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## **Bay Area Cities Update Their Housing Elements in 2022**

The Implications for Low- and Moderate- Income Housing: A Guide to Encourage Participation in the Housing Element Update Process

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## The Implications for Low- and Moderate- Income Housing: A Guide to Encourage Participation in the Housing Element Update Process

Prepared by;

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### Executive Summary

In 2022, all Bay Area communities must update their Housing Elements through a number of activities:

1. Identifying sites that are suitable and feasible for new housing that will be affordable to major income groups
2. Developing programs and policies that will reduce constraints and make the sites viable to non-profit and market-rate developers
3. Complying with the state's fair housing guidelines

This report should serve as a guide that provides background, summarizes goals, and encourages participation in the Housing Element update process in their communities.

All Bay Area cities have been assigned goals for attracting and approving housing that is affordable to four income groups, ranging from very-low income to higher-income residents. These goals are the result of an allocation by the state to the Bay Area and an allocation of the regional total to each city.

In June 2020, the state Department of Housing and Community Development, as required by state law, presented the Association of Bay Area Governments (ABAG) with a housing needs determination of 441,176 homes over the next eight years to meet existing and projected needs.<sup>1</sup>

As a result of recently approved legislation requiring all regions to reduce the number of residents who are considered overcrowded or “cost-burdened” (spending more than 30% of their income for housing), the housing targets for this cycle have more than doubled. Notably, an increase in housing inventory will also return the housing market to a normal vacancy rate of 5% and make it easier to achieve the region's housing goals.

As a result of these new legislative goals, more than half of the region's projected housing need is for low-and-moderate income residents. In addition, half of the housing need is designed to overcome challenges for existing residents and not tied to population growth.

The ABAG's allocation methodology was based partly on city projected growth, with adjustments to give additional shares of housing to communities designated as high opportunity areas (defined below) and those with good proximity to jobs from public transit and auto travel. Research shows that efforts to help low-and-moderate

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<sup>1</sup> NOTE: ABAG is the Bay Area Regional Planning Agency covering all cities and counties in the 9-county Bay Area.

income families live in high opportunity areas improves the likelihood of economic success for them and their children. Furthermore, reducing the number of long commutes will decrease congestion and greenhouse gas emissions while increasing family time together.

Additional adjustments were made to give additional shares of housing for low-and-moderate income residents to communities that have disproportionately failed to approve housing for these residents.

Just five cities in the Midpeninsula area (Cupertino, Menlo Park, Mountain View, Palo Alto and Sunnyvale) met the “high opportunity area” and “close to jobs” criteria and are prime locations for an above average allocation of housing for low-and-moderate income residents. This report will provide background information and suggestions for an engagement effort around the Housing Element update process in these cities, which is the primary focus of the grant from the Silicon Valley Community Foundation (SVCF).

Having sites that are suitable and available for multi-family housing does not guarantee that projects will be proposed or approved. Recent history shows most cities fell far short of meeting their previous and much lower housing approval goals even when the economy was growing and before material prices surged. This is especially true of housing for very-low and low-income residents.

Housing proposals will only be brought forward if developers are convinced that they are financially feasible. There are different standards for a proposal to be considered financially feasible, based on the type of developer involved. Non-profit developers will require public funding as part of their proposal consideration, while market-rate developers must be sure they will receive a competitive return on their investments.

The process of identifying and mitigating constraints to housing development will be critical to crafting a compliant Housing Element update. All groups developing the Housing Element update in each city must hear from non-profit and market-rate developers about the challenges they face in creating housing proposals and getting them approved.

Cities have many tools to overcome constraints that are identified, which include:

- Increases in allowable height and density
- Modifications of parking and retail requirements
- Creation of incentives to increase the amount of housing in projects reserved for low-and-moderate income residents
- Reducing the time involved in project review and allowing more projects to be approved by staff

In addition, pursuing local, state and federal funding opportunities is necessary to support housing for low-and-moderate income residents.

The report also discusses the link between housing and school enrollment. Enrollment declines are already occurring in both San Mateo and Santa Clara counties, and more declines are projected in the next 10 years. Some districts are already experiencing enrollment declines with impacts on school budgets and facility planning. Each district will need to examine the implications of these trends and consider how they impact the evaluation of new housing proposals.



For many years, the prevailing narrative about housing and school enrollment has been that more housing will create financial and other pressures on school districts. With enrollment declines impacting many districts, additional housing could help these districts avoid financial, staffing and facilities challenges.

Finally, this report provides information on how to engage in the Housing Element update process. The SVCF grant will provide funding for the testing of these approaches.

## Introduction

Every eight years, California's Department of Housing and Community Development (HCD) gives every region in the state a housing needs determination for expanding housing with specific targets for all income groups. In June 2020, HCD presented the Association of Bay Area Governments (ABAG) with a housing needs determination of 441,176 housing units (homes) to meet existing and projected needs.

Each regional planning agency in the state—ABAG in the Bay Area—is required to allocate regional housing needs to communities in its own region. Following a long study and public process, ABAG adopted the Regional Housing Needs Allocation (RHNA) for each Bay Area community in January 2021.

