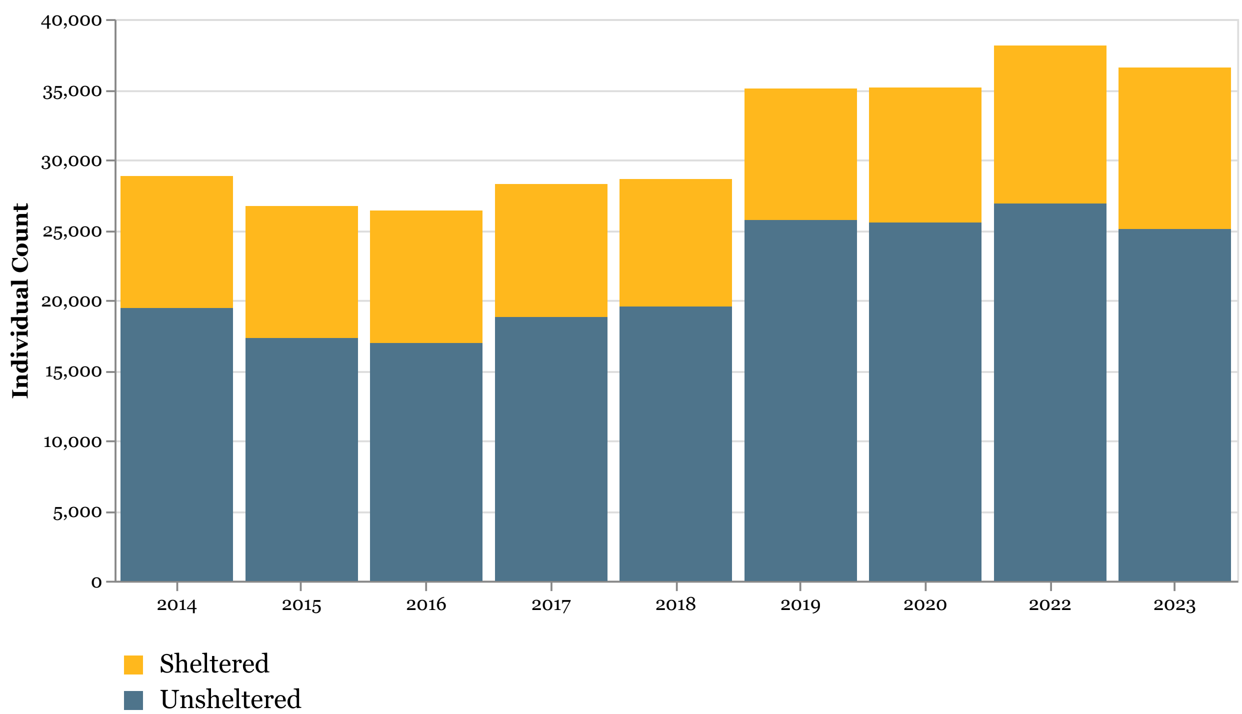
Source: American Community Survey 1-year estimates from the United States Census Bureau accessed through IPUMS USA, University of Minnesota, www.ipums.org. Group quarters were excluded. Hispanic and other racial categories are mutually exclusive.

These high housing cost burdens are a key factor driving the region's homelessness crisis. Research has consistently shown that life circumstances—such as unemployment, health conditions, or institutional involvement—can more easily lead to homelessness in places where affordable housing options are scarce.[15] A recent survey of people experiencing homelessness in California found that high housing costs or living in informal arrangements due to affordability were key factors that contributed to them becoming unhoused.[16]

In 2023, over 36,000 people in the Bay Area experienced homelessness on a given night, an increase of 27 percent since 2014 (Figure 5). Of these, over two-thirds (69%) were unsheltered, including sleeping in the streets, parks, cars, or other places not intended for habitation.

Racialized inequality disproportionately puts people of color at risk of homelessness: rates are higher among Indigenous, Black, and Hispanic/Latine people compared to other groups. Of those who identify as American Indian or Alaska Native, nearly 240 out of 10,000 are experiencing homelessness. Rates are also high for Black (209 per 10,000), Native Hawaiian/Pacific Islander (189 per 10,000), Hispanic (67 per 10,000), and Multiracial (65 per 10,000) populations compared to White (44 per 10,000) or Asian (8 per 10,000) populations.[17]

Figure 5: Homelessness in the Bay Area, 2014–2023



Note: Data from United States Department of Housing and Urban Development Point-in-Time Count of Homelessness. Retrieved from: https://www.hudexchange.info/resource/3031/pit-and-hic-data-since-2007/

Challenges

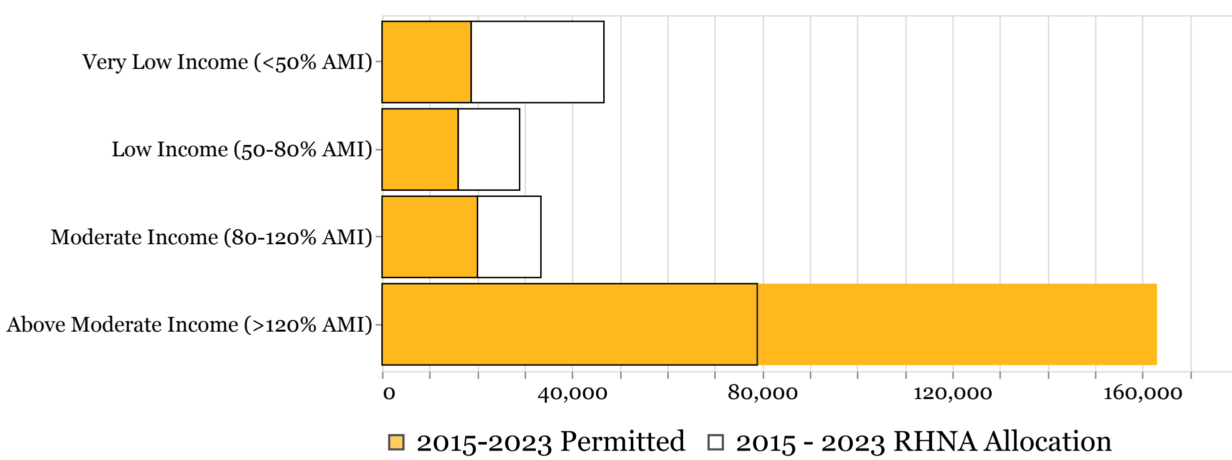
The Bay Area's affordability crisis did not appear overnight. Decades of under-building, cuts to the social safety net, and insufficient funding for housing and services have all contributed to high housing costs and rising rates of homelessness. While progress is underway (see the below *Solution Spotlights*), three major challenges must be addressed: 1) insufficient affordable housing production, 2) a loss of Naturally Occurring Affordable Housing (NOAH), and 3) a lack of housing assistance for very low-income households.

