

## Anti-Displacement Toolkit Policy Briefs

January 2024

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# ALTERNATIVE OWNERSHIP POLICIES

## Summary of Policy

### GOAL

Alternative ownership policies aim to prevent displacement by purchasing and removing land or housing from the speculative market and placing it under the control of community organizations that will maintain ongoing housing affordability.

### DESCRIPTION

Alternative ownership policies can include Tenant Opportunity to Purchase Acts (TOPA) and Community Opportunity to Purchase Acts (COPA). These policies help communities acquire land and place it under the stewardship of community groups, which protect the housing units with rent or resale restrictions.

- **Tenant Opportunity to Purchase Acts (TOPA):** TOPAs allow residents of a multifamily home the right of first refusal, giving a period of time to match the price when there is an offer to sell. The strongest TOPAs create funding sources for acquisition, rehabilitation, and capacity building.
- **Community Opportunity to Purchase Acts (COPA):** COPAs function similarly to TOPAs, allowing qualified organizations (usually local nonprofits) the right of first refusal when a multifamily property is sold. As with TOPAs, the strongest COPAs create funding sources for acquisition, rehabilitation, and capacity building.

### TARGET POPULATION

Because alternative ownership requires the stewardship of a local community nonprofit, the target population for alternative ownership policies depends on which communities are organized and technically capable enough to acquire and collectively steward land and/or housing. Public agencies can help create a capable nonprofit partner, expanding the potential target population, by offering ample technical assistance to help develop communities' capacity. More broadly, TOPA/COPA policies can target both homeowner and renter households with low to moderate incomes. These policies, however, typically do not serve residents with extremely low incomes, who require ongoing financial support to support the cost of creating and operating housing.



### Key stakeholders

- Renter households
- Homeowner households
- Public agencies that own land and would consider providing that land to a local land steward
- Land stewards (community land trusts, tenants' unions, community-based housing nonprofits)
- Rental property owners

# Policy Impact Timeframe: Short-Term & Long-Term

This policy primarily has a **long-term** impact on displacement, keeping housing units affordable as long as the land steward remains operable. It can also have a **short term** impact on displacement by offering communities avenues to ownership over land and/or housing, removing the incentive to raise rent excessively, but these impacts would be seen on individual properties as they are sold and enter this arrangement.

## Special Considerations

### POTENTIAL BENEFITS

- Prevents rent hikes that could lead to evictions and displacement.
- Creates secure land tenure through homeownership, while keeping home affordable for future generations.
- Affirmatively furthers fair housing by increasing stability, particularly for historically marginalized households.
- Prevents speculative behavior and/or the commodification of homes.
- Addresses historic power imbalance between landlords and tenants.
- Decreases unemployment and the risk of unemployment by providing more stability.
- Publicly funded community ownership is a highly efficient way of spending housing dollars because the subsidy creates permanently affordable housing. This is more efficient than assisting market-rate homeownership and then recapturing the subsidy once the unit is sold.
- TOPA and COPA policies can prevent displacement by enabling communities to own their own land. Land owned by communities is not subject to speculative pressure or market conditions the same way that privately owned housing is.
- Ownership units provide stable tenure to the current owner and remain available at an affordable price once sold.

### POTENTIAL DRAWBACKS

- Acquiring homes or land for this purpose, when done on the open market, requires paying extremely high market rates for housing. This drawback can be mitigated by combining TOPA/ COPA with a tax-defaulted property program where properties are taken before they go to auction.
- Community organizations are essential partners for community ownership policies. The effectiveness of community ownership policies depends on how organized, well-resourced, and technically capable community organizations are. Without effective land stewardship and asset management, properties can experience disinvestment and disrepair, or price restricted units may be mistakenly sold at market price. Agreements between nonprofit housing steward and City will need to be updated to reflect expectations for housing steward best practices (e.g., education for residents, loan docs, restrictions, asset management and reporting requirements, etc.)
- Community ownership policies significant and ongoing coordination between public sponsors and community organizations that own units. To have community ownership succeed at scale, community organizations must remain involved as stewards of the housing or land. Simultaneously, local jurisdictions must build up their asset management capacities to track, enforce, and prevent the loss of protected units.

## FINANCIAL CONSIDERATIONS

- On its own, a TOPA or COPA policy does not require any financial commitment from a local government. It simply gives the right of first refusal within a certain time to eligible buyers.
- However, the most effective TOPA or COPA policies give communities a stronger ability to compete with speculative investors by helping to fund acquisitions. This would require the creation of a community acquisitions fund and designated local staff to manage it. The fund would ideally provide up-front costs (down payment and closing cost) and access to low-cost financing for some or all of the remaining acquisition cost. This would be a substantial financial commitment, given the currently high market price of housing. But if most of the funding is structured as a loan, some of that funding would return as loans are paid off.
- Public sponsorship of TOPA/COPA requires that cities or regional entities dedicate funding to help communities acquire land and housing. In the absence of liquid funds, cities can provide publicly owned sites.
- Effective land stewardship is crucial to ensuring community-owned units remain affordable and well-maintained. Cities should either fund a public land steward to monitor community-owned units or provide technical assistance to the community organizations that own housing. Enforcing affordability restrictions and maintaining properties are separate responsibilities, but both need to be planned for in a successful community ownership program.
- There are no designated external funding sources known to assist cities in funding TOPA or COPA policies. However, philanthropic financing may help. Acquisition costs may be funded using a local housing trust fund.

## POLITICAL CONSIDERATIONS

- A TOPA/COPA policy can be established by city council/board of supervisors' action or voter approval.
- Because the most effective TOPA/COPA policies require funding to acquire land and housing, and maintain effective land stewardship, political will is needed to allocate funds.
- Publicly sponsored community ownership requires the creation and maintenance of good relationships with community organizations responsible for land, such as community land trusts and tenants' unions.
- Once a policy has been adopted, strong implementation requires active and ongoing engagement with the community groups that will be responsible for stewarding land or housing and maintaining affordability restrictions. These groups may include tenants' unions, a community land trust, or other community-based nonprofits.



## STEPS TO IMPLEMENTING THE POLICY

- TOPA, COPA, and CLT policies are established by legislative action at the local and state levels, and typically do not require voter approval. Community ownership policies can, however, be created through voter initiative.
- Even more than other forms of anti-displacement policy, community ownership policies require extensive engagement with the communities that the policies are designed to protect. Public sector sponsors must ensure that there are community organizations capable of stewarding land and/or housing in the long term.
- Local governments can engage an organization with a background in forming community-owned housing organizations to facilitate this process in their own area.
- A group dedicated to community-owned housing would meet and collaborate with experts for several months to create governance and an overall strategy for the organization. The local government can fund and support this process.

# CASE STUDIES

## SAN FRANCISCO COMMUNITY OPPORTUNITY TO PURCHASE ACT

- Adopted in September 2019 by San Francisco Board of Supervisors after years of advocacy by tenants' advocates and nonprofit developers. The tenants' organizations advocated for a COPA because they were frustrated by off-market sales and sellers who were not interested in offers from community-based organizations.
- Gives right of first offer to qualified nonprofits when the following properties are put up for sale:
  - Buildings with 3 or more residential units
  - Vacant land that could be developed into 3 or more residential units
- Seller is obligated to provide a notice of sale to Mayor's Office of Housing and Community Development, and to all qualified nonprofits registered with San Francisco. After expressing interest and receiving mandatory documents from seller, qualified nonprofit has 25 days to submit a written offer to seller.
- To be certified by San Francisco, qualified nonprofits must demonstrate relationships with neighborhood-based organizations and/or tenant counseling programs and show experience with acquisitions and management of multifamily affordable housing.
- Incentivizes qualified nonprofits with a transfer-tax exemption.
- COPA includes protections for existing tenants, requiring that existing tenants can maintain their lease and sublease.
- Affordability levels for COPA purchased properties must not exceed 30% to 80% of AMI. Qualified nonprofits are responsible for maintaining affordability.
- In 2019 City made an initial investment of \$3 million for three years of capacity building for nonprofit housing stewards. City also provided funding of up to \$375,000 per unit to assist nonprofits in purchasing buildings.
- A key challenge for potential buyers has been capacity building for acquiring and owning affordable housing. One key nonprofit, the Mission Economic Development Agency (MEDA), in 2020 called on the City to help nonprofits build this capacity, noting that the willpower to implement community ownership exists, but the pool of organizations needs to be strengthened.
- As of May 19, 2023, there are 17 qualified nonprofits who are being given right of first offer for eligible properties. Although it is unclear how many units have been funded and bought through COPA, MEDA reports that COPA enabled them to purchase three buildings and get into contract for three more within the first six months of the act.
- To qualify for technical assistance, more than 50 percent of the tenants must be interested in purchasing a unit, and 50 percent or more of the tenant association must qualify as low- to moderate-income households.
- More information on this case study is available at this webpage:  
<https://sf.gov/information/community-opportunity-purchase-act-copa>

# CASE STUDIES

## WASHINGTON, DC TENANT OPPORTUNITY TO PURCHASE ACT

- Longest-standing TOPA program in United States, put into effect in 1980 while DC struggled with disinvestment and depopulation. Law was result of a concerted organizing effort to grant bargaining power to tenants in apartments that were affected by sale, demolition, conversion, and discontinuance of use as rental housing.
- Requires that tenants in buildings up for sale must be offered the first opportunity to purchase the building.
- After receiving a notice of sale, tenants have 45 days to form a tenant association and file a notice of intent to buy, then 120 days to negotiate a contract with the owner.
- Single-family dwellings and single-family dwellings with ADUs are exempted.
- TOPA Program is run by Washington, DC's Department of Housing and Community Development, which provides financial assistance (seed money, earnest money, acquisition funding), technical assistance, and specialized organizational and development services to tenant associations. Organizational and development services include assistance in structuring the tenant association, preparing legal documents, and creating successful loan applications.
- Helped preserve more than 3,500 homes for tenants between 2002 and 2018. Program is still active and preserving units today.
- Many TOPA-purchased buildings are placed into tenant-run limited-equity housing cooperatives (LEHCs), which keep the housing permanently affordable.
- More information on this case study is available at this webpage: <https://dhcd.dc.gov/service/tenant-opportunity-purchase-assistance>



# COMMUNITY LAND TRUST SUPPORT

## Summary of Policy

### GOAL

Community land trust support aims to prevent displacement by channeling public resources and technical assistance to community land trusts, which keep housing permanently affordable.

### DESCRIPTION

Using publicly owned land or funds, public agencies can help place land under the stewardship of community land trusts. CLTs own the land that apartments or single-family homes are built on and maintain resale and/or rent restrictions on these housing units. CLT's main purpose is to provide stable, permanently affordable housing, not to generate wealth for individual owners. To protect affordability, ownership units on CLT land are not allowed to be sold at market value. CLTs could be a mechanism through which a COPA or TOPA policy is implemented by being the community-based organization to purchase housing or the conduit through which tenants are able to purchase housing.

### TARGET POPULATION

Like other policies that aim to prevent displacement by placing land in an alternative ownership structure, community land trust support is most effective in neighborhoods that are organized and technically capable enough to acquire and collectively steward land and/or housing. Public agencies can help create a capable nonprofit partner, expanding the potential target population, by offering ample technical assistance to help develop communities' capacity.

More broadly, CLT support can target both homeowner and renter households with low to moderate incomes. These policies, however, typically do not serve residents with extremely low incomes, who require ongoing financial support to support the cost of creating and operating housing.



## Key stakeholders

- Renter households
- Homeowner households
- Public agencies that own land and would consider providing that land to a CLT or other community based organization
- Land stewards (community land trusts)
- Current property owners



# Policy Impact Timeframe: Short-Term & Long-Term

This policy primarily has a **long-term** impact on displacement, keeping housing units affordable as long as the land steward remains operable. It can also have a **short term** impact on displacement by offering communities avenues to ownership over land and/or housing, removing the incentive to raise rent excessively, but these impacts would be seen on individual properties as they are sold and enter this arrangement.

## Special Considerations

### POTENTIAL BENEFITS

- Prevents rent hikes that could lead to evictions and displacement.
- Creates secure land tenure through homeownership, while keeping home affordable for future generations.
- Affirmatively furthers fair housing by increasing stability, particularly for historically marginalized households.
- Prevents speculative behavior and/or the commodification of homes.
- Addresses historic power imbalance between landlords and tenants.
- Decreases unemployment and the risk of unemployment by providing more stability.
- Publicly funded community ownership is a highly efficient way of spending housing dollars because the subsidy creates permanently affordable housing. This is more efficient than assisting market-rate homeownership and then recapturing the subsidy once the unit is sold.
- CLT support policies can prevent displacement by enabling communities to own their own land. Land owned by communities is not subject to speculative pressure or market conditions the same way that privately owned housing is.
- Ownership units provide stable tenure to the current owner and remain available at an affordable price once sold.