After receiving their housing allocation, each community is required to prepare a new Housing Element that includes housing sites and policies such as zoning, density, height limits, parking requirements and other programs that will provide incentives for non-profit and market rate developers to propose sufficient housing to meet the communities housing targets. The Housing Elements must also comply with the state's Fair Housing laws and requirements.

Bay Area cities are currently in the process of updating their Housing Elements, which must be submitted in 2022.

This report examines the requirements for updating Housing Elements and the process and policy objectives underlying the regional and local community housing goals. There will be a focus on five Midpeninsula communities—Cupertino, Menlo Park, Mountain View, Palo Alto and Sunnyvale—as these cities met the ABAG criteria for an above-average housing goal.

This report provides the background for an engagement effort in these cities to help residents participate in their local community Housing Element update. A generous SVCF grant supports the development of this report and the subsequent engagement effort.

Stephen Levy, Director of the Center for Continuing Study of the California Economy and a member of the Palo Alto Forward board, prepared this report.

## What do the Housing Goals mean and how were they developed?

Housing goals for the Bay Area were developed in a two-step process. Initially, the state gave the Bay Area region an overall goal for the next eight years.

### STEP 1: Regional Housing Needs Determination

In June 2020, HCD presented ABAG with a housing needs determination of 441,176 housing units to meet existing and projected housing needs. The HCD regional housing needs determination letter can be accessed here: [https://hcd.ca.gov/community-development/housing-element/docs/abagrhna-final060920\(r\).pdf](https://hcd.ca.gov/community-development/housing-element/docs/abagrhna-final060920(r).pdf).

This planning target was more than twice the previous regional goal as a result of recently approved state legislation requiring that all regions plan to reduce the number of residents who live in overcrowded housing units or are “cost-burdened” (paying more than 30% of their income for housing). Another goal was to return to a normal vacancy rate for housing to improve housing availability, roughly 5%.

**In previous RHNA cycles, the large majority of additional housing need was related to growth. In the current housing needs determination, nearly half of the forecasted need is to relieve housing shortages that exist today. In addition, more than half of the Bay Area housing need is to house very low-, low- and moderate-income residents.**

### Bay Area Regional Housing Needs Determination

CENTER BENEFITS	TOTAL UNITS NEEDED	PERCENTAGE OF TOTAL
Very Low	114,442	25.9%
Low	65,892	14.9%
Moderate	72,712	16.5%
Above Moderate	188,130	42.6%
<b>TOTAL</b>	<b>441,176</b>	<b>100.0%</b>

Source: HCD

The very low-income category includes households that make less than 50% of the area median income (AMI) and includes extremely low-income households that make less than 30% of the AMI. The low-income group includes households that make between 50% and 80% of the AMI. Moderate income households are those that make between 80% and 120% of the AMI and the above-moderate income category includes those that make more than 120% of the AMI. The following linked chart shows income limits in Santa Clara County in 2021 by household size: <https://www.vta.org/sites/default/files/2021-09/2021HCDIncomeandRentLimits.pdf>.

The area median income in Santa Clara County is estimated to be over \$150,000 (for a family of 4). That means that although households in the low-and-moderate income groups are not considered poor, they often face significant housing affordability challenges.

In previous housing element cycles, most of the housing goals were based on projected population growth. This is not the case for the new Bay Area housing goals.

### Components of Bay Area Regional Needs Determination

COMPONENT DESCRIPTION	UNITS	PERCENTAGE OF TOTAL
Normal Vacancy Rate	98,799	22.4%
Mitigate Overcrowding	94,605	21.4%
Replacement	15,120	3.4%
Mitigate Cost Burdens	9,102	2.1%
Population Growth	223,550	50.7%
<b>TOTAL</b>	<b>441,176</b>	<b>100.0%</b>

Source: HCD

HCD's explanation of these categories of need is in the determination letter linked above. The comments below add context to the HCD explanation.

A large share of the housing need (22.4%) is to bring the region back to a vacancy rate of around 5% for the combination of single-family and multiple-family housing units. HCD determined that this vacancy rate was appropriate to "provide healthy market vacancies to facilitate housing availability and resident mobility."

It is a policy goal to reduce the upward pressure on prices and rents that has negatively impacted housing affordability for many Bay Area residents. When this determination was made, the Bay Area vacancy rate was 1.73%.

Another large share of the regional housing need (21.4%) aims to reduce the number of households living in overcrowded housing units. HCD defines overcrowding as more than one person per room. This omits a growing number of residents who have moved in with others (young adults moving back home, for example) who are not technically overcrowded but cannot find housing that they can afford.

The regional housing needs related to reducing overcrowding were determined by assessing two things:

1. Comparing the share of overcrowded units in the Bay Area to the share in comparable regions
2. Reducing the Bay Area share to the comparable region average.

The goal was to reduce, not eliminate, the number of overcrowded households.

The same methodology was used to determine the housing needs to reduce the number of cost-burdened households. The resulting addition to housing needs is very small (9,102 units), **but this is a result of the methodology and not the underlying need**. As the HCD letter reports, comparable regions find 66.0% of very-low and low-income households are cost burdened and 66.64% in the Bay Area. This shows that the difference is small though the %s are large in both areas.

In addition, HCD found that 16.25% of moderate-income households were cost-burdened, even though households at the low end of that income range are earning close to \$100,000 a year.