Insufficient Affordable Housing Production

The Bay Area's housing crisis is, in large part, attributable to the fact that the production of housing has fallen far below past and growing demand. State legislators have taken an active role in recent years, passing legislation designed to increase housing production, including zoning reforms (*See Solution Spotlight: Removing Obstacles to the Production of Accessory Dwelling Units*) and efforts to streamline the housing approvals process (See *Solution Spotlight: Streamlining Approvals for Affordable Housing through SB 35*). Over the last eight-year planning cycle (2015–2023)—referred to as the Regional Housing Needs Allocation (RHNA)—Bay Area cities permitted 217,865 new homes (Figure 6).[18] While still below need, this represented an increase in new production compared to the years directly after the Great Recession.

However, as a result of high development costs and a lack of sufficient subsidies to build housing affordable to lower-income households, the majority of these units (75%) were targeted to households earning above 120 percent of AMI. The region had a shortfall of approximately 28,000 units

Figure 6: Bay Area Regional Housing Needs Allocations and Permitted Units



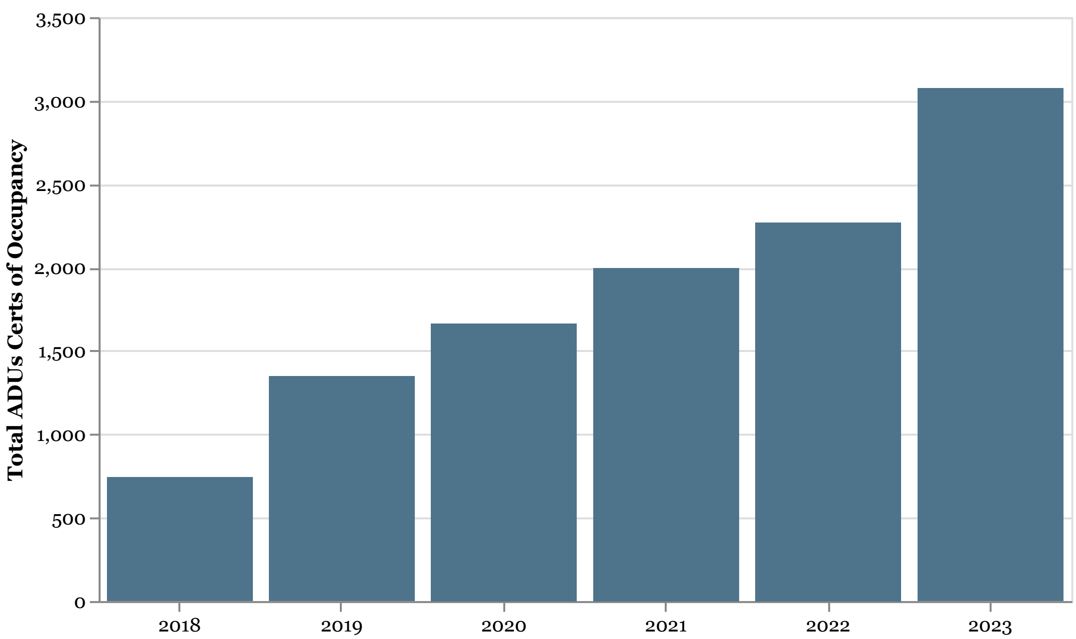
Source: Data from the Association of Bay Area Governments. Accessed from: https://abag.ca.gov/sites/default/files/2015-23_rhna_plan.pdf,https://abag.ca.gov/sites/default/files/documents/2024-02/2015-2023_Bay_Area_RHNA_Progress_Report-.pdf,https://abag.ca.gov/sites/default/files/documents/2022-12/Final%20RHNA%20Methodology%20Report%202023-2031_update_11-22.pdf.

Solution Spotlight: Removing Obstacles to the Production of ADUs

Accessory Dwelling Units (ADUs)—also called granny flats or in-law suites—are self-contained residential units on the same single family property as the primary residential unit. Because these units are built alongside existing homes, they are often shielded from community opposition that can block new construction.[19] They are also more affordable to a wider range of renters; in the Bay Area, the median rental price of an ADU is less than 30 percent of the median household income of two people.[20]

Recent legislative reform has helped to spur the creation of more ADUs. In 2019, AB 671 required local governments to incentivize ADUs in their Housing Elements and also required HCD to develop a list of ADU state grants and incentives. In 2022, AB 2221 and SB 897 implemented a series of zoning reforms to make it easier to build ADUs and shorten timelines for permit reviews.[21] As a result of these efforts, the number of occupied ADUs has steadily increased: in 2018, 742 certificates of occupancy for ADUs were issued, and in 2023 this number increased to 3,075 (Box Figure 2).

Box Figure 2: Total Number of ADUs Issued Certificates of Occupancy in Bay Area Counties 2018–2023



Source: Data from the Annual Progress Report Table A2 hosted by the California Department of Housing and Community Development. Retrieved from: https://data.ca.gov/dataset/housing-element-annual-progress-report-apr-data-by-jurisdiction-and-year.

Solution Spotlight: Streamlining Approvals for Affordable Housing Through SB 35

Local discretionary review often increases the time and cost for developing new housing, if not blocking it altogether. Senate Bill (SB) 35 was enacted in 2018 with the goal of streamlining multi-family infill development in jurisdictions that are falling short of their housing production goals. This legislation allows qualifying housing developments to undergo an easier entitlement process and as a result allows for a faster and more predictable approval process for affordable housing developers.[22]

SB 35 helped facilitate the development of the Woodmark Apartments—an 84-unit multifamily affordable housing project currently under construction in Sebastopol. Originally proposed in 2019, the project was stalled after a lengthy, ambiguous review process with opposition from community members and the city. In 2022, Pacific Companies (the developer), decided to pursue the entitlement process under SB 35 instead of the traditional channel, and was eventually approved and issued building permits in April 2023.[23] Despite facing hurdles, this project demonstrates how streamlining policies can make housing development faster and more certain.