## POTENTIAL DRAWBACKS

- Acquiring homes or land for this purpose, when done on the open market, requires paying extremely high market rates for housing, which in the San Diego region is as much as \$500-\$1000 per square foot of building area. This drawback can be mitigated by combining community land trust support with a tax-defaulted property program where properties are taken before they go to auction.
- Community organizations are essential partners for CLT support policies. The effectiveness of community ownership policies depends on how organized, well-resourced, and technically capable community organizations are. Without effective land stewardship and asset management, properties can experience disinvestment and disrepair, or price restricted units may be mistakenly sold at market price. Agreements between nonprofit housing steward and City will need to be updated to reflect expectations for housing steward best practices (e.g., education for residents, loan docs, restrictions, asset management and reporting requirements, etc.)
- Successful CLTs require significant and ongoing coordination between public sponsors and community organizations that own units. To have community ownership succeed at scale, community organizations must remain involved as stewards of the housing or land. Simultaneously, local jurisdictions must build up their asset management capacities to track, enforce, and prevent the loss of protected units.
- Because of essential resale price restrictions that ensure long-term affordability, the current owner of a CLT unit does not build wealth through price appreciation. The owner does create some financial equity over time, but far less than conventional homeownership.



## FINANCIAL CONSIDERATIONS

- The most effective CLT policies give communities a stronger ability to compete with speculative investors by helping to fund acquisitions. This would require the creation of a community acquisitions fund and designated local staff to manage it. The fund would ideally provide up-front costs (down payment and closing cost) and access to low-cost financing for some or all of the remaining acquisition cost. This would be a substantial financial commitment, given the currently high market price of housing. But if most of the funding is structured as a loan, some of that funding would return as loans are paid off.
- In the absence of liquid funds, cities can provide publicly owned sites. Some cities have greater requirements for land they own, such as labor/contracting, insurance, or other requirements.
- Public sponsorship of CLTs requires that cities or regional entities dedicate funding to help communities acquire land and housing. In the absence of liquid funds, cities can provide publicly owned sites.
- Effective land stewardship is crucial to ensuring community-owned units remain affordable and well-maintained. Cities should either fund a public land steward to monitor community-owned units or provide technical assistance to the community organizations that own housing. Enforcing affordability restrictions and maintaining properties are separate land stewardship responsibilities, but both need to be planned for in a successful community ownership program.
- There are no designated external funding sources known to assist cities in funding CLT policies. However, philanthropic financing may help. Acquisition costs may be funded using a local housing trust fund.

## POLITICAL CONSIDERATIONS

- Lending or providing land to CLTs as a policy can be included in funding NOFAs without council approval.
- Because the most effective CLT support policies require funding to acquire land and housing, and maintain effective land stewardship, political will is needed to allocate funds.
- Publicly sponsored CLTs require the creation and maintenance of good relationships with the land steward.
- Once a policy has been adopted, strong implementation requires active and ongoing engagement with the community groups that will be responsible for stewarding land or housing and maintaining affordability restrictions.



## STEPS TO IMPLEMENTING THE POLICY

- CLT policies are established by either agency actions or legislative action at the local and state levels, and typically do not require voter approval. Community ownership policies can, however, be created through voter initiative.
- Even more than other forms of anti-displacement policy, community ownership policies require extensive engagement with the communities that the policies are designed to protect. Public sector sponsors must ensure that there are community organizations capable of stewarding land and/or housing in the long term.
- Local governments can engage an organization with a background in forming community-owned housing organizations to facilitate this process in their own area.
- A group dedicated to community-owned housing would meet and collaborate with experts for several months to create governance and an overall strategy for the organization. The local government can fund and support this process.

# CASE STUDY

## LOS ANGELES COMMUNITY LAND TRUST PROGRAM

- The Los Angeles County Community Land Trust Partnership Program is a countywide program, allowing greater regional coordination and funding.
- In 2020, the Los Angeles County Board of Supervisors provided five CLTs with \$14 million, which they used to acquire and preserve affordability in 43 homes across eight small multifamily properties, at prices affordable to households hearing between 30% and 80% of AMI, across the county. The five participating CLTs had all existed for several years or even decades. But given the extraordinarily high cost of acquiring housing, these CLTs would not regularly expand their real estate holdings.
- The program includes both short-term and long-term strategies to supporting ongoing acquisition and rehabilitation of affordable housing by CLTs, including the following:
  - Expand and make permanent public and private investment in CLT-led acquisition-rehab of small multifamily properties at risk of conversion to market rate.
  - Establish a bench of legal and real estate professionals to provide CLTs with technical assistance in the acquisition process.
  - Explore opportunities for combining acquired properties to reach greater economies of scale over time and leverage other preservation mechanisms to ensure affordability in perpetuity.
- More information on this case study is available in this report: <https://www.libertyhill.org/news/reports/community-land-trust-partnership-program/>



# RENT STABILIZATION POLICIES

## Summary of Policy

### GOAL

Rent stabilization policies aim to prevent displacement by helping to ensure renters do not experience extreme rent increases, thereby helping to preserve ongoing affordability in rents.

### DESCRIPTION

- Rent stabilization policies are often referred to as rent control or anti rent-gouging policies and set limits on how much a landlord can charge in rent or increase rent each year.
- Typically, this limit is indexed to inflation.
- California's [Tenant Protection Act of 2019 \(AB 1482\)](#) caps annual increases to 5% plus inflation, with a hard cap of 10%.
- Research shows rent stabilization policies prevent displacement among communities of color and especially prevent displacement from higher opportunity areas to lower opportunity areas.

### TARGET POPULATION

**Who:** Rent stabilization policies apply to renter households, who represent nearly half of all households in the San Diego region. However, because state law limits the scope of local rent stabilization ordinances, such a policy can only apply to a subset of these households.

**The exceptions:** California's [Costa-Hawkins Rental Housing Act](#) has three main limitations on local rent stabilization laws:

1. A rent stabilization policy cannot apply to single-family homes.
2. A local law cannot apply to homes constructed on or after Feb. 1, 1995.
3. A local law cannot tell landlords what they can charge a new renter when they first move in.

**Broader state protections:** Existing state rent limits, through the Tenant Protection Act of 2019, apply more broadly to renters in buildings that are at least 15 years old as well as residents of corporate-owned single-family homes. But, as noted above, the statewide limit on annual rent increases is 10%.



### Key stakeholders

- Renter households
- Rental property owners
- Property management companies

# Policy Impact Timeframe: Short-Term

This policy has a **short term** impact on displacement by imposing a restriction on rent increases, typically within a year of creating the policy. It does not address certain long-term drivers of displacement, particularly lack of new affordable and market rate housing production.

## Special Considerations

### POTENTIAL BENEFITS

- Some renters would have more stable rent prices and spend less income on rent.
- Some renters would move less often because of more stable rents, creating greater neighborhood stability.
- Landlords are disincentivized to buy low-rent buildings and rapidly increase rents for short-term profits; rent controlled units are more likely to attract long-term investors.
- Landlords would have fewer rental vacancies and turnover.
- Greater economic activity, and thus sales tax revenue, as a result of renters having more disposable income from less income going to rent.
- Rent stabilization policies that exempt newly built housing generally don't hamper new housing production.

### POTENTIAL DRAWBACKS

- With limits on rent increases, landlords may be less likely to upgrade older units, especially with long-term tenants who pay below-market rents and for small, mom-and-pop landlords. Higher rent increases could be allowed to pay for capital improvements, but these can be abused if not carefully written.
- Because rent stabilization typically applies to existing tenancy and rent is reset to market rates when a household moves, some renters may feel tied to their current home. Moving to a different home will require a significant increase in rent, even if it is comparable in geographic location, size, and quality.
- Rent control does not account for a household's ability to pay rent, and thus it may benefit high-income households or still be at unaffordable rent levels for low-income households. Providing low-cost housing for low-income households moving to a new unit is better served by policies to create and preserve affordable housing.
- To avoid rent regulations on smaller unit properties, some landlords may sell their rental housing to new owners who would live on site and make the property exempt from regulation.

## FINANCIAL CONSIDERATIONS

- On its own, a rent stabilization policy does not require any financial commitment from a local government. However, a strongly-implemented policy will include the creation of a local rent board to administer the policy. Such boards are paid for with fees on rental property owners.
- The most effective rent stabilization policies, however, require registration of rental units, which would require creating an interactive, secure database, as well as staffing to maintain the database and ensure compliance. Some cities with rent stabilization ordinances also require regular inspections of such units, an additional cost. These costs can be covered by a modest registration fee for all multifamily units.
- Staff support is essential for inspection, support renters, legal expertise, and more. Registration fees should be sized to cover the necessary level of staff support and include a transparent cost escalator to account for salary increases and more over time.
- There are no external funding sources known to assist a locality in creating a rent stabilization ordinance. However, creative approaches with local philanthropic organizations may help.

## POLITICAL CONSIDERATIONS

- Rental stabilization policies are among the most politically sensitive anti-displacement policies and have been the subject of decades of electoral initiatives and challenges throughout California. However, following several years of sharp rent increases amid the COVID-19 pandemic, several other California cities have adopted rent stabilization ordinances, and economists, politicians, and others throughout the country have pushed for national rent control.
- The burden of rent stabilization policies tends to fall harder on smaller, mom-and-pop landlords who hold older, smaller multifamily stock that operate at narrower profit margins.
- Unlike many cities in the San Francisco Bay Area and the Los Angeles area, no locality in the San Diego region has a rent stabilization policy.
- The Tenant Protection Act, passed by the Legislature in 2019, happened amid a broader statewide effort to address rent stabilization:
- In 2018, California voters rejected Proposition 10, which would have allowed localities to pass more stringent rent stabilization policies than what is allowed under Costa-Hawkins. In San Diego County, 61% of voters opposed the measure.
- California voters rejected a similar measure in 2020, Proposition 21, with 62% of San Diego County voters opposing the measure.
- Localities may create limited rent stabilization policies through legislative action. Since 2020, in the midst of the Covid-19 pandemic and rising living costs including rents, several cities in Southern California successfully passed rent stabilization ordinances. These include:
  - Culver City, Sept. 2020, [city council action](#), 5% limit
  - Santa Ana, Oct. 2021, [city council action](#), 3% limit
  - Baldwin Park, Dec. 2021, [city council action](#), 5% limit
  - Oxnard, April 2022, [city council action](#), 4% limit
  - Pomona, Aug. 2022, [city council action](#), 4% limit
  - Pasadena, Dec. 2022, [ballot measure](#), ¾ of Consumer Price Index





## STEPS TO IMPLEMENTING THE POLICY

- A rent control policy can be established by city council/board of supervisors action or voter approval.
- Key to successful policy adoption by city council, board of supervisors, or voters is an effective argument of the policy's efficacy and partnership with local advocacy organizations.
- Once a policy is adopted by a legislative body or citizen vote, strong rent stabilization implementation will include outreach to local landlords to inform them of the program's requirements, applicability, and exemptions.
- Strong rent stabilization policies also include a requirement for property owners to register their rental units and current rents. The locality will need to create an accessible method of registering properties, assess a reasonable fee to cover the registry's costs, and ensure privacy in line with legal requirements and standard practices. The locality will need to identify its staffing needs and other costs to base the registration fee on.
- It is important to recognize that local rent stabilization rules are constrained by the Costa-Hawkins Rental Housing Act, generally only applying to apartments built before Feb. 1, 1995, as described above.
- Rent stabilization policies could prompt a legal challenge and local political opposition, as described in the case studies for Culver City and Pasadena below. A well-crafted ordinance will be able to withstand legal challenges.

# CASE STUDIES

As described above, support for rent stabilization is experiencing a resurgence, in response to sharp rent increases since the COVID-19 pandemic. Many California cities with rent stabilization ordinances adopted them in the late-1970s and 80s. But in 2019, the State Legislature adopted a statewide cap on rent increases, and several cities have subsequently adopted more stringent rent restrictions.