The remaining part of the regional housing need is for replacing units that are demolished and is calculated at 0.5% per year or 1 out of every 200 housing units.

**Bottom line: The regional housing needs determination has more than doubled, primarily as a result of trying to reduce the housing challenges faced by existing residents. A large share of the increase is for low-and-moderate income residents who have seen housing cost increases outpace income gains in recent years.**

Once the regional housing goals for the Bay Area were determined, the next step was the allocation to local communities (cities and unincorporated county areas).

## **STEP 2: Allocation to Local Communities**

ABAG, the Bay Area's regional planning agency, had the responsibility for allocating the regional housing needs to local communities. ABAG formed a Housing Allocation Methodology Committee to develop the criteria for proposed allocation. The committee was composed of elected representatives appointed by each county, planning

staff from 12 jurisdictions (with at least one from each county), 16 stakeholders representing diverse perspectives, and a state representative.

The allocation met the five required statutory policy objectives as described in the January 2021 report linked below:

- **Objective 1:** Increase the housing supply and the mix of housing types in an equitable manner.
- **Objective 2:** Promote infill development, efficient development, and GHG reduction.
- **Objective 3:** Promote better relationship between jobs and housing, particularly jobs-housing fit.
- **Objective 4:** Balance existing disproportionate concentrations of income categories.
- **Objective 5:** Affirmatively further fair housing.

The committee met 12 times from October 2019 through September 2020 and received public comments at each meeting and through letters and emails. The final committee recommendations were approved in January 2021. The ABAG website describing the committee work and membership can be found here: <https://abag.ca.gov/our-work/housing/rhna-regional-housing-needs-allocation/housing-methodology-committee>.

The allocations were based on three principal inputs:

1. Projected growth from Plan Bay Area 2050 (provided by staff)
2. Adjustments to give additional shares of housing to communities designated as high opportunity areas and those with good proximity to jobs from public transit and auto travel
3. An equity adjustment to give additional shares of low-and-moderate income housing to communities with low current shares of this housing

The final allocation was the result of staff revisions to the growth projections, public input on the allocation criteria and committee input. The process and results are described in the final report to the ABAG Executive Committee in January 2021: <https://abag.ca.gov/our-work/housing/rhna-regional-housing-needs-allocation/housing-methodology-committee>.

Five cities in the Midpeninsula received above-average shares of the regional housing needs because they scored high on the adjustment for high opportunity areas and jobs close to transit and auto travel.

These cities—Cupertino, Menlo Park, Mountain View, Palo Alto and Sunnyvale—will be the focus of the outreach and engagement efforts of this project and will be used to explain the allocation criteria and Housing Element planning and issues.

## What is a High Opportunity Area?

Below is the explanation from an ABAG Methodology Committee packet:

[https://abag.ca.gov/sites/default/files/rhna\\_methodology\\_report\\_2023-2031\\_finalposting.pdf](https://abag.ca.gov/sites/default/files/rhna_methodology_report_2023-2031_finalposting.pdf).

*“The Opportunity Map stems from HCD’s policy goals to avoid further segregation and concentration of poverty and to encourage access to opportunity through affordable housing programs. The map uses publicly available data sources to identify areas in the state whose characteristics have been shown by research to support positive economic, educational, and health outcomes for low-income families and their children. The Access to High Opportunity Areas factor directly addresses the RHNA objective to affirmatively further fair housing by increasing access to opportunity and replacing segregated living patterns.”*

In practical terms, a high opportunity area has good schools, a wide range of amenities and above-average revenue to support high-quality public services.

There is a wide body of research that shows when low-income residents are able to live in high opportunity areas, that they (and especially their children) have improved chances for upward economic mobility (better jobs and higher incomes). Raj Chetty, the William A. Ackman Professor of Economics at Harvard University and Director of Opportunity Insights, was one of the pioneers in this research. His findings can be found here: <https://opportunityinsights.org/paper/neighborhoodsi/>.

## What is a High Job Proximity Area?

Below is the explanation from the ABAG packet linked above:

*“The two factors based on job proximity (**Job Proximity – Auto** and **Job Proximity – Transit**) consider the relationship between jobs and transportation. Job Proximity – Auto is based on jobs that can be accessed from a jurisdiction by a 30-minute auto commute, while Job Proximity – Transit is based on jobs that can be accessed from a jurisdiction within a 45-minute transit commute. These factors encourage more housing in jurisdictions with easier access to the region’s job centers. Additionally, these factors use a commute shed to measure job access rather than solely considering the jobs present within a jurisdiction’s boundaries. Using a commute shed intends to better capture the lived experience of accessing jobs irrespective of jurisdiction boundaries. Housing and job markets extend beyond jurisdiction boundaries—in most cities, a majority of workers work outside their jurisdiction of residence, and demand for housing in a particular jurisdiction is substantially influenced by its proximity and accessibility to jobs in another community.”*

Menlo Park, Mountain View, Palo Alto and Sunnyvale all have access from one or more Caltrain stations as well as El Camino express bus service. In addition, they all have access from both Highways 101 and 280 and are close to major job centers. Cupertino does not have similar public transit access but does have access from 280 and is close to major job centers in Santa Clara County. These cities have many thousands of jobs accessible in less than the 30-minute and 45-minute access times noted in the ABAG criterion.