Image credit: Generation Housing. https://generationhousing.org/project/7716-7760-bodega-ave/.

for very low-income and 13,000 units for low-income households (Figure 6). In addition, as a result of changes to the methodology for how RHNA targets are calculated, the Bay Area's 2023–2031 RHNA cycle requires the region to plan for and build 441,176 units—including 114,442 for very low-income households earning less than 50 percent of AMI. These higher targets—including building nearly six times as many very low-income units as in the last cycle—are going to be challenging to achieve without concerted efforts to streamline and permit new housing more quickly, reduce the costs of development, and expand the amount of funding needed to achieve deeper levels of affordability.

The main constraint in producing more affordable housing—especially for very low-income households—is the lack of sufficient public funding to subsidize lower rents. Currently, the Low-Income Housing Tax Credit (LIHTC) program is the primary source of funding that underpins the majority of new, subsidized affordable housing development. Although production varies from year to year, an average of 4,200 new LIHTC units are placed in service every year in the Bay Area, serving a diverse range of populations—including families, people experiencing homelessness, and seniors.

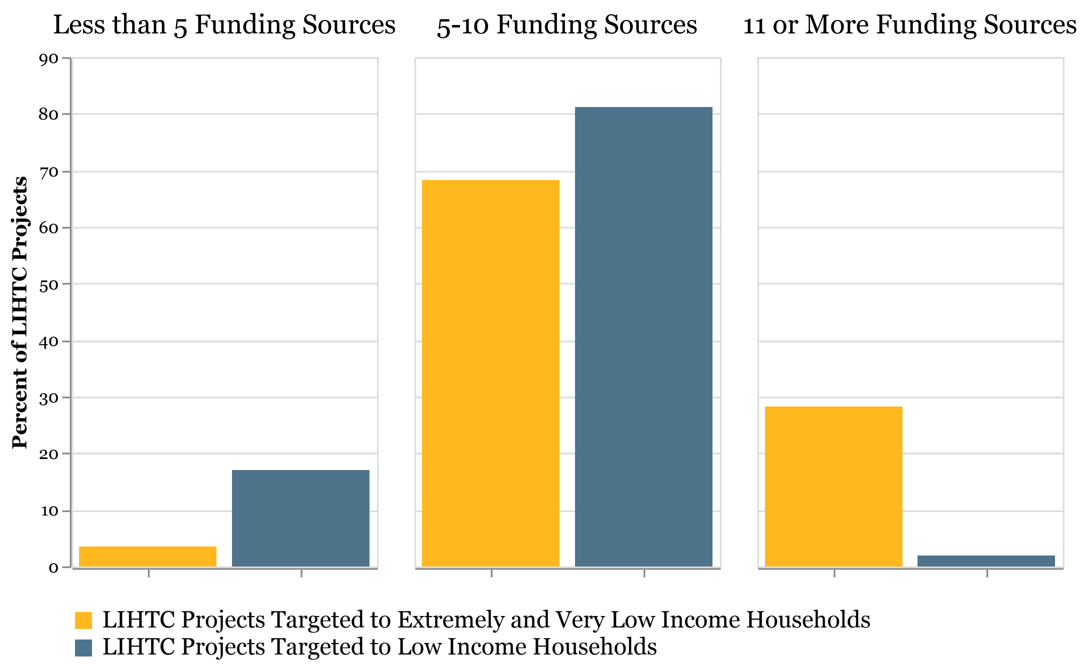
While LIHTC provides a crucial source of funding for affordable housing, it is insufficient to meet the region's affordable housing goals on its own. Critically, the availability of tax credits falls well below demand. Every year, affordable housing projects that are ready for construction—including having their plans and approvals complete—cannot move forward due to an insufficient supply of tax credits. Currently 433 affordable housing developments in the pipeline are stalled: these developments would provide nearly 41,000 new affordable homes to low-income families and individuals.[24] Moreover, LIHTC units are often costly and complicated to build (*See Box 2: Financing LIHTC Projects*). In order to make most LIHTC projects pencil, developers need to layer in additional sources of federal, state, and local funding. When these sources of gap financing are limited, it becomes harder to develop new affordable housing, especially for households that need lower rents than LIHTC alone can provide—including seniors and people experiencing homelessness.

Box 2: Financing LIHTC Projects

The cost and complexity of financing LIHTC projects demonstrates the need to identify new, additional ways of financing and building subsidized housing. In 2023, the average development costs per unit for a new construction LIHTC project in the Bay Area was just over $670,000. These costs are the result of a number of factors, including high prices for land, materials, and labor, as well as local development fees, lengthy entitlement processes, parking requirements, and state and local building codes (including those that require more sustainable building techniques). Affordable housing developers also incur costs related to the need to manage multiple funding sources that add requirements and delays to every project.[25]

LIHTC projects in the Bay Area typically require between 6 and 10 different funding sources, including grants and loans from local bond measures. Deeply affordable LIHTC projects—where the average annual median income requirements are less than 50 percent—require even more funding sources: nearly 30 percent require 11 or more (Box Figure 2).

Box Figure 2: Number of Funding Sources for LIHTC Projects, Bay Area 2020–2023



Notes: Awarded LIHTC applications (both 4% and 9%) for Bay Area counties 2020–2023 taken from Manji, S, et. al. (2023)."California Low-Income Housing Tax Credit Database, 2020 – 2023," Cal Poly, San Luis Obispo, and Terner Center for Housing Innovation, Berkeley, California. Deeply Affordable LIHTC Projects are those with an average AMI below 50 percent.

The Loss of Naturally Occurring Affordable Housing (NOAH)

While expanding the supply of housing is critical, it is simultaneously necessary to preserve the region's existing lower-cost housing stock, often referred to as naturally occurring affordable housing (NOAH).[26] NOAH generally refers to smaller multifamily properties that don't include public subsidy, but that have lower rents due to their age, location, or other market factors.[27] NOAH assets are more likely to be redeveloped when sold, increasing the rate at which these units are being lost, which further shrinks the supply of affordable housing.[28] Preservation strategies involve maintaining NOAH by protecting units from deterioration, demolition, or conversion to higher rent levels.

Most lower-cost rentals in the Bay Area are unsubsidized, i.e. NOAH. However, the region is seeing this segment of the housing market shrink. In 2012, just over 460,000 rentals had cash rents under $1,000 per month—a level generally affordable to households earning 50 percent of AMI. In 2022, that number dropped by more than half, to just 216,000 units (Figure 7).