## CULVER CITY

- Adopted by City Council in Sept. 2020
  - Rent increase limit: 5%
  - Renter households: 45.9%
  - Median household income: \$105,346
  - Per unit registration fee: \$167
  - Staffing: 2 full-time staff
- **Summary:** Culver City's City Council first took action on rent stabilization in Aug. 2019, when the council adopted a temporary 3% cap on rent increases. The following year, the council adopted a permanent rent control and tenant protection policy, capping rent increases to 5% per year, with a 4-1 vote. The adoption immediately faced political pushback, with some residents placing on the November 2020 ballot a citizen's initiative, called Measure B, to require voter approval for any rent stabilization ordinance. Measure B ultimately failed, with just 46% of the vote. By 2021, the city had created an online registration portal and hired two full-time staff in 2022. Since the 2020 adoption of rent stabilization, the council's composition has changed; with three of the four members who voted for rent control did not seek reelection (one was termed out, one ran for congress, and one decided to not run again) and the fourth lost reelection in 2022. The ordinance has been a continued source of political opposition, with a political action committee, Protect Culver City, having formed to unsuccessfully overturn the ordinance as well as support the election of council members who oppose rent control. Still, the council appears to continue to support the adopted ordinance.
  - Link to ordinance: [https://www.culvercity.org/files/content/public/services/housing-homeless-human-services/rent-control-tenant-protection-measures/2020-09-29\\_\\_ord-2020-014\\_rent-control-ordinance.pdf](https://www.culvercity.org/files/content/public/services/housing-homeless-human-services/rent-control-tenant-protection-measures/2020-09-29__ord-2020-014_rent-control-ordinance.pdf)

# CASE STUDIES

## BALDWIN PARK

- Adopted by City Council in Dec. 2019
  - Rent increase limit: 5%
  - Renter households: 33.3%
  - Median household income: \$69,854
  - Per unit registration fee: \$28
  - Staffing: City staff that manage the rental registry, but the number of full-time employees (FTE) is not published
- **Summary:** Baldwin Park City Council adopted a rent stabilization ordinance in December 2019, initially setting the maximum rent increase to 3% per year. This happened as many low-income renters were experiencing rapid rent increases and the city was experiencing rising rates of homelessness. Soon after adoption, the city sent postcards to landlords informing them about the ordinance and the registration requirement, and by November 2021, city staff reported that only 25% of the subject units had been registered. In December 2021, the city revised the ordinance, increasing the maximum allowable rent increase to 5%, amid rapid inflation. While Baldwin Park is a majority homeowner city, its council has continued to support the rent stabilization ordinance. The city's median income is considered low income for the region, and its renter households have an even lower median income. A relatively small city, with a population of about 70,000, Baldwin Park has basic information on the ordinance and a registration form on its website, but lacks the more extensive online tools that larger, more resourced cities have. Moreover, it's not clear whether the city has dedicated staff focused on the administration of the rent stabilization ordinance, nor is it clear to what extent the city conducts proactive enforcement to ensure properties are registered and compliant.
  - Link to ordinance: <https://www.baldwinpark.com/public-notices/ordinances/2785-draft-amended-rent-stabilization-ordinance/file>

# CASE STUDIES

## PASADENA

- Adopted by citizen initiative in Dec. 2022
  - Rent increase limit:  $\frac{3}{4}$  of Consumer Price Index
  - Renter households: 57.0%
  - Median household income: \$86,677
  - Per unit registration fee: TBD
  - Staffing: TBD, but will include appointed Rental Housing Board and full-time staff
- **Summary:** Pasadena voters approved Measure H in the November 2022 election, establishing a citywide rent stabilization ordinance that limits rent increases to 75% of the annual change in the Consumer Price Index (CPI). The measure included provisions to establish a rental board of community members to administer the ordinance and passed with nearly 54% of the vote. Soon after, the California Apartment Association sued to block the measure. In March 2023, a Los Angeles Superior Court Judge upheld the validity of Measure H, with minor exceptions. The litigation is still pending and has been appealed. However, the city is moving forward in the implementation of the ordinance, having appointed the members of Rental Housing Board. The Board has been meeting and is in the process of developing a work plan to implement Measure H, having hired a consulting firm with expertise in the field. As the Board is in its early stages of formation, details such as the registration process and fee, as well as staffing are still being decided. The voter-approved measure mandates an active approach to implementing and enforcing the requirement. Moreover, the ordinance requires an online portal that allows the public to see the maximum allowable rent for specific rental units in the city.
  - Link to ordinance: [https://library.municode.com/ca/pasadena/codes/code\\_of\\_ordinances?nodeId=CH\\_ARTXVIIIIPAFQHOCHAM](https://library.municode.com/ca/pasadena/codes/code_of_ordinances?nodeId=CH_ARTXVIIIIPAFQHOCHAM)

# TENANT PROTECTION POLICIES

## Summary of Policy

### GOAL

Tenant protection policies aim to help renters remain in their home, through limits on the circumstances under which a landlord may evict or threaten to evict a tenant. These policies also aim to provide knowledge and skills to tenants to assist in keeping and finding safe and stable rental housing.

### DESCRIPTION

Tenant protection policies include a combination of legal services/right to counsel, eviction prevention protections, and anti-harassment protections that hold landlords accountable for unlawful intimidation tactics and misconduct that may harm residents and ultimately lead to eviction (and in the case of homeowners, foreclosure). A detailed description of each tenant protection policy is described below:

- **Tenant eviction protections:** these protections limit the circumstances under which a landlord may evict a tenant. Typically, eviction protections require that landlords have “just cause” for an eviction, such as stating the reason(s) on the eviction notice itself, requiring an early warning notice of fixable problems, and providing relocation assistance under certain circumstances. It is important to note, however, that tenant eviction protections do not prevent “for cause” or “at fault” evictions, where the tenant is accused of doing something wrong or breaching a formal lease agreement (e.g., non-payment of rent, causing a nuisance, damaging the property, etc.). In California, many renters are afforded just cause protections under the [Tenant Protection Act of 2019](#), AB 1482, which has notable exemptions, described below.
- **Legal services/right to counsel:** these kinds of services provide knowledge and skills from qualified legal aides and attorneys to assist tenants in preventing unlawful evictions and finding safe and stable rental housing. Additionally, these services can also assist homeowners, homeowners’ associations (HOAs), and other entities (e.g., management companies) remain in compliance with various laws and regulations.
- **Anti-harassment protections:** these protections hold landlords accountable for unlawful intimidation tactics and misconduct by conducting investigations, hearings, and other protection



## Key stakeholders

- Renter households
- Rental property owners
- Property management companies
- Homeowners (when applicable)
- Homeowner entities, such as HOAs (when applicable)

measures to further ensure tenants can take legal action against unlawful behavior to ultimately avoid eviction and remain in their homes. While state laws make various forms of harassment illegal, local policies can more proactively seek out and address such illegal behaviors.

## TARGET POPULATION

**Who:** Tenant protection policies generally apply only to renter households, including those in apartments and single-family homes. However, legal services and the right to counsel also apply to homeowners and other homeowner entities (e.g., HOAs) that want to ensure compliance with various rules and regulations and prevent unlawful behavior.

**The exceptions:** Notwithstanding local tenant protection ordinances that can address these exemptions, renters in the following types of homes are exempt from the statewide tenant protections in the [Tenant Protection Act](#):

- All single-family homes not owned by a corporation or real estate investment trust;
- All duplexes in which the owner occupies one of the units; and,
- All units built within the last 15 years.

In addition, renters who have lived in their home for less than one year are exempt from the protections of the Tenant Protection Act.



# Policy Impact Timeframe: Short-Term

These policies have a **short term** impact on displacement by further prohibiting unlawful actions that could result in an involuntary move. However, this set of policies does not address longer-term housing needs such as ongoing affordability and new production.

## Special Considerations

### POTENTIAL BENEFITS

- Reduces unlawful evictions and allows renters to remain in their homes. Households benefit from avoiding the lengthy and costly process.
- Reduces unlawful renter defaults, increases settlements, decreases trials, and protects tenants' housing history and, when applicable, credit rating.
- By increasing housing stability, especially among historically marginalized households, localities are able to more affirmatively further fair housing.
- Promotes equity and inclusion by increasing access to resources.
- Addresses historic power imbalance between landlords and tenants.
- Renters have more stability and can save time and money by avoiding court proceedings and relocating to another home.
- Reduces speculative behavior and/or the commodification of homes.
- Improves health outcomes and increase access to healthcare (e.g., access to primary and specialty medical care) by enabling households to remain in the same community.
- Decreases unemployment and the risk of unemployment by providing more stability.

### POTENTIAL DRAWBACKS

- If legal aid is not free for the tenant, they may only be able to afford legal aid for a portion of their case, potentially hindering a favorable ruling due to lack of legal representation.
- Without adequate and ongoing outreach and education, residents may not be aware of their rights, potentially worsening their outcomes in the absence of legal counsel.
- Smaller landlords may not be able to afford required improvements and maintenance, and their properties may not be eligible to receive Housing Choice Vouchers, which can exacerbate the affordability crisis.
- Landlords may increase rents to account for required improvements and maintenance.

## FINANCIAL CONSIDERATIONS

- Tenant protection policies require staff to monitor and enforce local, state, and federal statutes, which ultimately come at a cost to local government. This includes investigations, hearings, consultations, court proceedings, etc.
- Tenant protection policies can also impact non-profits and advocacy groups that provide legal services and other tenant resources; when local government doesn't fund certain services, the cost may be borne by the non-profit or advocacy group.

## POLITICAL CONSIDERATIONS

- Local tenant protections ordinances require city council approval.
- Many tenant protection policies are implemented in tandem with rent stabilization policies, which tend to be more politically sensitive because of the greater impact on landlords.
- Two cities in the San Diego region—Chula Vista and San Diego—adopted tenant protection ordinances in 2023. Both of these ordinances provide more extensive protections than what is required by state law.
- For localities without their own tenant protection policies, [AB 1482](#), or the [Tenant Protection Act of 2019](#) applies. [SB 567](#), which goes into effect on April 1, 2024, provides additional no-fault protections and additional protections against unlawful rent increases.





## STEPS TO IMPLEMENTING THE POLICY

- Tenant protection policies are established by legislative action at the local and state levels (e.g., city council, board of supervisors, or state legislature), and typically do not require voter approval.
- Tenant protection policies are typically enacted through an enabling resolution, which is accompanied by an ordinance that specifies the rules and how they will be implemented.
- Although tenant protection policies require legislative action, non-profits, community groups, and activists play a critical role in the policy's creation, planning, implementation, and enforcement. Therefore, it is important to engage key stakeholders throughout the process to ensure community members are aware and supportive of the policy.
- Successful tenant protection policies also include engagement of landlords and apartment owner associations to ensure compliance with the new laws.

# CASE STUDIES

## CITY OF LOS ANGELES JUST CAUSE AND ANTI-HARASSMENT ORDINANCES

- The City of Los Angeles has a wide range of tenant protections, including through its recently adopted Just Cause and Anti-Harassment Ordinances. Both were adopted amid the rapid rent increases and housing instability of the last few years, with the Anti-Harassment Ordinance adopted in June 2021, and the Just Cause law in January 2023.
- Prohibits evictions without just cause and prohibits several acts if done to harass the tenant, including:
  - Taking away services provided in the lease (housing services).
  - Refusing to do required repairs.
  - Entering the apartment without proper notice.
  - Threatening a tenant with physical harm.
  - Attempting to coerce the tenant to move-out with offer(s) of payments.
  - Using lies or intimidation intended to make a tenant move out.
- Tenant harassment defined as a landlord's "knowing and willful course of conduct directed at a tenant that seriously alarms or annoys the tenant, and serves no legitimate purpose."
- Requires relocation assistance for no-fault evictions and submittal of Declaration of Intent to Evict with the city's housing department (LAHD).
- At-fault evictions require written notice to be filed with LAHD within three business days of service on the tenant.
- Violations of the ordinance may lead to fines and jail time.
- Two years into the anti-harassment ordinance's adoption, critics have said the city is not enforcing the law. According to [one local news report](#), in two years, the city has received more than 6,000 tenant harassment complaints from tenants, but just 12 were referred to the city attorney for prosecution, and none have been prosecuted.
- The City's budget funds staff six positions to ensure proper monitoring and tracking of direct complaints and ordinance violations. These positions include three investigators and one attorney.