The following tables describe the housing allocations for these five cities. The tables show:

1. Cities are asked to plan for housing at all income levels
2. More than 50% of the housing needs are for existing low-and-moderate income residents
3. Each city is asked to plan for housing growth that is larger measured by % growth compared to the regional average growth rate

#### Housing Allocations By Income Group in the Five Cities

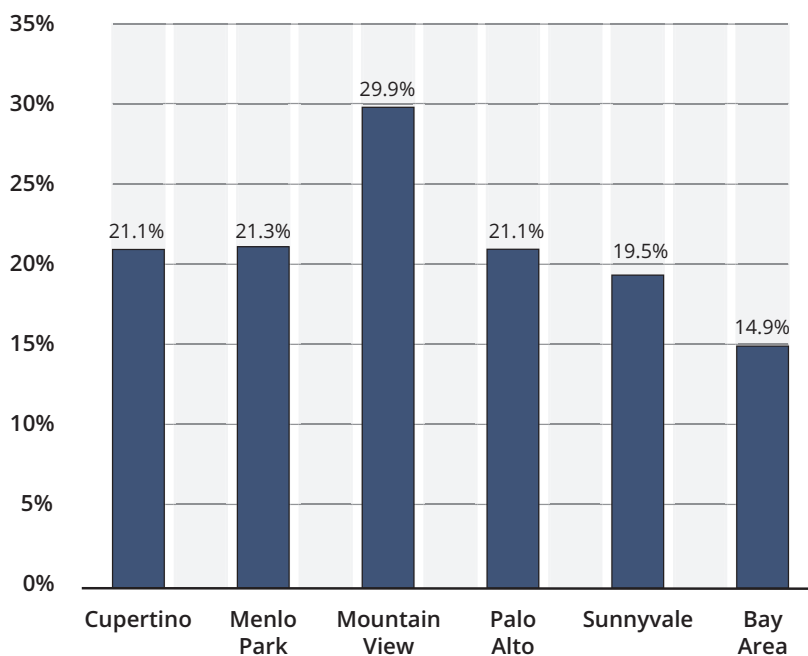
CITY	VERY LOW	LOW	MODERATE	ABOVE MODERATE	TOTAL
Cupertino	1,193	687	755	1,953	4,588
Menlo Park	740	426	496	1,284	2,946
Mountain View	2,773	1,597	1,885	4,880	11,135
Palo Alto	1,556	896	1,013	2,621	6,086
Sunnyvale	2,968	1,709	2,032	5,257	11,966

Source: ABAG

The large share of housing targeted to be affordable to low-and-moderate income residents is the result of state policy to address the housing affordability challenges facing these residents today. These goals are intended to make up for the lack of housing built in recent years that is affordable to most residents in these income groups in these cities.

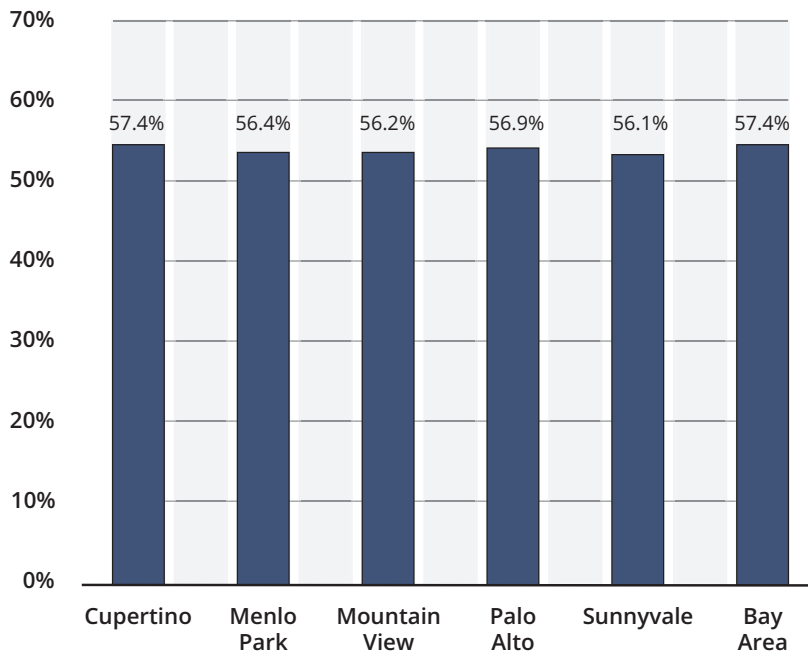
The chart below shows the target for housing planning in each city compared to the regional target for unit growth. The above-average shares reflect the cities' rank as high opportunity areas and high job access areas.

#### % Growth in Housing from 2020 Census Level



The chart below confirms that most housing to be planned is targeted at increasing affordability and supply for low-and-moderate income residents.