Research suggests that more NOAH units in the Bay Area are at risk of converting to higher rents. Post-pandemic, NOAH property sales have increased, and research has estimated that an additional 60,000 units may be at risk—approximately 20 percent of the existing stock.[29] Investors have made over 60 percent of recent purchases (Figure 8), raising concerns about how this will affect rents and property management practices.[30] Although community land trusts and nonprofits would be well suited to purchase these properties, preserving their affordability over the long term, the resources for affordable housing preservation are limited. And nonprofits often cannot compete with investors who are able to move more quickly and offer higher sales prices (See *Solution Spotlight: Bay Area Preservation Pilot Fund)*.

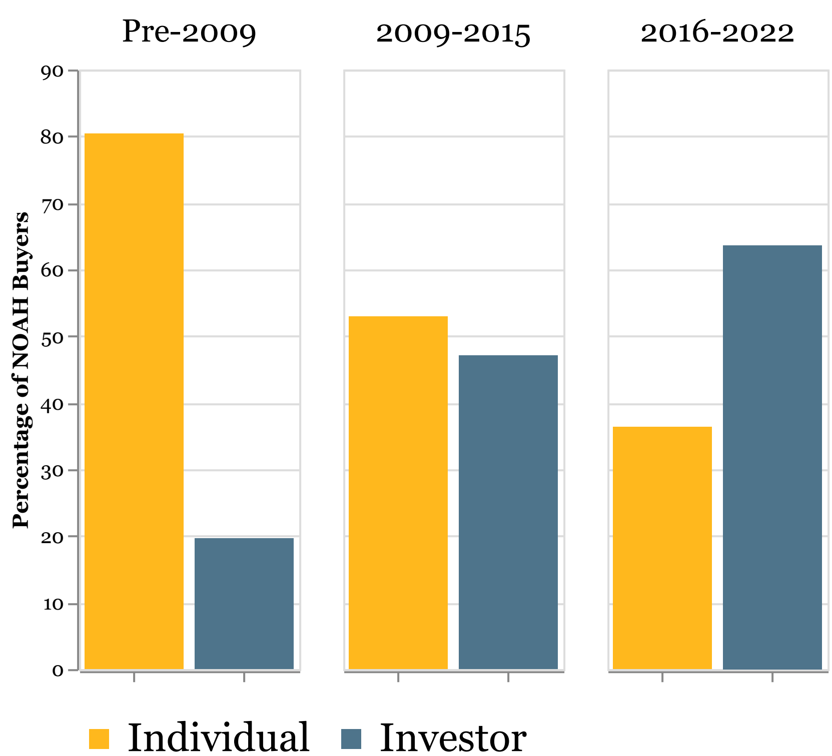
A Lack of Housing Assistance

The third challenge to keeping renters stably housed is the overall lack of housing assistance. Despite high cost burdens, federal housing assistance for low-income renters has fallen to the lowest level in nearly a quarter-century.[31] Indeed, rental housing in the United States has never been treated as an entitlement: even when households are eligible for assistance, options for an affordable unit or a voucher are limited, and often entail years of being on a waitlist.[32] The lack of funding means that many eligible low-income renter households do not receive any kind of housing assistance: estimates suggest that well over half—57 percent or 270,000 Bay Area very low-income households—do not receive any type of housing subsidy or live in a LIHTC unit (Figure 9).[33] These households are at increased risk of eviction and/or displacement (*See Box 3: Eviction and Displacement*), which in turn can contribute to inflows into homelessness.[34]

Figure 7: Changes in the Distribution of Rents, Bay Area, 2012–2022

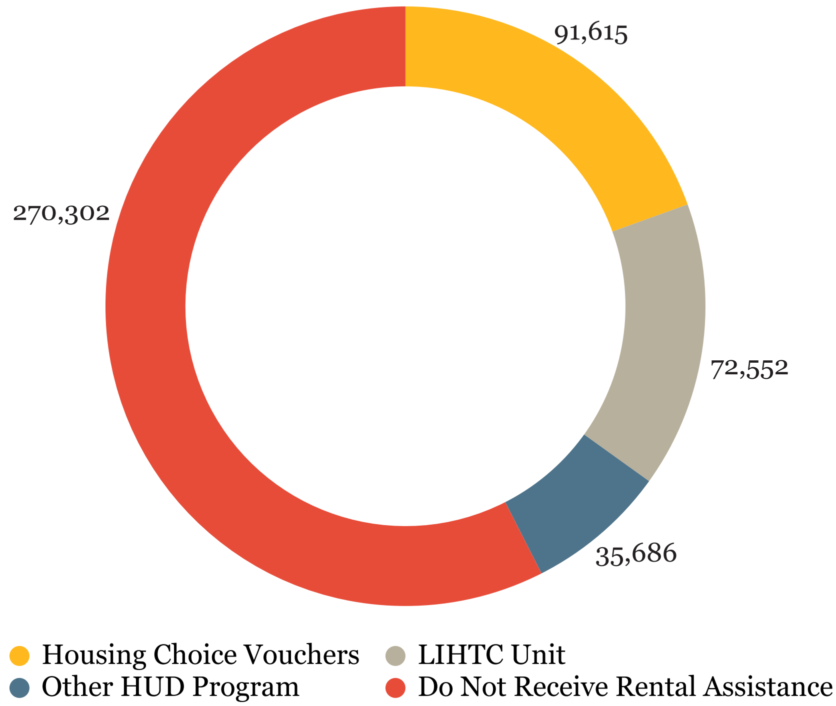
Source: 2012 and 2022 1-year American Community Survey, Table B25063.
Notes: Napa and Marin counties are missing from this data, although that still leaves 95.4 percent of the total Bay Area renter population. These figures are not inflation adjusted.

Figure 8: Change in Bay Area NOAH Property Buyers Over Time



Note: Terner Center analysis of LightBox Landvision parcel data.

Figure 9: Number of Very Low-Income Renter Households Receiving Housing Assistance, 2022/2023



Sources: To calculate the total number of <50% AMI households we used data from the American Community Survey 1-year estimates from the United States Census Bureau accessed through IPUMS USA, University of Minnesota, www.ipums.org. Group quarters were excluded. To estimate the number of Housing Choice Vouchers (HCVs) and other HUD programs, we used the Picture of Subsidized Housing hosted by the United States Department of Housing and Urban Development, retrieved from: https://www.huduser.gov/portal/datasets/assthsg.html. To estimate the number of low-income LIHTC units we used data hosted by the California Tax Credit Allocation Committee, retrieved from: https://www.treasureAssisted Housing: National and Local | HUD USERr.ca.gov/ctcac/2023/List-of-projects.xlsx.