# CASE STUDIES

## CITY OF PASADENA TENANT PROTECTION ORDINANCE (TPO)

- Applies to all multi-family residential units.
- Single-family residential units and condominiums are exempt.
- Landlords must provide relocation assistance for displaced tenants due to the following:
  - Demolition;
  - Change in property ownership within 18 months from the date the landlord provides a notice of tenancy termination, eviction, and/or rent increase (restrictions specified in the ordinance);
  - Permanent removal of a housing unit from the rental market;
  - Occupancy of the housing unit either by the landlord or the landlord's family member.
- The relocation allowance is considerably more than what is required by state law, equal to 2.5 months of the local Fair Market Rent established by HUD, as well as an additional allowance of about \$1,450 to \$4,400 (an amount that is adjusted annually for inflation).
- Landlords are required to provide tenants with a [tenant's rights information sheet](#) prepared by the city's housing department.

## SAN DIEGO EVICTION PREVENTION COLLABORATIVE

- Created in 2019 to assist residents in preventing unlawful evictions through legal and financial assistance, regardless of income or immigration status.
- Collaboration between several partners, including the City Heights Community Development Corporation, Legal Aid Society of San Diego, Jewish Family Services, and Alliance of Californians for Community Empowerment (ACCE).
- Provides tenant support resources and educational workshops primarily through HousingHelpSD.org, which launched in 2021 to establish an online repository of tenant information, including contact information for other local organizations that provide legal and financial support to tenants.
- Both public and philanthropic sources fund the Collaborative's initiatives through specific subcontracts of its partner organizations (e.g., ACCE Action, USD Housing Clinic, etc.). Public grants include city, county, and state subcontracts that fund the Collaborative's initiatives.

## OTHER TENANT PROTECTION PROGRAMS

- [City of San Diego Tenant Protection Ordinance](#)
- [City of Chula Vista Residential Tenant Protection Ordinance](#)
- [The Sargent Shriver Program](#)

# HOUSING ON LAND OWNED BY FAITH-BASED & EDUCATIONAL ORGANIZATIONS

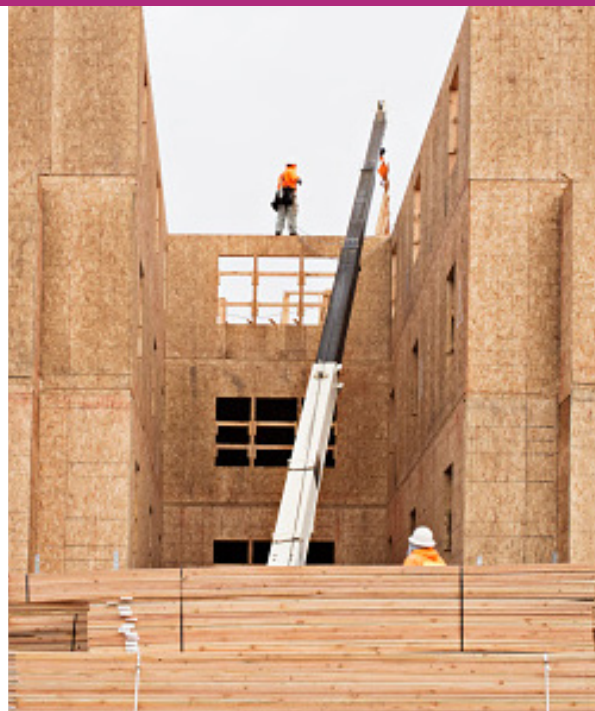
## Summary of Policy

### GOAL

Supporting housing development on land owned by faith-based organizations and educational institutions can create more affordable housing to help meet the region's housing needs. This is done by working with organizations aligned with the goal of solving the housing crisis while leveraging their real estate assets (e.g., excess land and capital). Such organizations may not have providing affordable housing as their core mission, but may see benefits from creating more affordable homes, especially to serve their own constituents or staff.

### DESCRIPTION

- Faith-based organizations and educational institutions own significant portfolios of real estate, much of which may be underutilized and may be desirable for affordable housing development. As these organizations have alignment with the goals of addressing affordable housing needs, they may see value in providing land for housing development. By providing land, such organizations can help create more affordable housing, a key anti-displacement strategy.
- Land use regulations can ease the pathway of using land owned by faith-based organizations or educational institutions for affordable housing production, which can include streamlining the approvals process and including local zoning overlays (i.e., congregational overlay zones).
- However, the [Affordable Housing on Faith and Higher Education Lands Act of 2023](#), or SB 4, requires the by-right approval of a 100% affordable housing development project on land owned by higher educational or faith-based organizations. This law overrides local zoning restrictions and can reduce risk in the development process by avoiding rezoning efforts that may involve appeals and/or litigation. Additionally, SB 4 imposes labor requirements to ensure workers are paid prevailing wages for projects that contain more than 10 housing units.
- Such housing can specifically target areas undergoing displacement and help further the duty to Affirmatively Further Fair Housing (AFFH) by targeting sites in higher opportunity areas.



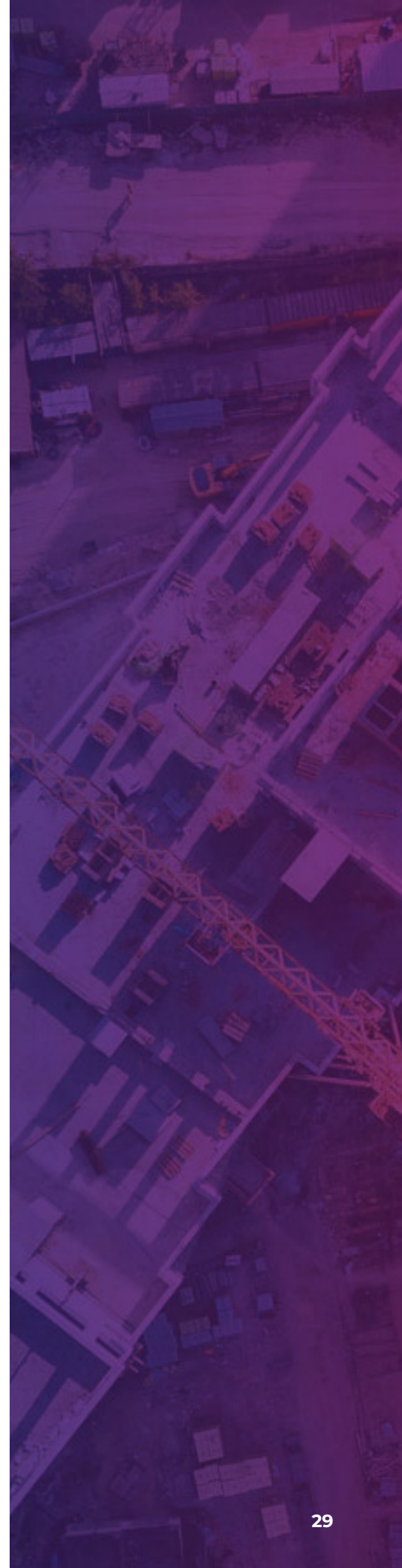
### Key stakeholders

- Faith-based organizations
- Educational institutions
- Affordable housing developers
- Local jurisdictions

- Local governments can conduct outreach to and provide financial and technical support to faith-based organizations and educational institutions with land that would be prime for affordable housing development.

### **TARGET POPULATION**

Housing on land owned by faith-based and educational organizations may primarily serve constituents or staff of the land-owning organization. For example, educational organizations typically use their excess land for student and workforce housing, whereas faith-based organizations may provide housing for clergy and community members. (It is important to ensure that any access restrictions to the housing created is in line with state and federal fair housing laws.) However, both faith-based and educational organizations seek to provide housing to help meet their local area's immediate and long-term housing needs.



# Policy Impact Timeframe: Long-Term

This policy has a **long-term** impact on displacement because housing production requires the most time and financial resources, but has one of the highest potentials to prevent displacement in strong markets like the SANDAG region.

## Special Considerations

### POTENTIAL BENEFITS

- Faith-based and educational organizations can be a source of developable land. Finding developable land that is zoned appropriately for housing development, even at market rate, is a valuable step of creating more affordable housing.
- Faith-based and educational organizations could provide their land at a below-market price to developers, significantly lowering the cost of development. These organizations can also ensure a long-term financial benefit by either ground leasing the land or selling it outright. It should be noted that the less value expected out of the land, the deeper affordability of the housing that will be created.
- Local land use regulations and recent legislation can help expedite the housing development process, reducing the risk and cost of development. Sites with an expedited pathway to housing development are significantly more attractive to developers than sites that require a more time-consuming and risky process. For example:
  - Religious overlay zones, or congregational overlay zones, are special districts within a jurisdiction where affordable housing becomes a by-right use subject to ministerial approval on underutilized or surplus land zoned owned by religious congregations. This policy gives developers access to land in urbanized areas, which may be inaccessible in the open market. Developers may also be able to acquire land at below-market costs, which can help reduce project costs and compensate for reduced rents.
  - Low- and middle-income workers, typically of the sponsoring institution, would have more housing options affordable to buy or rent in the areas in which they work, which could also improve talent retention and avoid costly employee turnover. This would also ensure that tenants would have more stable rent prices and spend less income on rent.
  - Excess land could be utilized to meet a range of community needs, which includes housing and other services (e.g., childcare).

### POTENTIAL DRAWBACKS

- Although faith-based and educational organizations may already own the land, housing development remains costly for several reasons (e.g., labor shortages, high cost of materials, etc.), and may require multiple sources of funding that could increase the risk of development.
- Faith-based and educational organizations may have wavering alignment or commitment to supporting affordable housing needs. Therefore, such organizations may need to build internal support for this goal to have a sustained commitment to producing affordable housing.
- Organizations may not have developer experience or the capital to do it alone, but a critical component to developing housing is first identifying adequate sites for affordable housing.

## FINANCIAL CONSIDERATIONS

- Affordable housing development, especially to serve lower-income households, typically requires additional subsidy to replace the gap in debt financing to make the project feasible. While faith-based and educational organizations own the land, they may have insufficient capital to deliver the project alone. In addition to providing the land for affordable housing at no cost or a reduced cost to developers, other types of financing (e.g., local and state funding, philanthropic sources, etc.) are needed to ensure a project's feasibility for development. For providing homes affordable to moderate-income households, reduced-price land and expedited permit approvals may on their own create financially feasible projects.

## POLITICAL CONSIDERATIONS

- Prior to passage of SB 4, local jurisdictions would go through a rezoning process to ensure housing could be built on faith-based and educational land. This was typically done through a religious overlay zone which allows the development of housing on land owned by faith-based and educational organizations to be guaranteed by-right. SB 4 now overrides local zoning restrictions that prohibit housing development on faith-based and educational land. This removes a significant political hurdle that organizations and developers would have to otherwise address.
- SB 4 requires by-right approval of some affordable housing projects on land owned by faith-based and educational organizations, side-stepping a locality's discretionary approval process. Localities that are not supportive of such by-right projects may avoid providing local funding as a tactic to halt such projects.



## STEPS TO IMPLEMENTING THE POLICY

- As mentioned above, the passage of SB 4 has eliminated the requirement for local jurisdictions to rezone their land to allow for housing development on faith-based and educational land.
- Many organizations are often considered trusted, mission-driven community partners who aim to serve the community in many different ways, and may want to explore different development possibilities to ensure the project aligns with the goals of the organization. For example:
  - Faith-based organizations may want to ensure all development on faith-based land helps solve the housing and homelessness crisis but also meets other community needs. This may include the development of a community center or childcare facility that can provide other supportive services.
  - Educational organizations may want to connect their broader education goals and the need for better staff retention to housing that's affordable to staff and faculty. This not only avoids costly employee turnover, but also ensures that people can live in the areas in which they work.
- Organizations can take time to build internal support and alignment with both leadership and constituency for supporting affordable housing development. Such a process can be time slow, helping members to understanding and ultimately support their organization's involvement in housing, which may be outside their core mission. Building support among leadership and the broader organization members is, nonetheless,, essential to creating a lasting commitment to addressing housing needs.