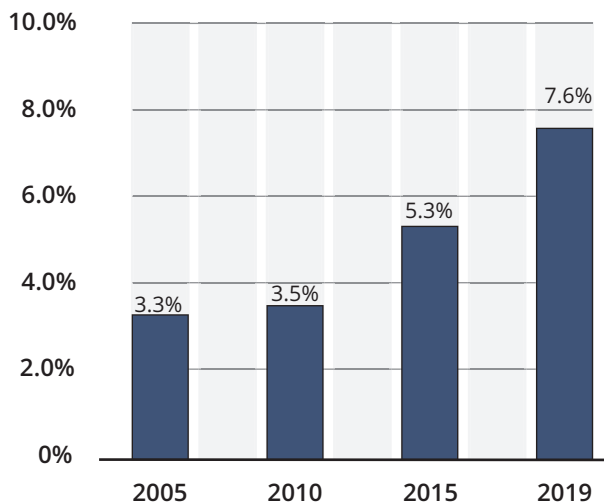
#### % of Housing Allocation for Low-and-Moderate Income Households



Two trends make the proximity to jobs allocation criterion especially important. According to the 2021 Index of Silicon Valley published by Joint Venture Silicon Valley, the number of commuters who travel from one county to another has been increasing, and the share of Silicon Valley employees who commute more than 90 minutes one way (3 Hours total back and forth) has more than doubled since 2005. They are called “mega commuters.”

And this does not count the workers who moved from close to jobs to places far out in Contra Costa, Alameda and Santa Clara counties and still have long commutes (but fall short of the 90 minutes each way threshold for “mega commuter” status).

#### Mega Commuting Trends for Silicon Valley Employees



## The Housing Element Update Process

The Housing Element update process is now underway in all Bay Area cities. It builds upon the housing needs allocation by planning to meet state requirements for approving new housing units for all income groups and for identified special populations.

The legal and technical requirements are complex, so HCD has provided technical assistance related to the requirements and specific steps to follow in the update process.

The main HCD Housing Element website is <https://hcd.ca.gov/community-development/housing-element/index.shtml>. A guide to Housing Element building blocks can be found at <https://hcd.ca.gov/community-development/building-blocks/index.shtml>.

### There are three main components to the update process:

1. Identify sites that are available, suitable and have the capacity for the city's housing needs allocation
2. Identify constraints to housing development on these sites and develop and adopt policies and programs to overcome any constraints
3. Comply with the state's requirement to affirmatively advance fair housing goals

## Issues and Challenges in Meeting the Housing Needs Allocation

Having sites that are suitable and available for housing does not guarantee that projects will be proposed or approved. **Recent history reveals that most cities fell far short of meeting their current much lower housing approval goals.** This includes years when the economy was growing and before material prices surged. This is especially true for housing for very-low and low-income residents. Below is a table showing the shortfall for the five cities this report focused on.

### Housing Unit Permits Issued

CITY	VERY LOW INCOME PERMITS GOAL	VERY LOW INCOME PERMITS BY 2020	LOW INCOME PERMITS GOAL	LOW INCOME PERMITS BY 2020
Cupertino	356	19	207	0
Menlo Park	233	148	129	80
Mountain View	814	244	492	215
Palo Alto	691	101	432	60
Sunnyvale	1,649	132	906	61

Source: HCD

The five cities are not unique in facing these challenges. The intent in sharing this data is not to cast blame, but rather to point out that the Housing Element update requirement to identify and address constraints is critical in reviewing possible housing sites.

Housing proposals will only be brought forward if developers are convinced that they are financially feasible. This means for non-profit developers that there is public funding to support development and for market-rate developers that costs are covered including a competitive return on their investments.

**It will be important for all groups developing the Housing Element update in each city to hear from non-profit and market-rate developers about the challenges they face in developing housing proposals and getting them approved.**

The HCD building blocks link above lays out the requirements with regard to policies and programs needed to provide sufficient incentives to bring forth housing proposals on the sites identified in the site inventory. **These requirements emphasize the fact that identifying sites is the first not final step in attracting housing proposals.** The required policies and programs will vary from city to city depending on the identified constraints related to building housing. From the HCD building blocks summary:

*“The housing element must identify and analyze potential and actual governmental constraints to the maintenance, improvement, or development of housing for all income levels, including housing for people with disabilities. The analysis should identify the specific standards and processes of these constraints and evaluate their impact on the supply and affordability of housing. The analysis should determine whether local, regulatory standards pose an actual constraint and must also demonstrate local efforts to remove constraints that hinder a jurisdiction from meeting its housing needs.”*

*“Each jurisdiction must identify specific programs in its housing element that will allow it to implement the stated policies and achieve the stated goals and objectives. Programs must include specific action steps the locality will take to implement its policies and achieve its goals and objectives. Programs must also include a specific timeframe for implementation, identify the agencies or officials responsible for implementation, describe the jurisdiction’s specific role in implementation, and (whenever possible) identify specific, measurable outcomes.”*

Potential sites for building are often not used due to constraints from a variety of sources. The Turner Center in Berkeley summarized this challenge:

*“The Housing Element is a planning framework that requires all California cities to respond to state targets for expected household growth on an eight-year cycle. For many years, however, these documents have not been truly reflective of subsequent development realities on the ground. Cities may have a certified Housing Element on paper, without much likelihood that the growth specified in the Housing Element would occur, often because unrealistic sites were pegged for development or growth is cordoned off to just one part of a city. Legislators have passed a series of laws over a few years to strengthen the analysis that goes into Housing Element certification. These changes will require more rigorous analysis of how siting new housing is planned. This blog post shows how one city—Los Angeles—used data-driven evidence to justify their Housing Element sites, including original analysis conducted by the Turner Center. Evidence-based Housing Elements may better reflect development conditions on the ground, and may therefore force cities to reconsider their current land use practices in response to the housing goals set by the state.”*

Source: <https://turnercenter.berkeley.edu/research-and-policy/stronger-housing-element-los-angeles/>

## Constraints and Opportunities Related to Housing for Low-and- Moderate Income Residents

One major constraint is lack of funding. Below market rate units (BMR) reserved for very-low and low-income residents depend on tax credits and other forms of federal and state financial support as their main source of funding. While these sources have recently increased with state bonds and budget financing and increased federal support, funding still falls well short of the need to meet the housing goals.