Notes: Data reported to HUD show that in California in 2021, approximately 40 percent of households in LIHTC properties received another federal rental subsidy, such as tenant- or project-based Housing Choice Voucher (data retrieved from: https://www.huduser.gov/portal/datasets/lihtc/tenant.html). To avoid double counting, we multiplied the total number of LIHTC units by 0.6 to calculate the number presented above.

Solution Spotlight: Bay Area Preservation Pilot Fund (BAPP)

The Bay Area Preservation Pilot Fund (BAPP) provides loans to support the preservation of lower-cost housing across the nine-county Bay Area. BAPP is meant to make mission-driven developers more competitive in their acquisition and preservation efforts, addressing the persistent financing gap these developers face when trying to acquire and preserve affordable housing. The Metropolitan Transportation Commission (MTC) created it in 2018 with a $10 million allocation. It is managed by the Enterprise Community Loan Fund (ECLF) and the Low Income Investment Fund (who collectively have invested an additional $39 million). BAPP is a revolving loan fund[34] that provides financing for community-based organizations and mission-driven developers to acquire and preserve unsubsidized, multifamily housing in areas with high frequency transit service.[35]

As a relatively new initiative, BAPP has closed loans for two projects in Oakland, preserving 71 affordable housing units. In 2021, BAPP's program guidelines changed to make the funding more accessible to projects located in communities at risk of displacement or individuals at risk of eviction, developments that house historically marginalized communities, and projects situated in areas without local preservation funding throughout the Bay Area's nine counties.[36] ECLF and the Low Income Investment Fund estimate 200 to 400 homes can be secured as permanently affordable through the pilot.[37] Funding programs like BAPP are critical for preserving existing housing stock, ensuring stability for residents, and increasing various types of housing opportunities overall.

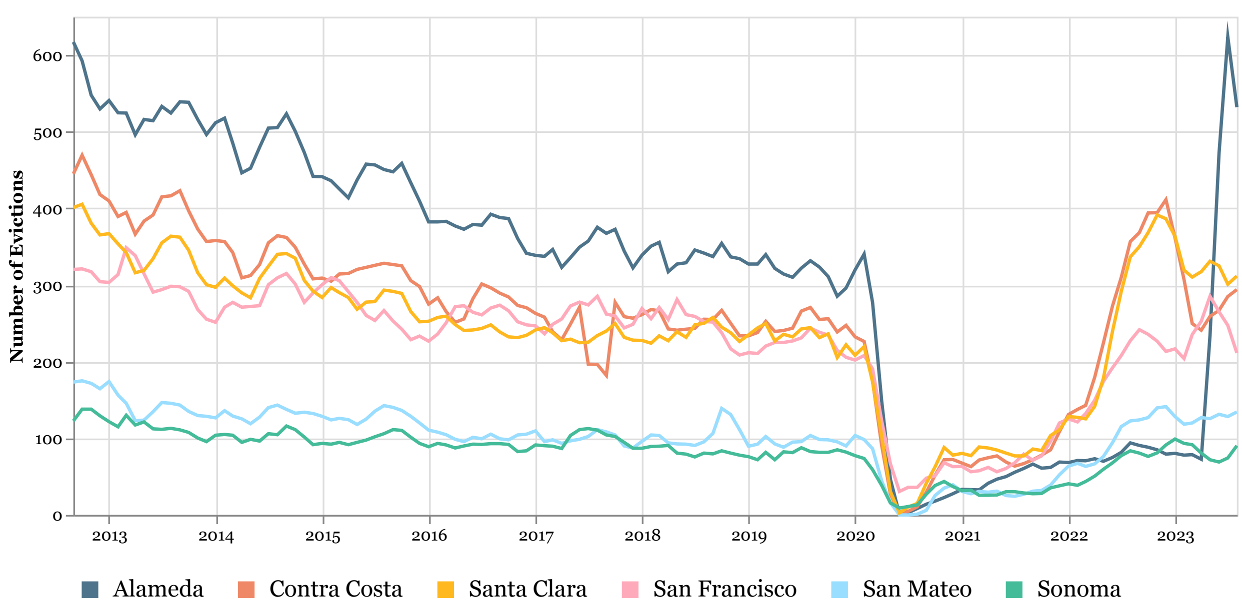
Image credit: Joey Kotfica. Retrieved from: https://mtc.ca.gov/funding/investment-strategies-commitments/housing-solutions/bay-area-preservation-pilot-fund-bapp.

Box 3: Eviction and Displacement

High housing cost burdens increase households' risk of housing instability and eviction. Research has shown that evictions—which disproportionately impact Black and women renters—have profound negative impacts on health, housing stability, and employment.[38] To protect tenants experiencing pandemic-related financial distress, California imposed a statewide eviction moratorium from March 1, 2020 through March 31, 2022, and local jurisdictions passed their own eviction moratoria. While the laws did not prohibit evictions entirely, numbers fell dramatically—in some Bay Area counties, to zero in mid-2020 (Box Figure 3). Since the statewide moratorium has ended, evictions have increased back to (or even surpassed) their pre-Covid levels. These rising rates are driven in part by the fact that many tenants are still behind on rent payments. As of February 2024, 67,000 Bay Area households were behind on rent by an average of 2.6 months,[39] for a total of nearly $460 million.[40] The majority of these renters were low-income households (94%) and/or people of color (90%).[41]

The lack of affordability can also create displacement pressures, causing some households to move involuntarily. As of February 2024, 37 percent of Bay Area renters felt pressured to move, and 19 percent reported moving involuntarily, for reasons that included the landlord raising rent or refusing to make repairs.[42] Research has also shown that lower-income households are increasingly feeling pushed out of the region's expensive coastal markets. For example, 40 percent of households who left the Bay Area between 2010 and 2016 had incomes below $50,000—in contrast, only 10 percent of those who left earned more than $200,000. Additionally, those moving from the Bay Area were disproportionately Black and Hispanic/Latine, raising concerns about how the housing crisis is affecting communities of color.[43]

Box Figure 3: Evictions Over Time by Bay Area County, 2012–2023



Source: Data from Eviction Research Network: https://evictionresearch.net/. Eviction data presented here is a three-month rolling average from July 2012 to Aug 2023.