- In exploring development opportunities that fulfill their missions, organizations can gather data and stories through listening sessions, surveys, church records, demographic studies, information interviews, and by being an active presence in neighborhood activities. From this work comes an understanding of community interests and what is most feasible.
- Once needs have been identified, organizations can narrow their ideas to a specific opportunity and identify key stakeholders and other financial resources to carry the project forward. This includes identifying champions within the organization and external partners (e.g., development professionals, financing team, legal, etc.).
- After a specific development opportunity has been identified, organizations can create a request for proposals, obtain estimates from potential developers, and ultimately decide whether to proceed.
- As mentioned above, meaningful public engagement to determine community needs is key to a project's success.
- Local governments also play a pivotal role in facilitating housing development on land owned by faith-based and educational organizations. For example, localities can:
  - Engage faith-based organizations and educational institutions with land that would be prime for affordable housing development. Furthermore, this outreach could lead to an online repository of land owned by faith-based and educational organizations, including information on SB 4 and its potential impact in addressing the region's housing needs.
  - Provide financial and technical support to faith-based and educational organizations seeking to develop housing on their land. Several organizations have deployable land for housing, but may need assistance navigating the development process. Additionally, while owning the land significantly reduces the total cost of development, the construction and operation of affordable housing can be costly. Therefore, localities can provide financial assistance (e.g., grants, loans, etc.) to organizations looking to develop affordable housing on their land.
  - Prioritize local housing funds and land use approvals for affordable housing built on land owned by faith-based and educational organizations.

# CASE STUDIES

## SAN DIEGO COMMUNITY COLLEGE DISTRICT (SDCCD)

- **Location:** San Diego City College (East Village)
- **Target population:** SDCCD students
- **Size and scope:** eight-story apartment-style building for roughly 800 students (each unit will house 2-4 students)
- **Project timeline:** Construction: 2025-2028; Operational: 2028
- **Funding sources:**
  - State funding (\$75 million)
  - Local General Obligation bond sales
  - Private tax-exempt revenue bonds
- **Partners:** The Michaels Organization
- **Total development cost:** \$280 million
- **Summary:** The San Diego Community College District (SDCCD) provides education to over 100,000 students, of which more than half experienced housing insecurity in 2020. SDCCD's mission to deliver quality education is closely aligned with its goal to address the region's housing needs. To help meet the need, San Diego City College (SDCC) identified a SDCCD-owned parcel in the downtown block (southeast of the 16th/B Street intersection) of San Diego that would be leased through a long-term ground lease to a private low-income student housing developer and manager. The demolition of existing structures is complete, with occupancy anticipated for 2028. This marks one of the first community college housing development projects in the San Diego region to use a public-private-partnership (P3) structure and makes SDCCD one of the first community college districts in the state to build affordable student housing on its land.



# CASE STUDIES

## WESLEY VILLAGE: GARDEN GROVE UNITED METHODIST CHURCH

- **Location:** Garden Grove (Orange County)
- **Target population:** families and seniors
- **Size and scope:** 46-unit multi-generational affordable housing community for working families and senior households
- **Target AMI:** Approximately 50-60% (or \$53K to \$63K per year for a family of four)
- **Project timeline:** Operational: 2017
- **Funding sources:**
  - Boston Financial Investment Management: 4% tax credit investment
  - California Community Reinvestment Corporation: Permanent loan
  - City of Garden Grove: HOME / CHDO loan, Housing Authority loan
  - U.S. Bank: Construction loan
  - Federal Home Loan Bank: AHP permanent loan
- **Partners:** Jamboree Housing
- Total development cost: \$19.2 million
- **Summary:** Garden Grove United Methodist Church owns roughly 2.2 acres of excess parking space and unused land that it wanted to utilize for housing development that would also provide ongoing financial support for the church's maintenance and operations, including other missionally-driven activities. Over a two-year period, Garden Grove United Methodist Church engaged the community through several information meetings with key stakeholders and a committee of parishioners to determine how to be utilize the vacant land and select a developer that would also manage the site once constructed. In securing project financing derived from several sources, Jamboree Housing entered a 60-year ground lease with the church and began construction, which was completed and fully leased up in 2017. The two three-story residential buildings provide space for outdoor activities, landscaped spaces for recreation, laundry facilities in each residential building, and a combination of covered and uncovered parking spaces.



# AFFORDABLE ADU FINANCIAL INCENTIVES

## Summary of Policy

### GOAL

Affordable Accessory Dwelling Unit (ADU) financial incentives aim to prevent displacement by creating more housing units that are affordable to low- to moderate-income renters. In the process, this policy can build financial stability for homeowners with ADUs, offering the owner of the home with an ADU another stream of income that they can use to help meet their basic needs.

### DESCRIPTION

Commonly known as granny flats, accessory apartments, garage apartments, and secondary suites, ADUs are smaller, residential units. In California, homeowners may build up to two ADUs on the same lot as an existing single-family home or duplex. Several localities in the San Diego region have additional incentives for ADU production. Jurisdictions can support the development of ADUs to create more housing affordable to moderate- and low-income households. Producing new affordable housing of this type is an essential step to preventing displacement.

ADU financial incentives lower the costs required to create a unit, making it feasible to develop more units at a lower final price point. Subsidies can be structured as a grant, forgivable loan, or conventional loan. Low-interest ADU loans are one of the most feasible kinds of financial incentive, offering a middle path between lowering cost barriers and ensuring cost recovery. When requiring an affordability covenant, a grant or forgivable loan is more likely; in such a situation, forgivable loans offer the locality a stronger protection to ensure affordability is maintained. ADU financial incentives can also help more homeowners, especially low-to-moderate-income households, take advantage of the benefits of building an ADU, especially the financial stability that comes from creating an additional income stream.



### Key stakeholders

- Low- and moderate income renter households
- Low- and moderate income homeowners with developable land
- Localities
- Financial institutions including CDFIs, banks, etc.
- ADU developers

## TARGET POPULATION

ADU financial incentives target low- to moderate-income households in need of an affordable unit to rent. This policy protects that population by creating new units available to them at an affordable price.

Incentivizing ADUs can also help low- to moderate-income homeowners create ADUs. This can help such homeowners, who may be more susceptible to displacement pressure, benefit from rental income and increased property value as a result of building an ADU or providing low-cost housing to extended family or others in their social network. Low- and moderate-income homeowners tend to be underrepresented among homeowners building ADUs. This is primarily because of a lack of access to financial resources among low- and moderate-income households. If such a homeowner has not paid off their mortgage, adding a modest income from the ADU may help protect them from displacement as well.



# Policy Impact Timeframe: Long-Term

ADU incentives are a **long-term** strategy to prevent displacement because of the long timeline of new housing production. ADUs, notably, do tend to be among the fastest types of housing to produce, as they are faster and less complex to build than large-scale multifamily housing and typically have a shorter permitting timeline. If the ADUs that are built are immediately affordable to households at risk of displacement, this policy will help prevent displacement more quickly. If ADUs are available at market rate and are expected to become affordable through filtering, it will take longer for this policy to prevent displacement.

## Special Considerations

### POTENTIAL BENEFITS

- ADU financial incentives can help build units affordable to low- and moderate-income households living in a rental market where affordable options are scarce.
- ADUs can be built on existing single-family home lots, without the need to acquire and consolidate lots for a housing development.
- By using land in existing residential neighborhoods, ADUs can provide greater access to more desirable and exclusionary residential areas and create infill rather than urban sprawl.
- Due to recent state legislation ADUs are now much protected from many legal challenges, making them easier and more predictable to build.
- ADUs can provide a homeowner households with additional income stream or unit to provide housing for extended family, thus helping create greater stability for the owner of the main house.

### POTENTIAL DRAWBACKS

- This policy requires a homeowner to make a financial investment that carries risk. Paying off the cost of building an ADU will require substantial rental revenue. If the current rental housing market softens, households who borrowed money to build an ADU will find themselves with additional debt and without the rental revenue to pay it off.
- If control over pricing is given over entirely to the ADU's owner, it may take longer for the unit to become affordable, especially if housing remains scarce for a long time.
- Homeowners may not have the technical knowledge or time to complete development of an ADU on their own, requiring technical assistance from a city.
- If a financial incentive is available to any homeowner regardless of their income, that subsidy may end up primarily benefiting wealthier households. Thus it is important to size the financial incentive to be roughly equal to the reduction in rent that a homeowner is accepting to make the unit affordable to a low- to moderate-income renter.

## FINANCIAL CONSIDERATIONS

- To create financial incentives for ADUs, cities must make an allocation for a grant or loan program. This requires either a reallocation of existing resources or an increase in revenues. Existing funding sources that localities can use for ADU incentives include: Permanent Local Housing Allocation (PLHA), HOME, CDBG, REAP 2, Prohousing Incentive Pilot (PIP), hotel taxes, in-lieu fee revenue, and more.
- While a single multi-unit affordable housing project typically relies on millions or tens of millions of dollars, an amount that may take a smaller- or mid-sized city several years to accumulate through various sources, ADU incentives can be offered at the scale of tens or hundreds of thousands of dollars. This would allow an existing income stream, such as in-lieu fee revenue or hotel taxes, to be regularly deployed to create affordable homes without waiting for the funds to accumulate to support a single large-scale project.
- A successful ADU financial incentive program will provide stable, long-term funding, requiring ongoing funding.

## POLITICAL CONSIDERATIONS

- ADUs are among the most politically favored forms of housing in localities of diverse political configurations. This is in part because they are supported by a large share of homeowners, a constituency who largely benefits from the ability to create an ADU.
- ADU incentives that are offered in exchange for an affordability covenant need to take into consideration the length of time of that covenant. While conventional affordable housing projects come with a 55-year covenant, such an agreement for a homeowner is unrealistic. Successful ADU incentives require an affordability covenant of about 5-10 years, with an option for the homeowner to exit the covenant in exchange for a pro-rate repayment of the incentives received. This is important to allow households the flexibility to manage changes in life circumstances.
- The funding of a new program may require either a tax measure or the reallocation of existing resources, both of which can be politically sensitive.



## STEPS TO IMPLEMENTING THE POLICY

- Jurisdictions can start with a survey of land owned by low- and moderate-income homeowners, identifying the potential for an ADU financial incentive program to create new affordable housing.
- Because an ADU financial incentive program relies on the participation of current homeowners, meaningful public engagement is key. Jurisdictions can gather data and stories through listening sessions, surveys, demographic studies, informational interviews, and being an active presence in neighborhood activities. This helps create an understanding of community interests and what is most feasible.
- A locality that wishes to create an ADU incentive program can begin by identifying the current process of creating an ADU and ensure a homeowner has adequate support navigating the process.
- If the incentive is financial, the locality may then contact a locally-based CDFI to consider partnering in creating an ADU-specific financial product, with local funds being offered for homeowners who wish to commit to a short- or medium-term affordability covenant. Alternatively, the locality may also administer a financial incentive on their own.
- If the incentive is not financial, the locality can identify any other community partners to consider working with for implementation.
- The locality can then create the program and spread awareness of it, particularly among homeowners who might be most inclined to take advantage of the incentives.
- Once the program is implemented, local staff may monitor it carefully to identify refinements and success stories. Successful implementation can lead to ongoing support and even expansion of the program.



# CASE STUDY

## NAPA COUNTY AFFORDABLE ADU LOAN PROGRAM

- **Incentive type:** Forgivable loan
- **Amount:** \$25,000 - \$105,000 in exchange for building an ADU with a 5-year affordability covenant. The forgivable loan amount is based on the size of the ADU and other considerations.
- **Determining the loan amount:** The loan amount was sized to be approximately equal to the difference between expected market rent and affordable rent over the 5-year affordability covenant. The forgivable loan, then, is essentially the capitalized value of the 5-year rental subsidy.
- **Affordability level:** Up to 80% AMI
- **Funding source:** \$5 million in ARPA funds for initial round of funding, hotel taxes for future rounds of funding
- **Target population:** Homeowners anywhere in Napa County, including in incorporated cities
- **Additional considerations:** Napa County's Affordable ADU loan program aims to cover part of the cost of developing an ADU with a 5-year commitment to rent the unit at a price affordable to households earning 80% of AMI. Renters can be family members of the homeowner and only need to certify their income eligibility when first moving into the unit. Homeowners building ADUs may (but are not required to) access pre-reviewed architectural designs through the nonprofit Napa Sonoma ADU Center and an ADU-specific construction loan through Redwood Credit Union, a local CDFI.
- **Summary:** In 2022, Napa County's Board of Supervisors dedicated a one-time federal resource to support affordable ADU production. When the Affordable ADU program launched in February 2023, hundreds of homeowners expressed interest and the program was fully subscribed. The County is in the process of funding dozens of Affordable ADU projects. In future rounds of funding for the program, the County will use its hotel tax revenue, creating a regular funding source that can be deployed in smaller amounts than what would be needed for a conventional multiunit affordable housing project.