Local cities can provide financing for the creation of BMR housing from impact fees and the ability to approve local bond issues. In addition, local communities can increase the supply of BMR housing by requiring that a certain percentage of market-rate developments be set aside for low-and-moderate income residents. Local communities can also increase BMR supply through the option of approving mixed-use developments that include commercial uses as well as housing.

For example, Google and the cities of Mountain View and San Jose have reached agreements that include plans for thousands of homes, including many BMR homes. Menlo Park will receive a mixed-use proposal that includes housing from SRI International and a proposal to redevelop the United States Geological Survey site. Sunnyvale has approved a number of mixed-use projects that include housing.

To date, Palo Alto and Cupertino have been reluctant to add housing through projects that include commercial land uses.

Communities can also consider the use of public lands for housing. In Palo Alto, Santa Clara County has donated land for teacher housing, and the city rezoned a former VTA site to allow the development of moderate-income housing cited below. Palo Alto is also considering the use of public parking lots for combined parking and housing, with an emphasis on units reserved for low-income residents. Palo Alto is also considering whether the city will allow churches to build housing on their excess parking lots.

Cities can and have created special zoning provisions that incentivize the construction of housing reserved for low-and-moderate income residents. Palo Alto created a zoning overlay to incentivize BMR housing, a special zoning provision to incentivize housing reserved for moderate-income residents, and a planned housing zone (PHZ) to provide incentives for projects that include at least 20% of the units reserved for low-income residents.

Some additional constraints for low-and-moderate income housing that these zoning changes address are modifications in parking requirements, requirements to provide retail space and height—all of which affect the cost and feasibility of building this housing.

These constraints and challenges will vary by community, which is why each city should hear from developers about their particular challenges.

A recent report by the Santa Clara County Civil Grand Jury made findings and recommendations for Mountain View and Palo Alto aimed at improving the approval of housing for low-and-moderate income residents. These recommendations can be reviewed by all cities as part of their Housing Element update process and can be found here: [https://www.sccscourt.org/court\\_divisions/civil/cgj/2021/Affordable%20Housing%20Final%20Report.pdf](https://www.sccscourt.org/court_divisions/civil/cgj/2021/Affordable%20Housing%20Final%20Report.pdf)



## Constraints Related to All Types of Housing

Many of these are mentioned above. There are two major groups of constraints: those that relate to project proposals and those that relate to eligible sites for housing.

### Project Constraints

These include allowable density, height limitations, parking requirements, fees, requirements for BMR housing and lack of certainty as to the length and outcome of the approval process.

The issues related to density, height and parking are discussed above and apply both to BMR housing and market-rate housing.

The challenge with fees and BMR requirements (“inclusionary zoning”) is finding the balance between achieving the policy objectives and maintaining project feasibility. The Turner Center at Berkeley examined the challenges in finding the right balance on impact fees [https://turnercenter.berkeley.edu/wp-content/uploads/2020/12/Nexus\\_Studies\\_November\\_2020.pdf](https://turnercenter.berkeley.edu/wp-content/uploads/2020/12/Nexus_Studies_November_2020.pdf).

Higher fees and higher BMR requirements can be paired with other incentives such as density and height. Every city can develop their own mix of fees, BMR requirements and incentives to attract housing proposals from developers who must cover costs and earn a competitive return.

The time it takes to get a project approved and the uncertainty related to the approval process can discourage developers from bringing proposals forward. Policies to overcome this potential constraint include making more kinds of projects require only staff approval and limiting the time and/or number of meetings for reviewing housing proposals.

**Bottom Line: There are many potential constraints to attracting housing proposals even if sites are available. Nevertheless, communities have many tools to overcome constraints that are identified in their city and meet their housing obligations.**

## The Connection Between New Housing and School Enrollment and Funding

The Governor’s 2022-23 budget proposal for K-12 education (<https://www.ebudget.ca.gov/2022-23/pdf/BudgetSummary/K-12Education.pdf>) calls attention to recent and projected K-12 enrollment declines. These declines will cause many districts to face challenging adjustments in funding, staffing and facility management that may negatively impact educational success. This section explores the relationship between new housing approvals and K-12 financial challenges.

The relationship between new housing and K-12 enrollment and funding will vary among cities and school districts. There are two major factors at work:

1. The number of new students by grade level expected from new housing
2. The overall trend in enrollment, determined by new students entering and the impact of falling birth rates as existing students graduate or leave

Analyzing these impacts is important and of interest to residents and school district boards and staffs for two major reasons:

1. There is a need to accurately forecast enrollment needs and the implications for funding.
2. As summarized earlier in this document, low-income families living in communities with good schools have a better chance to improve their economic status.