Investing in Solutions

Fixing the region's severe housing needs will require new approaches to building and preserving affordable housing—especially for households at or below 50 percent of AMI. Taking one step in that direction, in 2019 state legislators created the Bay Area Housing Finance Authority (BAHFA) to focus on developing regional solutions. BAHFA aims to coordinate affordable housing financing across the nine-county region, and leverage its authority to raise funds through bonds or other measures.[45]

Critically, the region will need more funding if it hopes to expand the supply of deeply affordable housing. Additional public subsidies would provide much needed gap funding for existing LIHTC projects, ensuring that planned units in the pipeline could get built. They could also be used to spur innovation in building technologies (for example, through industrialized construction), which could help bring down development costs *(See Solution Spotlight: Tanahan Community in San Francisco's SOMA District)*.

There are also opportunities for BAHFA to develop and scale alternative affordable housing financing mechanisms, such as expanding the use of the Welfare Tax Exemption to create mixed-income housing *(See Solution Spotlight: The Welfare Tax Exemption Preservation Program)*. Although typically used by LIHTC developers, a welfare tax exemption model could encourage the development and/or preservation of affordable housing without LIHTC subsidies. This would expand the toolkit of options for how to increase the supply of affordable units without having to rely on the limited supply of tax credits.

Spurring innovation in housing preservation is also a critical piece of the overall puzzle. The NOAH stock is a critical source of lower-cost homes: preservation could be a cost effective strategy, particularly as new construction costs rise. New funding models as well as technical assistance (e.g., to identify properties at risk of conversion) could help to increase the capacity of community land trusts and other community-driven models to acquire NOAH properties and lock-in long-term affordability *(See Solution Spotlight: Expanding Cooperative Housing Models)*.

Addressing the region's affordability crisis will also require local, county, and state agencies to focus on providing direct rental assistance to eligible households. Building affordable housing does not happen overnight, and significant evidence that providing very low-income households with rental or cash assistance can reduce the risk of homelessness.[46] Research on the Emergency Rental Assistance Program (ERAP) found that housing assistance not only ensured stability for renters during the pandemic, but also mitigated risks to landlords. The results were particularly beneficial for extremely low-income renters and people of color.[47]

Solution Spotlight: Tanahan Community in San Francisco's SOMA District

To match the scale of chronic homelessness in the Bay Area, permanent supportive housing—deeply affordable units paired with supportive services—must become faster and cheaper to build. The Tahanan Community was developed in just over three years for about $377,000 per unit. Using modular construction and a novel financing approach, the development's timeline and cost were both about 40 percent lower than comparable supportive housing projects.[47] The development, located in San Francisco's SOMA Pilipinas cultural district, created 145 new permanent supportive housing units with access to on-site social services. Built in partnership with the San Francisco Housing Accelerator Fund (which leverages capital from philanthropic and private sources), Tipping Point Community, and Mercy Housing, the site was acquired in 2018 and completed in 2021.

Image credit: Bruce Damonte. Retrieved from: https://www.dbarchitect.com/projects/tahanan-supportive-housing.

Solution Spotlight: Welfare Tax Exemption Preservation Program

The Welfare Tax Exemption Preservation Program, created by BAHFA, aims to support private developers in qualifying for property tax exemption and as a result, encourage the production and protection of affordable housing in the Bay Area.[48] The program has safeguarded about 500 units so far, with a 400-unit development underway.[49]

Developers are able to qualify for property tax relief with a minimum of $5,000 in public financing, complete or partial ownership by a nonprofit organization, and a deed restriction policy to households with incomes equal to or less than 80 percent of the AMI.[50] Removing property taxes reduces the owner's expenses, making affordable rents more financially feasible. The program's recorded deed restriction on the property also guarantees rents continue to be affordable in the future.[51]

Recently, Jonathan Rose Companies used the Welfare Tax Exemption Preservation Program to purchase The Grove—a market-rate, 331-unit apartment complex in San Jose—and convert all units into deed-restricted affordable housing.[52] The private developer partnered with Pacific Housing, a nonprofit in the Bay Area, and plans to offer social services to tenants.[53] Strengthening and expanding the use of Welfare Tax Exemptions offers a new tool for producing affordable housing not constrained by the availability of tax credits and/or other forms of public subsidies.

Image credit: The Jonathan Rose Companies. https://www.connectcre.com/stories/jonathan-rose-makes-102m-acquisition-in-san-jose/.

Solution Spotlight: Expanding Cooperative Housing Models

Solano Avenue Co-op Apartments

Tenants can face eviction when a property owner decides to sell the building and convert it into condominiums, known as an Ellis Act Eviction.[54] In 2019, seven residents in a North Berkeley property received Ellis Act Eviction notices from the owners. The residents contacted the Berkeley City Council, and after organizing and extensive negotiations, the Bay Area Community Land Trust (BACLT) was able to purchase the 13-unit property using funding from Berkeley's Small Sites Program ($3.9 million) and the Enterprise Community Loan Fund ($3.2 million).[55] The tenants were able to stay in place and BACLT permanently converted the building into affordable housing.[56] The property is currently being transformed into a self-managing co-operative.[57]

Image credit: Enterprise Community Partners. https://www.enterprisecommunity.org/blog/golden-opportunity-could-reshape-californias-pursuit-affordable-housing.

Solution Spotlight: Expanding Cooperative Housing Models

285 Turk

In 2022, the San Francisco Community Land Trust (SFCLT) purchased 285 Turk Street, a 40-unit building that is home to BIPOC (Black, Indigenous, and People of Color) residents, located in San Francisco's Tenderloin Neighborhood. SFCLT aims to establish a Limited Equity Housing Cooperative[58] and generate homeownership opportunities for current residents and future low- and moderate-income households.[59] SFCLT also intends to offer the cooperative a 99-year lease.[59]

Prior to SFCLT's acquisition, the building had been excluded from the city's rent-control ordinance, leaving tenants vulnerable to large rent increases.[61] SFCLT was given the first chance at purchasing the property, due to the Community Opportunity to Purchase Act (COPA), and bought the development for $9.4 million.[62] The land trust received a $4.5 million loan from Self Help Federal Credit Union and a $3 million loan from the Bay's Future Fund.[63] Not only does the acquisition of 285 Turk highlight much-needed anti-displacement efforts, it also demonstrates an opportunity for community ownership in high-cost San Francisco.