# LOCAL AFFORDABLE HOUSING PRESERVATION STAFF

## Summary of Policy

### GOAL

By dedicating staff to monitor existing affordable units that are at risk of losing their affordability restrictions, jurisdictions can prevent displacement by ensuring a regular focus on extending affordability covenants and monitoring loss of affordability of unrestricted affordable housing. Preserving affordability is comparatively extremely valuable in practice, as it takes substantially less cost and time to keep a unit affordable than to create a replacement affordable unit. Maintaining affordability also provides greater household and community stability. .

### DESCRIPTION

Agencies can prevent displacement by dedicating staff resources and regularly pursuing opportunities to extend affordability covenants. Every locality in the state is required to monitor units at risk of losing affordability restrictions through its regular Housing Element update process, which localities in the San Diego region completed in 2021. Many localities, however, do not have staff resources dedicated to regularly reviewing this list and pursuing extending covenants.

The California Housing Partnership Corporation (CHPC) provides local governments free access to its [Preservation Clearinghouse](#), a database that catalogues restricted affordable housing units and their expected expiration year of restrictions. Localities can dedicate full-time staff, or a portion of staff time to regularly checking, this database, funding opportunities, and pursuing covenant extensions for units with affordability restrictions at risk of expiration. Localities can create preservation ordinances requiring first right of refusal to affordable housing nonprofits on the sale of restricted affordable housing developments.

With dedicated full-time staff, jurisdictions can adopt a more proactive version of this policy by dedicating staff time to monitoring unrestricted affordable housing that is at risk of being speculated on and becoming unaffordable to low-income households. This staff member could work to reduce the likelihood that non-restricted affordable housing is lost.



### Key stakeholders

- Localities
- Owners of covenant restricted affordable housing
- Owners of non-restricted affordable housing
- Residents of affordable housing at risk of covenant expiration

### Target Population

This policy aims to protect people currently living in units under affordability restrictions, who might be displaced if those restrictions were to expire. Residents in neighborhoods experiencing rising housing costs are also a key target group.

# Policy Impact Timeframe: Long-Term

This strategy prevents displacement in the **long-term** because it provides structural resources to ensure local jurisdictions are proactively mitigating housing precarity, particularly for existing residents who are at risk of displacement.

## Special Considerations

### POTENTIAL BENEFITS

- Focus on this need can help more deed-restricted affordable housing keep their price-restriction and remain affordable.
- Maintaining affordability is more time- and cost-efficient than building new affordable housing.
- Jurisdictions have an ongoing understanding of how many and which affordable units are at risk of losing affordability restrictions and can take proactive steps to extend affordability covenants.
- Local staff have dedicated time and space to pursue preservation strategies that may otherwise be overlooked.
- This policy can improve the relationship between local governments and owners of affordable housing, a crucial partnership for anti-displacement strategies.

### POTENTIAL DRAWBACKS

- The effectiveness of this policy depends on how much staff time is dedicated. At lower levels of staff time, cities can simply monitor at-risk affordable housing. More proactive strategies to preserve that housing, and strategies that track and preserve unrestricted affordable housing, require more staff time.
- Dedicating staff time requires a reallocation of current staff responsibilities or investment in a new position. Both options are sensitive in a jurisdiction with limited resources and may require a longer-term process of organizing and capacity-building.
- Not all preserved units count toward a locality's Regional Housing Needs Allocation (RHNA). This may be perceived as a disincentive for localities that are falling short in meeting their housing needs.

## FINANCIAL CONSIDERATIONS

- Dedicated staff will require additional budget resources.
- If it is not feasible to dedicate more staff resources, jurisdictions can allocate a portion of existing staff's time to monitoring vulnerable affordable housing.
- Preserving vulnerable affordable housing may require new investment from a city. Dedicated affordable housing funding could be deployed by preservation staff for affordable housing preservation or acquisition-rehabilitation projects.

## POLITICAL CONSIDERATIONS

- By focusing preservation on existing deed-restricted affordable housing, a locality will avoid the political pushback that would come from regulating currently unrestricted affordable housing.
- Allocating additional budget for staff resources will require political support for this priority.
- Creating any preservation ordinances, either governing restricted affordable housing or unrestricted affordable housing, will require political support.
- Pursuing covenant extensions with a nonprofit owner requires a good working relationship with the nonprofit, for the work to be at its best.
- Monitoring unrestricted affordable housing, and potentially acquiring such homes or placing additional regulation on such housing, will lead to significant political opposition from rental property owners.



## STEPS TO IMPLEMENTING THE POLICY

- A simple form of this policy can be implemented by a housing or planning department reallocating a small amount of staff time to monitoring the Preservation Clearinghouse on an ongoing basis.
- A more complete version of this policy, including pursuit of covenant extensions and preservation of unrestricted affordable housing, would require reallocating a larger amount of staff time within the department, or receiving approval from City Council for a new position to be funded.
- When funding and staff are dedicated, the locality can make an annual workplan for the preservation staff, and regularly review progress and make refinements to the role and responsibilities.

# CASE STUDIES

## SAN DIEGO HOUSING COMMISSION PRESERVATION PROGRAM

- **Location:** City of San Diego
- **Target population:** Residents of vulnerable housing, primarily deed-restricted affordable housing as well as unrestricted affordable housing such as single-room occupancy hotels
- **Size and scope:** 1 FTE with other staff under their supervision
- **Project timeline:** ongoing
- **Funding sources:** San Diego Housing Commission General Funds
- **Partners:** Owners of nonprofit housing, unrestricted affordable housing, and single-room occupancy units
- **Summary:** In May 2020, the San Diego Housing Commission (SDHC) published a report on preserving affordable housing which indicated strategies for the preservation of both deed-restricted and unrestricted units. Key preservation policies included creation of capital resources for different affordable housing typologies, adoption of preservation ordinance and strengthening of an SRO ordinance and staffing a preservation program. After this report was published, SDHC created and staffed a vice president of preservation position. This position is responsible for leading other staff in preservation activities, creating an interagency preservation working group, and creating a preservation collaborative composed of non-governmental preservation stakeholders.



# CASE STUDIES

## WASHINGTON, DC PRESERVATION OFFICER

- **Location:** Washington, DC
- **Target population:** Residents of vulnerable housing, both deed-restricted and unrestricted
- **Size and scope:** 1 FTE employee with other staff under their supervision
- **Project timeline:** ongoing
- **Funding sources:** Washington, DC general fund leveraged with private investment and philanthropic investment
- **Partners:** Owners of nonprofit housing, NOAH, and single-room occupancy units
- **Summary:** Washington, DC's Department of Housing and Community Development has a Affordable Housing Preservation Officer and Senior Advisor. This position leads the District's efforts to preserve existing affordable housing, and also works on preservation-related programs like the Tenant Opportunity to Purchase Act (TOPA) and District Opportunity to Purchase Act (DOPA). Significantly, they oversee the affordable housing preservation fund, a \$40 million revolving loan fund privately managed by CDFI's Capital Impact Partners and Local Initiatives Support Corporation, who were selected through a competitive process.



# EXPANDING AFFORDABLE HOMEOWNERSHIP

## Summary of Policy

### GOAL

Policies to expand affordable homeownership aim to prevent displacement by increasing access to affordable owner-occupied units, specifically for moderate-income households who might otherwise be displaced. Homeownership helps to combat displacement by providing a more stable form of tenure than renting, giving occupants greater control over housing costs and insulating them from economic displacement.

### DESCRIPTION

- Jurisdictions can create affordable homeownership opportunities by creating programs that lower the cost of purchasing a home and limit the resale value of owner-occupied units. This includes subsidy programs that leverage public, private, and philanthropic funds, as well as limited equity programs and resale restrictions that preserve affordability in the long-term.
- Rental housing is typically the most attainable tenure of housing for very low- and low-income households, especially in high-cost communities. In areas with a severe lack of rental units affordable to very low- and low-income households, displacement pressures may continue to increase, especially as housing costs continue to rise.
- It is important to note that affordable homeownership does not have the substantial subsidy that affordable rent does, so ownership options have also become extremely costly for moderate-income households.
- While existing programs to lower the cost of purchase can provide moderate- and lower-income households with down payment assistance and/or access to government-backed loans and other types of financial assistance, the supply of lower-cost owner occupied homes is low and rarely added to. Additionally, many subsidy programs have limited funding that leaves an unmet need for lower-income households looking to purchase a home. To effectively prevent displacement, the aim should specifically be to increase access to homes affordable to lower-income first-time homebuyers.
- Limited equity models can also expand access to permanently affordable homeownership opportunities by allowing resale-



### Key stakeholders

- Renter households
- Public or nonprofit housing stewards
- Mortgage granting financial institutions



restricted housing in which occupants hold an ownership stake. These models often utilize public assistance (e.g., silent second mortgages and low-interest financing) and can be used for virtually any housing type, ranging from single-family homes to condominium units in multiunit buildings.

- The cost of purchasing a home can and should also be lowered by making the production of new housing more efficient, a long-term solution that will make the ownership market more accessible to newcomers. Strategies to produce more lower-cost housing typologies, such as townhomes and other middle housing, are covered in the Zoning for Affordable-by-Design Homes policy brief.
- Without resale restrictions, affordable ownership units will likely be resold at market value, which leads to their permanent loss as an anti-displacement tool. Jurisdictions that sponsor affordable homeownership can prevent displacement in the long-term if they create and enforce resale restrictions.
- Community land trusts (CLTs) often serve to expand homeownership, and can monitor resales with adequate technical assistance and staffing.

## TARGET POPULATION

**Who:** Programs to expand homeownership generally target renter households of moderate income who can benefit from assistance. While moderate-income is traditionally defined as households earning 80%-120%, in high-cost housing markets like San Diego's, market rate housing may still be unaffordable for higher-income households earning as much as 150%-180% of AMI, and thus some programs target earners in this range. CalHFA, for example, provides low-interest loans to homebuyers, regardless of household size, who earn up to \$231,000 per year San Diego County, which is roughly 200% of AMI for a 4-person household.

**The exceptions:** Ownership programs are rarely accessible to extremely low- and very low- income households (i.e., households earning less than 50% AMI), as this requires substantial subsidy in high-cost markets such as San Diego's. Such households are typically served by affordable rental housing.



# Policy Impact Timeframe: Long-Term

Expanding homeownership is a long-term strategy to prevent displacement because it provides financial stability and allows households to build wealth over time to improve their economic well-being. Additionally, programs to expand homeownership can be implemented in the short-term by targeting existing for-sale housing stock; thus, it is possible for such policies to create impacts in the short run, while homeownership is more broadly a long-term tool for preventing displacement. While the effectiveness of the policy is tied to housing production schedules and market dynamics, enforcement of resale restrictions and other related mechanisms will help ensure housing units remain affordable in the long-term. restrictions and other related mechanisms will help ensure housing units remain affordable in the long-term.

## Special Considerations

### POTENTIAL BENEFITS

- Owner-occupancy is generally a more secure form of housing tenure than renting. Consistent monthly costs through a 30-year mortgage and limited increases in property taxes through Prop 13, along with many other policies, make homeowners less vulnerable to displacement. Expanding homeownership helps prevent displacement by moving more residents into more secure tenure.
- Homeownership is a wealth-building mechanism that allows households to benefit financially and pass those benefits through generations, creating longer-term capital and stability. Additionally, homeownership helps close the racial wealth gap by expanding wealth-building opportunities to historically marginalized communities.
- Homeownership assistance programs help residents avoid entering excessively risky financial arrangements that have historically targeted lower- and moderate-income households without access to the mainstream system of mortgages.

### POTENTIAL DRAWBACKS

- If new owners are allowed to resell their home at market value, the unit will no longer be affordable and is lost as an anti-displacement tool. Conversely, if resale restrictions are placed on the home, some may feel that this is a diminished or lesser form of homeownership.
- If jurisdictions directly offset the cost of purchasing a property by providing grants or low-interest loans, effectiveness may be limited by the high and increasing cost of ownership units. In this situation, tying loans or grants to new units that are produced may be more effective.