Funding in many districts is tied to enrollment and enrollment declines can create staffing and facilities challenges.

This section provides some information to help communities bring potential school impact issues into their housing discussion.

## K-12 Enrollment Declines Projected

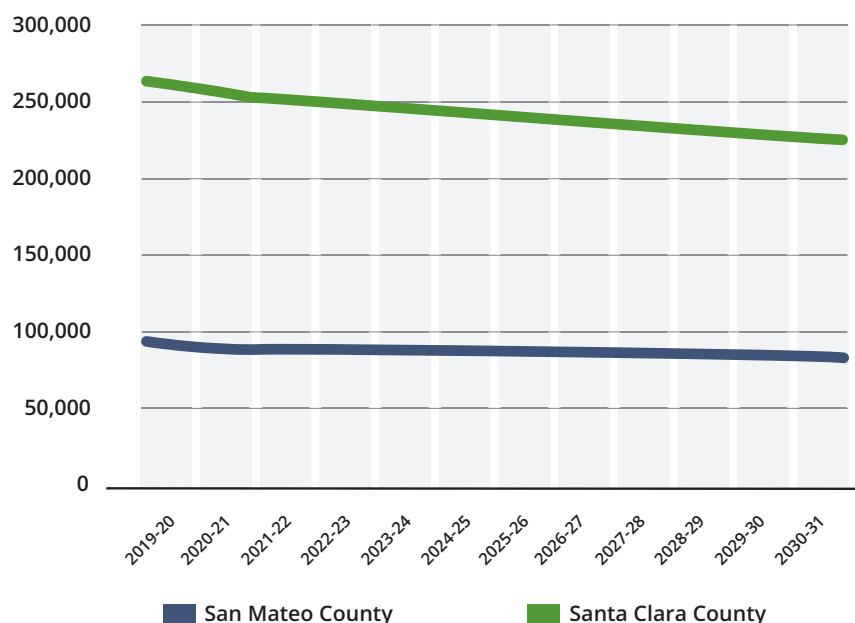
Each year the California Department of Finance (DOF) projects K-12 enrollment for the next 10 years. The latest report was in June 2021: <https://dof.ca.gov/forecasting/Demographics/public-k-12-graded-enrollment/>.

The report provides greater detail, but the high-level takeaway is that enrollment is projected to decline in San Mateo and Santa Clara counties. Some key numbers:

- Enrollment in Santa Clara County is projected to decline from 253,625 students in school year 2020-2021 to 212,501 students in 2030-2031 for a decline of 16.2%.
- Only four counties—Sonoma, Santa Cruz, Ventura and Los Angeles—are projected to have larger declines (based on percentage).
- San Mateo County enrollment is projected to decline over the same period from 90,315 to 77,651 for a drop of 14.0%.

These declines are primarily the result of falling fertility rates and the result over time that families with more children are replaced by families with fewer children.

### DOF K-12 Enrollment Projections



Each school district will be impacted by these trends differently. There are indications that Mountain View is approving so much new housing that school enrollment and the need for additional facilities will increase. On the other hand, a series of recent news articles sound the alarm of declining enrollments in some districts, potentially trending toward the status of insufficient enrollment in the near future.

The projected enrollment declines will occur over time, so advance planning is possible.

If districts do not have enrollment projections that take account of falling birth rates, now would be a good time to update the enrollment projections.

The projected decline in enrollment means that historical estimates of the number of children in various housing types may be too high, as they reflect children born between 2005 and 2020.

Birth levels have declined since 2005 according to DOF data and the average number of children per household with children has declined at the same time.

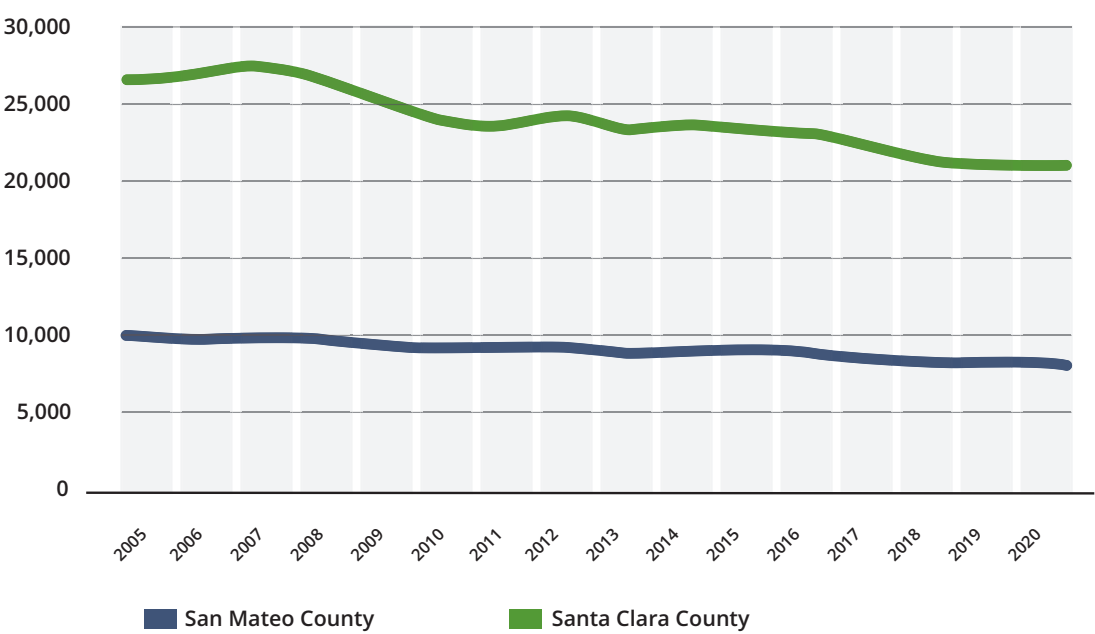
### Implications for Housing, Especially for Low-and-Moderate Income Families