Image credit: The San Francisco Community Land Trust. https://www.sfclt.org/lnews-1/sfclt-purchases-285-turk-for-ambitious-plan-to-convert-into-bipoc-lehc-homeownership.

Although the federal government has historically provided tenant-based assistance, growing interest in providing rental subsidies exists at the local level. For example, San Mateo County has developed a local housing voucher program *(See Solution Spotlight: San Mateo County's Local Housing Voucher Program)*. Initiatives that work directly with households to provide supportive services and financial assistance can also help to prevent eviction and homelessness *(See Solution Spotlight: Keep Oakland Housed)*. Providing direct cash assistance—perhaps in place of a housing voucher—can offer families more flexibility to secure stable housing and mitigate some of the challenges in finding appropriate units *(See Solution Spotlight: Using Guaranteed Income Programs to Provide Housing Assistance)*. Other new models, such as a renter's tax credit, could reduce the financial strain facing renters and help keep them stably housed. Expanding direct rental assistance would require significant budgetary outlays, but it would likely be cheaper than the long-term fiscal costs of homelessness—with positive spillover effects on health, employment, and child education.

Conclusion

Most Bay Area households are affected in some way by the region's ongoing affordability crisis: housing costs are increasing faster than incomes, nearly half of renters are cost-burdened, and rates of homelessness continue to rise. At the heart of the crisis is a lack of housing supply and housing subsidy. Although there has been considerable progress removing obstacles to new housing development, continued efforts are required to make it easier to build housing as well as reduce the costs of development. Both the state and localities need to continue to expand funding dedicated to affordable housing production: the lack of sufficient public subsidies remains a binding constraint on efforts to expand the supply of affordable units. More broadly, efforts to tackle the structural conditions that create housing insecurity should include creating pathways to economic mobility and re-imagining the social safety net to meet all households' basic needs.

Solution Spotlight: San Mateo County's Local Housing Voucher Program

One promising practice is creating local housing voucher programs to address shortfalls in federal funding for the Housing Choice Voucher program. San Mateo County, for example, has used funding from Measure K to create a local voucher program; these vouchers will help them to provide funding to cover ongoing operating costs for its Homekey projects. The state's Homekey program provides capital for the acquisition and adaptive re-use of hotels and motels into permanent supportive housing.[64] San Mateo used Homekey funds to purchase five former hotels to convert into temporary and permanent supportive housing.[65] However, these funds do not cover ongoing operational costs or supportive services such as case management, housing stability support, life skills training, and healthcare education. San Mateo's local housing voucher program is stepping in to fill the gap, and will provide a steady, project-based subsidy over a 15-year commitment with funding from Measure K[66] sales tax proceeds.

Solution Spotlight: Keep People Housed

One of the biggest challenges for homelessness prevention is targeting resources effectively and ensuring that households have the resources they need to stay housed. Keep People Housed (KPH) is a Bay Area-wide homelessness prevention initiative that uses a technology platform with an online application and assessment tool to target financial assistance, housing-related services, and legal services to residents at high risk of homelessness.[69] All Home and Bay Area Community Services (BACS) partnered to launch KPH, with the goal of building a regionally coordinated network of targeted prevention programs using the same model across the nine counties.[68] All Home provides strategic oversight and funds both the technology (which KPH offers to jurisdictions at no cost) and accelerator grants to launch new programs; BACS develops and maintains the technology and provides services in several jurisdictions. KPH was originally piloted in 2018 as the Keep Oakland Housed program and was deemed critical in ensuring housing security for Oakland residents during the pandemic.[69] The program served over 7,000 households, disbursed $67 million in financial assistance, and provided 2,390 households with legal services.[70, 71]

Solution Spotlight: Using Guaranteed Income Programs to Provide Housing Assistance

Guaranteed income programs—unconditional cash payments to a given population—have grown in number and scale across the country in recent years.[72] The Stockton Economic Empowerment Demonstration (SEED), launched in 2019, was the country's first city-led guaranteed basic income initiative: 125 Stockton residents received monthly payments of $500 for two years.[73] Full-time employment among recipients increased from 28 to 40 percent after a year, and investments in household economic mobility increased.[74] As a result, there is growing interest in using guaranteed income programs to improve housing outcomes. In 2020, Santa Clara County launched its Guaranteed Basic Income (GBI) Pilot Program to provide 72 young adults exiting the foster care system with an unconditional monthly $1,000 cash payment for 2 years.[75] The program's first cohort saw homelessness drop from 11 to 5 percent and homeownership rise from 0 to 3 percent.[76] Santa Clara County has since broadened their GBI pilot programs to allocate more than $12 million in cash payments to about 400 individuals from vulnerable groups, including high school seniors experiencing homelessness.[77]

Cash assistance without specific spending rules gives households greater flexibility compared to other public assistance programs such as housing vouchers. HUD is now undertaking pilot projects to see if providing rental subsidies as direct cash assistance may be more effective than vouchers, which require landlords to agree to participate.[78] For example, 300 households from the Philadelphia Housing Authority's Housing Choice Voucher and public housing waitlist will receive a monthly cash payment on a prepaid debit card for two and a half years.[79] The cash payment is meant to subsidize the recipient's income so that housing costs make up 30 percent (meaning that cash amounts vary across households).[80] Offering assistance to the household itself, instead of the landlord, could potentially expedite assistance and help renters benefit from the program.[81]