## FINANCIAL CONSIDERATIONS

- In a jurisdiction where the market price of an ownership unit is already very expensive, subsidizing the purchase cost of a home can be very costly. In expensive rental markets like San Diego County, moderate- and low-income households require increasingly deep subsidies to purchase a home at market rate.
- Resale restrictions are a more efficient way of using subsidy, compared to requiring repayment of the subsidy. Although some resources may be recovered through repayment, the increased cost of the home after it converts to market-rate will make the affordable homeownership program more expensive over time. In comparison, well-designed and enforced resale restrictions make an ownership unit a permanent displacement prevention tool, without cost increases with each new owner.
- Current external funding sources to assist in creating affordable homeownership opportunities are limited. Funding a robust affordable homeownership program would require either new revenues or reallocation of existing resources. Creative approaches with financial institutions and local philanthropic organizations may help.
- Staff support is essential for technical assistance, support to program recipients, coordination with funders and financial institutions, and monitoring of resales. Creating or expanding an affordable ownership program should be sized to cover the necessary level of staff support and include cost escalator to account for salary increases over time.

## POLITICAL CONSIDERATIONS

- Homeownership is popular and enjoys widespread political support, due to past successful programs to promote housing construction and owner-occupancy.
- Resale restrictions are less popular and may affect how the public views affordable ownership programs.
- Due to resource constraints and high expenses, choosing to prioritize subsidizing affordable homeownership may mean that other anti-displacement policies receive less support.



## STEPS TO IMPLEMENTING THE POLICY

- An affordable homeownership program can be created by a Housing Authority or a local community development department, with sufficient flexible funds. If funds are not available, a program can be funded through city council/board of supervisors action.
- Effectively arguing the policy's efficacy to key interest groups and advocacy organizations can help create the political conditions needed for a robust program.
- Once a program is created or expanded, strong implementation will include outreach to eligible households and neighborhood organizations that have relationships with them.
- If a jurisdiction wants to preserve ownership units as an anti-displacement tool, it can create and enforce resale restrictions, either through sponsoring a third-party steward or designating a staff member to monitor resales.
- Jurisdictions can tie affordable ownership programs to the production of new units. To do so, a jurisdiction can form a relationship with an affordable housing developer and work together to find residents who will participate in the program.

# CASE STUDIES

## HARDING II HABITAT FOR HUMANITY BUILD

- **Location:** National City
- **Target population:** First-time homebuyers in National City between 50% and 80% of AMI
- **Size and scope:** 6 row townhomes purchased by 6 households including 11 adults and 13 children
- **Project timeline:** Groundbreaking began in July 2020. The project was completed in June 2022.
- **Funding sources:**
  - San Diego Habitat for Humanity's Homebuilding Investment Fund
  - Private, foundation, and government grants and partnerships
- **Partners:**
  - Investors in San Diego Habitat for Humanity's Homebuilding Investment Fund
  - San Diego Foundation
  - Wells Fargo Foundation
  - Bank of America Foundation
  - Realty Income
  - City of National City
  - State of California
  - County of San Diego
- **Total development cost:** \$1.9 million
- **Summary:** Completed in 2022, Harding II is Habitat for Humanity's sixth project in National City. It drew on Habitat's existing networking and experience, leveraging partnerships with the City of National City, County of San Diego, San Diego Foundation, Wells Fargo Foundation, and Bank of America Foundation to create 6 townhomes along Harding Avenue. The homes were made available to six local families who earned between 50% and 80% of AMI. These families are now protected from displacement pressures affecting the region. Habitat's general policy is to retain the right of first refusal to purchase back any home that a homeowner sells at a price that maintains the home's affordability, based on the income guidelines for affordable housing at the time of sale.



# CASE STUDIES

## CITY OF EL CAJON FIRST-TIME HOMEBUYER PROGRAM

- **Location:** El Cajon
- **Target population:** El Cajon households with an Area Median Income below 80%
- **Size and scope:** Provides loans for up to 22% of the purchase price of a home, with a maximum loan of \$150,000 for single-family homes and \$100,000 for condos.
- **Project timeline:** Ongoing
- **Funding sources:**
  - HOME
  - CalHOME
- **Summary:** The City of El Cajon's First Time Homebuyer Program, funded by HOME and CalHOME, provides 30-year amortizing loans to El Cajon households that make less than 80% of Area Median Income. Eligible properties include single-family homes, condos, townhomes, and manufactured homes. The purchase price cannot exceed 95% of the area median purchase price for single family housing. The program provides up to 22% of the sale cost of the home, with a maximum of \$150,000 for single-family homes and \$100,000 for condos. Resale restrictions are not included in the program.

## SAN DIEGO BLACK HOMEBUYERS PROGRAM

- **Location:** San Diego County
- **Target population:** Black households in San Diego County
- **Size and scope:** Provides grants up to \$70,000 to qualifying prospective Black homebuyers.
- **Project timeline:** Ongoing until funding is fully expended.
- **Funding sources:**
  - San Diego Foundation
  - LISC San Diego
  - San Diego Urban League
- **Summary:** The San Diego Black Homebuyers Program is a partnership between the San Diego Foundation, LISC San Diego, and San Diego Urban League. The program launched in August of 2021 with \$1 million in seed funding from San Diego Foundation's Black Community Investment Fund, administrative funding from the County of San Diego, and other charitable contributions. Since its launching, the program has assisted over 50 Black households in the San Diego region. The program also offers financial literacy education to prospective Black homebuyers.

# ZONING FOR AFFORDABLE-BY-DESIGN HOMES

## Summary of Policy

### GOAL

By zoning for affordable-by-design homes, jurisdictions can prevent displacement by making production of affordable housing faster and more efficient, and thus increase the availability of lower cost homes.

### DESCRIPTION

Zoning for affordable-by-design homes involves a combination of upzoning and streamlining of the approvals process to reduce unnecessary regulation. Areas may be upzoned to include a range of housing types, including apartment buildings and “missing middle” structures such as townhomes, courtyard cottages, ADUs, and du/tri/quad-plexes. These housing typologies are affordable-by-design because they are typically smaller units, easier to construct, and utilize less land compared to conventional single-family and larger multi-family structures.

Market-rate housing can be affordable-by-design for middle-income households at the time it is built. While middle-income is typically defined as moderate income, or 80%-120% of AMI, in high-cost markets such as San Diego’s, this can be as high as 150%-180% of AMI, as market-rate single-family housing is often unaffordable to such households as well. As such, upzoning strategies can help create affordable-by-design homes for less vulnerable households from the time they are implemented. Even though these homes are not immediately affordable to low- and very low-income households, more appropriate housing options for moderate-income residents will reduce pressure on housing affordable to lower income residents. Zoning for affordable-by-design homes helps create a more healthy housing system that provides for a broader range of needs, rather than forcing mismatches through economic pressure.

Market-rate housing can also be affordable-by-design for low- and very low-income households if the market has produced enough abundant, diverse, and well-located housing to drive down the market cost of a home. Once market-rate production has satisfied enough pent-up demand, the price of new units will decrease, and older units will begin filtering through the market at lower price points.



### Key stakeholders

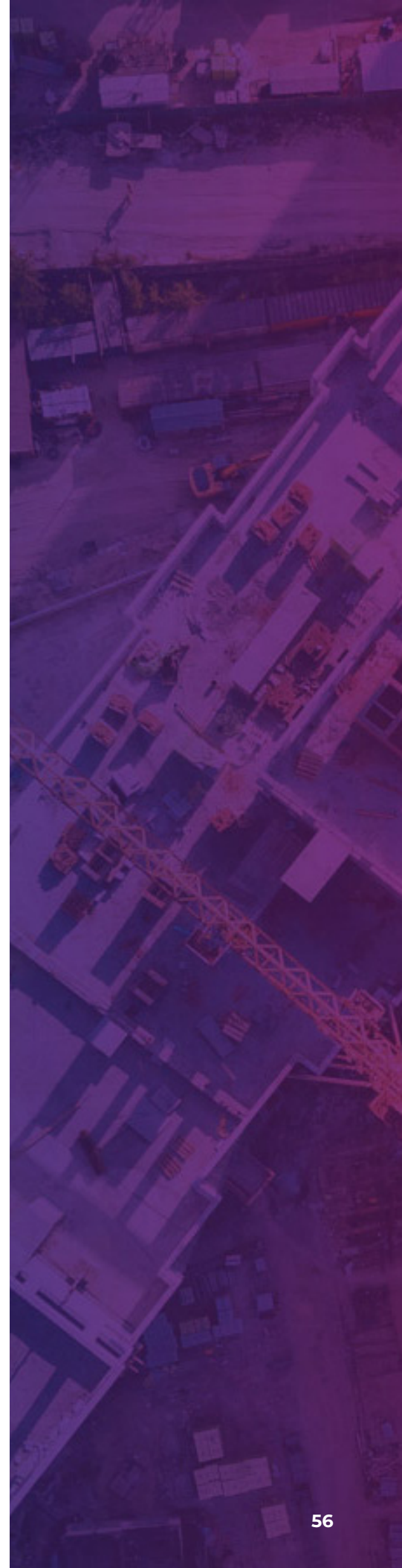
- Renter households
- Market-rate housing developers
- Affordable housing developers
- Local planning departments
- State of California

Zoning reform also makes way for affordable-by-design homes that are directly subsidized to create more deeply affordable units. Upzoning and transitions to ministerial approval help insulate affordable housing developments from procedural barriers that prevent them from serving residents.

Due to successful upzoning efforts at the state level, jurisdictions can implement this policy by making their planning processes consistent with the relevant state laws and providing technical assistance to developers and property owners interested in building housing.

### **TARGET POPULATION**

This policy targets all residents of a region who could be protected from displacement through the addition of more affordable housing, either through filtering or direct construction of affordable units.





# Policy Impact Timeframe: & Long-Term

Zoning for affordable-by-design homes is a **long-term** strategy to prevent displacement. Its effectiveness is tied to housing production schedules, which take time to make an impact and depend on many different variables. However, upzoning to create new affordable and market-rate housing has one of the highest potentials to prevent displacement in strong markets like the SANDAG region, if coupled with strong preservation and stability policies as well as increased funding for affordable housing construction.

## Special Considerations

### POTENTIAL BENEFITS

- Zoning for affordability-by-design is one of the single most important steps a jurisdiction can take to increase the supply of affordable homes and thus prevent displacement. Although measures like rent control and emergency rental assistance are important, in the long-term displacement pressures will continue to increase without the aggressive production and preservation of affordable units. Zoning for affordable-by-design homes is a precondition for all other production strategies.
- Zoning to increase production in affluent areas with few residents at risk of displacement can reduce pressure on neighborhoods with high risk of displacement. Market-rate homes, including upscale and more expensive homes, provide housing opportunities to residents who might otherwise move into gentrifying areas.
- By making it easier to build market-rate homes, jurisdictions can increase the overall housing supply, which will bring down the cost of median market-rate units. Loosening the rental market with more supply will also allow for the filtering of older or less-maintained market rate units to households with less income.
- Upzoning and moves to ministerial approval also make it easier to build directly affordable units. Without the proper zoning and approval processes, affordable units are often snagged in procedural hurdles, preventing them from serving at-risk residents.

### POTENTIAL DRAWBACKS

- Making it easier to construct market-rate housing does not meet the immediate needs of households at risk of displacement. Absent policies to increase resident and neighborhood stability, this policy may be perceived as exacerbating ongoing displacement pressure.
- Upzoning makes it easier to bring units to market, but affordability-by-design requires different interventions for each income group that needs affordable housing. Middle-income households could afford lower cost housing typologies without financial subsidy. Lower-income households that are already at risk of displacement need supporting policies to create affordability-by-design, most importantly abundant and flexible funding for affordable housing construction.

## FINANCIAL CONSIDERATIONS

- A dedicated staff effort is needed to reform zoning and make approval processes more navigable, even if the zoning reform is limited to making local processes compatible with state laws.
- Zoning for affordable-by-design homes may decrease the burden on staff by simplifying and streamlining approval processes that would otherwise require more staff time to oversee.
- To make best use of zoning for affordable-by-design homes, jurisdictions can make more funding available for direct construction of affordable housing.

## POLITICAL CONSIDERATIONS

- Efforts to make it easier to build new housing, even at modestly higher densities than single-family housing, can bring significant political opposition from homeowners of all political orientations against the reform. There is, however, growing political support for increased housing supply, especially middle-density options such as townhomes, and such an initiative should seek to educate about the need for middle housing and draw engagement from groups that support it.
- Passed in 2021, the [Housing Crisis Act, or SB 8](#), makes it possible for jurisdictions to advance zoning for affordability-by-design through staff action. Additionally, SB 8 extended the provisions outlined in SB 330 to January 1, 2030 and made several clarifications to further streamline housing production. By implementing SB 8 and similar legislation in a way that creates transparent, efficient processes, staff can make approvals significantly easier for a wide range of housing typologies. wide range of housing typologies.



