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Questions and Answers About Affordable Housing in Emeryville

What is Emeryville's Record on Building Affordable Housing?¹

- Emeryville has built more affordable housing over the last decade, relative to its size, than other cities in the region. From 1990 to 2002, the City helped create 463 new homes affordable to families with very low to moderate incomes.
- However, Emeryville has created far greater *demand* for affordable housing than it has supplied. The City has directly helped create over two-thousand low-wage jobs over the last decade.² And this, in turn, has led to an increase in demand for 1,300 units of affordable housing. The City will have met only 41% of this new demand with its housing program, leaving other cities in the region to meet the remaining demand.
- Also, Emeryville has not made housing for working families a priority - of all housing units built from 1990 to 2002, only 9% are appropriate for medium-sized families (3 bedrooms or more) and less than half (40%) of these are affordable.

What is behind Emeryville's affordable housing record?

The City of Emeryville has benefited greatly from the fact that 95% of its land area is designated as a "Redevelopment Area" by the State of California (all of the city except for the Watergate housing complex). In the city's two redevelopment areas, the State requires that:

- The City must spend 20% of the property tax revenue generated from new development, called "tax increment," on affordable housing. This use of tax increment is referred to as the tax increment set-aside or as the low-mod housing fund. From 1990 to 2002, the set-aside totaled approximately \$28 million.
- The City must also ensure that 15% of all housing built in the entire city, except in the Watergate area, is reserved as affordable.

Few cities in California even approach Emeryville in the proportion of land designated as a redevelopment area. Thus, because of the size of Emeryville's redevelopment area, the City had both 1) an advantage over other cities in generating affordable housing revenues and 2) stricter State requirements in overall affordable housing production.

Finally, the City and several developers took advantage of a special State bond program to build two large housing complexes: Bridgecourt and Emery Bay Club & Apartments. To use

¹ All the following facts are from EBASE's recent report, *Behind the Boomtown: Growth and Urban Redevelopment in Emeryville*, found at www.workingeastbay.org.

² These are jobs with businesses that have benefited from the use of City powers and resources, such as infrastructure improvements, subsidies or general plan amendments.

this program, the City had to ensure that up to 40% of the units were affordable.³ Of the 463 new affordable units in Emeryville, 192 were built under this program.

What does the City require of developers?

The City adopted a policy in 1990 that requires housing developments with more than 30 units to have 20% be affordable to moderate-income families. This kind of policy is known as “inclusionary housing” and has been adopted by over one hundred cities throughout California. By the end of 2004, this program, combined with direct subsidies, will have spurred developers to create approximately 200 units of mostly moderate income housing.

However, the City asks nothing from *non-housing* developers, e.g., office, industrial and retail developers. Many cities, including San Francisco, Alameda and Berkeley, require non-housing developers to pay a housing impact fee to off-set housing demand created by new jobs. This recognizes the important link between job creation and housing, which is especially important in the housing-scarce Bay Area. Thus, these policies are known as “linkage fees.”

One argument the City has made against a linkage fee is that most developers in Emeryville already pay for affordable housing through their property taxes. It is true that 20% of the property tax on any new buildings is set-aside for affordable housing (because of the redevelopment area designation). However, the developer is simply paying the property taxes that any building owner would. In other cities, the linkage fee is a special one-time payment *in addition* to property taxes that addresses the additional housing burden created by the new jobs.

What steps should Emeryville take to address the affordable housing demand that has been generated by development in the city?

- The City should increase the set-aside of Redevelopment Area monies to at least 25% to begin meeting the extra demand Emeryville has created in the region. The following cities have also done this: San Jose has raised it to 30%, San Francisco to 50% and Oakland to 25%.
- The City should create a linkage fee for commercial developments. Developers would pay a per square foot fee to the City that can be used for building affordable housing. If a linkage fee similar to the City of Alameda had been in place since 1999, the City would have generated an additional \$5.4 million for affordable housing.
- The City should create incentives and mandates for developers to build more affordable **family** housing and build into new developments the amenities that families need to raise children. Most important is construction of units with three or more bedrooms.
- Until the establishment of a linkage fee, the City should support community demands for a housing fee from Pixar Animation Studios, which has proposed expanding the size of their corporate campus in Emeryville and adding 1,400 new workers.

³ The Multifamily Housing Revenue Bond program is available to local governments in California to assist public and private affordable housing development. If a local government or a developer uses this form of financing, 20% of all units must be affordable to families at 50% of median income or less **or** 40% of all units must be available to families less than 60% of median income.