Appendix: Bay Area County Housing & Homelessness Characteristics

		Alameda County	Contra Costa County	Marin County
Individual Characteristics	Total Number of Renters	663,726	346,336	82,068
	% of Non-Hispanic White Renters	22.2	27.0	52.3
	% of Black Renters	14.7	14.7	1.1
	% of Hispanic/Latinx Renters	31.9	36.2	35.3
	% of Asian Renters	24.3	14.0	6.1
	% of Renters who are Other/Two or More Races	6.9	8.1	5.3
Household Characteristics	Number of Renter Households	270,098	129,708	36,674
	% of Cost-Burdened Renters	50.8	53.9	52.9
	% of Severely Cost-Burdened Renters	29	28.6	26.4
	Median Rental Household Income	$74,000	$75,000	$77,400
	% of ELI (30% of AMI and below, including acutely) Renter Households	27.5	26.5	24
	% of VLI Renter Households	14.6	16.3	24.6
	% of LI Renter Households	17.4	17.2	21.6
	% of Moderate-Income Renter Households	16.5	22	9.2
Homelessness	Number of People Experiencing Homelessness	9,759	2,372	1,118
	% Unsheltered	73.1	69.7	74.2
	% White Experiencing Homelessness	38.5	51.3	63.4
	% Black Experiencing Homelessness	43.8	29.8	21
	% Hispanic (not mutually exclusive with other categories) Experiencing Homelessness	25	21.5	25
	% Asian Experiencing Homelessness	4.5	2.4	3
	% American Indians and Alaska Natives Experiencing Homelessness	4.1	8.8	5.5
	% Native Hawaiian and Pacific Islander Experiencing Homelessness	2.7	2.7	2.1
	% Multiracial Experiencing Homelessness	6.4	5.1	5.1
County Characteristics	Zillow ZORI Rent March 2024	$2,765	$2,940	$3,749
	Zillow ZORI Rent March 2015	$2,026	$1,936	$2,746
	Minimum Wage Hours to Afford One-Bedroom Rent	102	102	135
	Vouchers and Public Housing Availability as a Percent of Renter Household under 50% AMI	21	18.2	16.4
	Number of Low-Income LIHTC Units Placed in Service 2013-2023	23,323	14,985	2057
	Number of Building Permits 2023	2,937	2,044	301

Appendix: Bay Area County Housing & Homelessness Characteristics

		Napa County	San Francisco County	San Mateo County
Individual Characteristics	Total Number of Renters	49,729	424,781	275,871
	% of Non-Hispanic White Renters	37.2	37.6	28.0
	% of Black Renters	0.9	5.6	2.7
	% of Hispanic/Latinx Renters	54.7	18.9	37.1
	% of Asian Renters	3.7	30.4	26.7
	% of Renters who are Other/Two or More Races	3.5	7.4	5.6
Household Characteristics	Number of Renter Households	19,230	219,116	108,374
	% of Cost-Burdened Renters	52.2	36.8	50.3
	% of Severely Cost-Burdened Renters	23.7	18.6	25.7
	Median Rental Household Income	$67,000	$104,000	$100,000
	% of ELI (30% of AMI and below, including acutely) Renter Households	19.4	27.4	23.6
	% of VLI Renter Households	19.9	10.8	15.3
	% of LI Renter Households	23.6	16.3	20.6
	% of Moderate-Income Renter Households	12.9	9.8	13
Homelessness	Number of People Experiencing Homelessness	506	7,582	1,859
	% Unsheltered	69	58	58.7
	% White Experiencing Homelessness	81.8	43.9	62.6
	% Black Experiencing Homelessness	2.6	33.1	18.2
	% Hispanic (not mutually exclusive with other categories) Experiencing Homelessness	30.2	33.5	51.7
	% Asian Experiencing Homelessness	0.6	6.2	5.6
	% American Indians and Alaska Natives Experiencing Homelessness	7.9	6.3	5.5
	% Native Hawaiian and Pacific Islander Experiencing Homelessness	1	3.3	3.6
	% Multiracial Experiencing Homelessness	6.1	7.3	4.4
County Characteristics	Zillow ZORI Rent March 2024	$2,985	$3,288	$3,241
	Zillow ZORI Rent March 2015	Not available	$3,057	$2,545
	Minimum Wage Hours to Afford One-Bedroom Rent	98	116	127
	Vouchers and Public Housing Availability as a Percent of Renter Household under 50% AMI	15.2	15.6	11.8
	Number of Low-Income LIHTC Units Placed in Service 2013-2023	2,370	25,086	5,607
	Number of Building Permits 2023	338	1,136	1,060

Appendix: Bay Area County Housing & Homelessness Characteristics

		Santa Clara County	Solano County	Sonoma County
Individual Characteristics	Total Number of Renters	780,343	157,717	173,573
	% of Non-Hispanic White Renters	22.5	22.7	46.0
	% of Black Renters	2.8	16.5	1.9
	% of Hispanic/Latinx Renters	37.2	37.9	43.0
	% of Asian Renters	32.7	12.7	3.1
	% of Renters who are Other/Two or More Races	4.8	10.2	6.0
Household Characteristics	Number of Renter Households	299,265	56,362	73,375
	% of Cost-Burdened Renters	45.1	59.5	44.6
	% of Severely Cost-Burdened Renters	22.7	30.9	24.2
	Median Rental Household Income	104,010	60,000	72,000
	% of ELI (30% of AMI and below, including acutely) Renter Households	21.6	21.8	18
	% of VLI Renter Households	13.1	14.6	16.9
	% of LI Renter Households	18.3	22.5	19.8
	% of Moderate-Income Renter Households	18.6	21.7	16.9
Homelessness	Number of People Experiencing Homelessness	9,903	1,200	2,266
	% Unsheltered	74.7	76.7	57
	% White Experiencing Homelessness	60.4	53.8	70.9
	% Black Experiencing Homelessness	15.9	32.1	8.8
	% Hispanic (not mutually exclusive with other categories) Experiencing Homelessness	44.1	17.7	28.9
	% Asian Experiencing Homelessness	7.5	1.8	1.7
	% American Indians and Alaska Natives Experiencing Homelessness	5.5	1.2	9.5
	% Native Hawaiian and Pacific Islander Experiencing Homelessness	2.5	5.1	2
	% Multiracial Experiencing Homelessness	8.1	6.1	7.2
County Characteristics	Zillow ZORI Rent March 2024	$3,282	$2,433	$2,596
	Zillow ZORI Rent March 2015	$2,530	$1,444	$1,656
	Minimum Wage Hours to Afford One-Bedroom Rent	130	89	87
	Vouchers and Public Housing Availability as a Percent of Renter Household under 50% AMI	18	19.5	20
	Number of Low-Income LIHTC Units Placed in Service 2013-2023	32,982	5,473	9,268
	Number of Building Permits 2023	5,895	1,416	2,353

Appendix: Bay Area County Housing & Homelessness Characteristics

Data in appendix table comes from the following sources:

For Individual Characteristics rows: "American Community Survey 1-year estimates from the United States Census Bureau accessed through IPUMS USA, University of Minnesota, www.ipums.org. Group quarters were excluded".

For all Household Characteristic rows: "American Community Survey 1-year estimates from the United States Census Bureau accessed through IPUMS USA, University of Minnesota, www.ipums.org. Group quarters were excluded;" "Income limits are from the California Department of Housing and Community Development https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2023.pdf".

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