## STEPS TO IMPLEMENTING THE POLICY

- Zoning reforms that exceed those mandated by state law will require the action of a city council or board of supervisors. Staff can draft an updated zoning plan, which a council/board will vote on.
- The updated zoning plan can identify areas for more affordable-by-design housing typologies, such as townhomes, create an overlay, or broadly allow such housing in existing single-family zoned areas (which typically account for the vast majority of a locality's residentially zoned land).
- Zoning strategies that implement or seek consistency with state law can be implemented without council/board action, since a new zoning plan does not need to be adopted. The staff of a local planning department can implement state law by updating internal processes, creating documents that explain how to receive discretionary approval, and providing quality technical assistance to developers and property owners.
- Implementation of SB 10 offers a clear pathway to enabling more affordable-by-design housing. A locality can opt-in to the state law that allows local governments to permit up to 10 homes on single-family zoned properties near transit. The laws offers a wide range of flexibility to localities to require affordability and other restrictions on such developments to ensure they produce lower-cost housing.

# CASE STUDIES

## NEW CONSTRUCTION IN MINNEAPOLIS

- **Location:** City of Minneapolis, MN
- Target population: Renter households in the City of Minneapolis
- **Size and scope:** The University of Minnesota studied rent trajectories of units within 300 meters of new market-rate buildings, measured against a comparison group 300 to 800 meters away. The study examined rental data from 2000 to 2018.
- **Summary:** The study found that lower-priced rental housing close to new construction had 6.7% higher rents relative to a comparison group, but higher priced housing close to new construction had 1.7% lower rents relative to a comparison group. This shows that new market-rate construction is an effective strategy to bring down the cost of nearby higher-priced rental housing. This demonstrates the feasibility of zoning for affordability-by-design, which produced new units that drove the cost of higher-rent units down. However, it also shows that the housing market is segmented by income, and that production of immediately affordable units is needed as well.

## NEW TOWNHOME CONSTRUCTION IN AFFLUENT AREAS OF HOUSTON

- **Location:** Houston, TX
- Target population: Moderate- and upper-income renters in Houston. Positive spillover effects for lower-income residents in areas at risk of displacement.
- **Size and scope:** The Kinder Institute studied the relationship between housing construction (measured using county permit data from 2005-2019) compared to sociodemographic characteristics (measured using American Community Survey in the years 2000, 2010, 2018).
- **Summary:** This study found that some affluent central neighborhoods in Houston are redeveloping rapidly, adding large multi-family structures and detached townhomes. This leads to the number of higher-income households increasing in areas these redeveloping areas where gentrification is already established. The concentration of higher-income households in areas with established gentrification shows that developing housing in these areas can mitigate displacement pressure elsewhere. The study also found that low-income Black and Hispanic residents moved to vulnerable neighborhoods that still had affordable housing options. This shows the role of affordable housing in preventing displacement, and points to the need to rapidly develop affordable housing both in gentrified areas and vulnerable ones.

# TARGETED EMERGENCY RENTAL ASSISTANCE

## Summary of Policy

### GOAL

Targeted emergency rental assistance (ERA) programs prevent displacement by giving rental aid to households who are struggling to pay their rent because of a financial, medical, public health, or other emergency. During the Covid-19 pandemic, the federal government funded nationwide emergency rental assistance, providing housing stability to millions of households, demonstrating the possibility of preventing displacement for a broad population. Although most of these pandemic-era programs have since ended, their size and intensity may serve as a model for future local programs, either new or expanded.

### DESCRIPTION

As noted, federal government funded nationwide emergency rental assistance during the pandemic, providing funds through states to local jurisdictions. These funds protected households who had their income affected by the pandemic, ensuring that the emergency did not lead to displacement.

More broadly, targeted ERA programs prevent displacement by protecting renters from emergency-related financial shocks that put them at risk of nonpayment of rent. Such programs are different from ongoing tenant-based rental assistance programs, such as the federally funded Housing Choice Voucher (HCV) program; whereas HCVs are a permanent, ongoing subsidy to a limited number of households who meet general income and other requirements, targeted ERA programs tend to provide temporary assistance under defined conditions. In the absence of strong federal or state backing, most existing ERA programs are local and have a limited scope. However, these programs are highly effective at preventing displacement for emergency-affected households, in the short-term.

### TARGET POPULATION

ERA programs target renter households that are experiencing an emergency-driven financial shock, such as loss of employment, natural disaster, pandemic, or medical emergency. The programs protect these households by paying all or a portion of their rent, mitigating the financial shock.



## Key stakeholders

- Renter households
- Landlords
- Local nonprofits and neighborhood organizations
- Local, State and Federal government agencies with housing funds
- Public Housing Agencies (PHAs)

# Policy Impact Timeframe: Short-Term

ERA programs prevent displacement in the **short term**, keeping residents stably housed when they experience a financial shock from loss of employment, a medical emergency, or a widespread emergency event such as the recent pandemic. It is effective at removing the immediate threat of eviction and displacement but does not serve to bring down rental costs in the long term.

## Special Considerations

### POTENTIAL BENEFITS

- When households are at risk of displacement because an emergency has affected their income, rental assistance immediately protects them from eviction. It is a fast and direct way to prevent the displacement of households experiencing a financial shock.
- Rental assistance goes directly to a renter household or a landlord. Although administrative capacity is still important, ERA programs are less administratively intense than a long-term project like funding and operating affordable units.
- A strong, widely known ERA program can communicate that eviction and displacement are systemic issues, and that preventing this form of displacement is a good public investment that prevents other social costs, such as homelessness.

### POTENTIAL DRAWBACKS

- ERA programs can be expensive, as the public sector funder is directly paying all or a portion of a households' rental costs for the duration of an emergency.
- If wages remain stagnant and housing costs continue to climb, ERA programs will grow more expensive over time. Although they help households meet the cost, ERA programs do not help reduce market rents.
- Expanding local ERA programs could create redundancies or administrative complexities with other social supports such as unemployment assistance, food assistance, etc.
- ERA programs become more difficult to administer when more eligibility rules are introduced. Although robust eligibility requirements can help reduce costs and make programs more targeted, they also demand more staff time and can make it more difficult for eligible households to access services.

## FINANCIAL CONSIDERATIONS

- The cost of ERA programs depends entirely on the amount of support a locality wishes to offer. It can be sized to an available funding source (e.g. PLHA, HOME, etc.) and a potential number of households can be determined based on typical rents and the number of months of emergency assistance the locality wishes to offer.
- If a jurisdiction is implementing a federal or state program, it will need to fund staff time to either distribute resources directly or manage a subcontract with an external partner. If a jurisdiction is self-funding an ERA program, it will either need to reallocate existing resources to the ERA program or raise revenues.
- Because ERA programs respond to emergency conditions faced by households, timeliness and administrative capacity are key to implementing any ERA program. If a local jurisdiction does not have the resources to dedicate ongoing staff time to an ERA program, it can contract outreach and check processing to a third party.
- The Covid-19 federal ERA programs were driven by a national emergency that pushed policymakers to take proactive action. Without a change in federal politics or another event comparable to the pandemic, it is unclear when or if another wave of federal ERA funding will come.

## POLITICAL CONSIDERATIONS

- The pandemic ERA programs were politically possible because the public and policymakers broadly saw pandemic-related financial shocks as a systemic issue that individual households could not control. A similar political consensus about the need for ongoing emergency rental assistance, and its ability to prevent other significant social costs, would be necessary to fund strong ERA programs.
- Policymakers may be able to find support for ERA programs by delimiting them to very specific classes of emergency, for strictly defined time periods and vulnerable groups.
- Because ERA programs are expensive and new federal funding does not appear to be forthcoming, funding a strong ERA program may require voter approval for a new tax.



## STEPS TO IMPLEMENTING THE POLICY

- ERA programs initiated at the federal or state level are passed down to local jurisdictions, who are then responsible for connecting the funds to eligible households. Local jurisdictions can implement the policy by creating an outreach, intake, and distribution process themselves, or by subcontracting some or all the process out to an external provider. Many of these processes are already in place due to the temporary pandemic expansion of emergency rental aid, and can be reactivated if an ERA program is funded again.
- ERA programs initiated at the local level can follow the same implementation steps for the outreach, intake, and distribution processes. However, local jurisdictions creating their own ERA program need to expend time and resources visioning, designing, and acquiring funding for a program. This requires more extensive outreach to councils and residents, who will need to support any funding initiative. Program design can be simplified by copying past ERA programs that have since expired.



# CASE STUDIES

## SAN DIEGO HOUSING INSTABILITY PREVENTION PROGRAM

- **Location:** City of San Diego
- **Target population:** Renter households in San Diego under immediate threat of eviction, referred from 2-1-1 San Diego. Participants with a disability, age 55 or older, with a child 5 or younger, or at transition age (18-24) are prioritized.
- **Size and scope:** At current levels of funding, the program can assist 300 households from 2022 to 2024. The program provides \$500 per month for up to 24 months.
- **Project timeline:** 2022 to 2024
- **Funding sources:** City of San Diego, Homelessness Strategies & Solutions Department
- **Summary:** The Housing Instability Prevention Program is funded by the City of San Diego's Homelessness Strategies & Solutions Department. It is implemented jointly by San Diego 2-1-1 and the San Diego Housing Commission. San Diego 2-1-1 refers potentially eligible callers to the Housing Commission, which screens them for eligibility. Clients must be at risk of homelessness because they currently would spend more than 60% of their gross income on housing, be experiencing a housing crisis, have no alternative housing options, and pass other eligibility criteria to guarantee they are in an emergency. Those who are connected to the program also receive access to case management and the Landlord Engagement and Assistance Program.



# CASE STUDIES

## COUNTY OF RIVERSIDE UNITED LIFT

- **Location:** County of Riverside
- **Target population:** Renter households in the unincorporated County of Riverside below 80% of Area Median Income, who were financially impacted by the COVID-19 pandemic. Prioritization for households with incomes less than 50% of Area Median Income, who have an unemployed adult, or have unpaid rent.
- **Size and scope:** Up to 18 months of future or past-due rent and utilities.
- **Project timeline:** 2020 to 2022
- **Funding sources:** Approximately \$300 million in CARES Act funding
- **Summary:** The County of Riverside's United Lift program was a federally funded ERA program that stabilized 120,000 County residents' housing in 35,000 households, according to a USC Price School evaluation of the program. The program was implemented as a partnership between the County of Riverside, Inland SoCal United Way, and Lift to Rise. The team required applicants submit ID, a copy of the household's lease, documentation of a Covid-19 related financial loss (documentation of unemployment, bank statements showing reduction of income, etc.), proof of 2021 or 2022 household income, and utility bills if applying for utility assistance. Payments were provided directly to the landlord. The USC Price School surveyed 2,452 tenants and 338 landlords who applied to the program, finding that nearly half of the households applying for assistance reported earning less than 30% of Area Median Income, and that 90% of the respondents reported being unable to afford rent at the time of their application for assistance.



# CASE STUDIES

## SAN DIEGO COUNTY SHALLOW RENTAL SUBSIDY PROGRAM

- **Location:** County of San Diego
- **Target population:** Seniors, aged 55 and older, who are renting, not receiving any other housing subsidy, earn up to 50% of AMI, and are spending more than half their income on rent or at risk of losing their housing. Priority will be given to: Head of households who are 60 or older, households at or below 30% of AMI, and households in one of the County's identified 39 Health Equity Zip Codes.
- **Size and scope:** \$500/month of rental assistance for 18 months
- **Project timeline:** 2023-2024 (pilot program)
- **Funding sources:** \$2.9 million in American Rescue Plan Act, Homeless Housing Assistance and Prevention Grant Program Round 3, and Home Safe Program funding
- **Summary:** The San Diego County Board of Supervisors approved the creation of the Shallow Rental Subsidy Program for seniors at risk of displacement in light of the rising rate of housing instability among this population. The County launched the program in Spring 2023 by providing \$500/month rental subsidies to 222 selected senior households. The program was oversubscribed and recipients were chosen by a random selection process from a larger pool of qualified applicants. As the program is a pilot and the County will pursue ongoing funding if the program shows success, the County's Office of Evaluation, Performance, and Analytics is examining outcomes of households who participate in the program as opposed to eligible households that were not awarded a subsidy.