Increasing housing for low-and-moderate income residents can combine an equity goal with helping districts in danger of losing state education funding and having to close or consolidate facilities.

As described earlier, increasing the number of low-and-moderate income families in the five cities tracked in this report (all high opportunity cities) improves the chances for their children to have economic success.

**The bottom line is that in districts facing declining enrollment challenges, achieving the equity goal of approving more housing for very-low and low-income families will also help school districts maintain stronger education options by avoiding funding and facility planning challenges.**

Number of Births



## Participating in the Housing Element Update Process

This report is an input to a public engagement effort led by Palo Alto Forward and partner organizations.

Silicon Valley at Home (SV@Home) is one partner and has a website page devoted to the Housing Element update process in Santa Clara County communities. Here is the current page and updates are available for those on the SV@Home email list.

[https://docs.google.com/document/d/1PAZd9A5uQ26W8wJaLrLbHlto2Yb3W9AlPQGSV5FS-9I/edit?link\\_id=8&can\\_id=59a7b863fff93047d0590708009c6bf4&source=email-newsletter-269&email\\_referrer=email\\_1373865&email\\_subject=housing-happenings-highlights-and-more](https://docs.google.com/document/d/1PAZd9A5uQ26W8wJaLrLbHlto2Yb3W9AlPQGSV5FS-9I/edit?link_id=8&can_id=59a7b863fff93047d0590708009c6bf4&source=email-newsletter-269&email_referrer=email_1373865&email_subject=housing-happenings-highlights-and-more).

And SV@Home has a page devoted to helping people engage in the update process

[https://siliconvalleyathome.org/advocacy-tools/housing-element-toolkit/?link\\_id=6&can\\_id=59a7b863fff93047d0590708009c6bf4&source=email-newsletter-269&email\\_referrer=email\\_1373865&email\\_subject=housing-happenings-highlights-and-more](https://siliconvalleyathome.org/advocacy-tools/housing-element-toolkit/?link_id=6&can_id=59a7b863fff93047d0590708009c6bf4&source=email-newsletter-269&email_referrer=email_1373865&email_subject=housing-happenings-highlights-and-more).

Each of the cities discussed has a webpage dedicated to keeping the community apprised of the update process and future meetings:

- **Menlo Park** <https://www.menlopark.org/1841/2023-2031-Housing-Element-Update>.
- **Palo Alto** <https://paloaltohousingelement.com>.
- **Mountain View** <https://www.mvhousingelement.org>.
- **Cupertino** <https://engagecupertino.org/housingelement>.
- **Sunnyvale** <https://sunnyvale.ca.gov/property/housing/housingelement.htm>.

## About the Author

Stephen Levy is Director and Senior Economist for the Center for Continuing Study of the California Economy in Palo Alto. Steve's major professional work is assisting large public agencies in California with long-term projections of jobs, population and households and related housing policy issues.

Steve serves on a number of boards related to housing, workforce and the economy. He chairs the Housing and Transportation committee of the Palo Alto League of Women Voters and is a member of the Housing Policy Advisory committee for Silicon Valley at Home. He serves on the NOVA and state workforce boards and is a member of the board of the Bay Area Economic Institute.

Steve also serves as Treasurer and on the board of Palo Alto Forward. He and his wife Nancy live in Palo Alto, where he has worked for more than 50 years.

## About Palo Alto Forward

We are optimists: we believe that we can meet our city's future population needs with thoughtful planning. We host educational events, conduct original research on local housing and transportation-related issues, and serve as a voice to our elected officials and city staff. We are an organization with a broad coalition: retirees, fresh graduates, multi-generational Palo Altans and newcomers. We have a common interest in helping to envision and achieve targeted growth without gridlock in our community.



## About SV@Home

SV@Home is the voice for affordable housing in the Silicon Valley. A membership organization, SV@Home works with a broad coalition of strategic partners to address the urgent housing need by boosting production of homes at all income levels, preserving existing affordable homes, and protecting the families in them.



## About Silicon Valley Community Foundation

Silicon Valley Community Foundation is a regional catalyst, connector and collaborator. We bring together the resources and skills of donors, business, government and community to solve some of our region's toughest challenges. We promote philanthropy in our region and support philanthropists to invest with impact. Through advocacy, research, policy and grantmaking, we seek systemic solutions to drive enduring community change. Learn more at [siliconvalleycf.org](https://siliconvalleycf.org).

