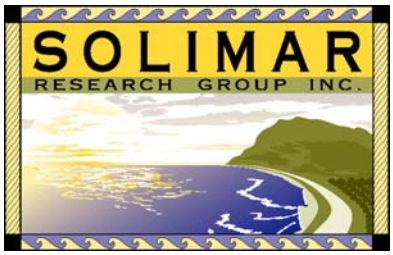


San Gabriel Valley Subregional Housing Production Action Strategy

Final Report
To San Gabriel Valley Council of Governments

May 17, 2005

973 EAST MAIN STREET ♦ VENTURA, CALIFORNIA ♦ 93001-3025
PHONE: 805/643-7700 ♦ FAX: 643-7782 ♦ WEB: WWW.SOLIMAR.ORG

Executive Summary

Like much of metropolitan Los Angeles, the San Gabriel Valley is facing difficult choices because the region is continuing to grow even as it is running out of land. After a half-century of rapid urbanization, the valley and its 31 cities must now consider how best to accommodate some additional growth, while at the same time maintaining livability and quality of life for the 1.82 million people who live and work in the valley today.

The need for housing is especially acute. The latest regional forecasts predict that the San Gabriel Valley, which currently has about 555,900 housing units, will require between 79,000 and 176,000 additional units – an increase of between 14% and 32% -- by 2025. However, unlike in the past, the San Gabriel Valley will not be able to accommodate this additional housing on raw land. Most of this additional housing will probably have to be constructed at higher densities on land that is being recycled from other urban uses. Furthermore, because of the nature of urban land markets, this property is likely to be far more expensive than the raw land.

Clearly, a different policy approach is needed. This report is intended to provide a roadmap for that different approach by proposing a "Subregional Housing Production Action Strategy" for the San Gabriel Valley. Because housing production is such a wide-ranging topic, this report is not so much a "plan" in the conventional sense as it is an exercise in identifying opportunities that already exist and actions that could be taken. It is intended to provide the San Gabriel Valley Council of Governments (COG) and its members a base of information in considering how to move forward to encourage more housing production in the future.

I. Findings on Housing Capacity and Housing Opportunity

The San Gabriel Valley currently has about 555,900 housing units, including 475,800 in incorporated cities and 80,100 in unincorporated areas. About 60% of the dwellings are located in the flatter southern and central portions of the Valley. Housing production has not kept up with population growth. Between 1993 and 2003, the Valley added 186,000 persons but only 11,600 housing units – an average of 16 persons per housing unit. Recent housing production for the Valley's 31 cities has averaged only about 1,161 units per year.

Regional estimates suggest that the Valley's cities will probably have to produce more housing in order to keep up with demand. The SCAG 2001 growth forecast estimated that by 2025 the Valley must provide 79,100 housing units, including 49,200 inside cities, to meet demand. This would require cities to increase housing production from 1,160 per year to around 2,100 per year. The SCAG 2004 growth forecast estimated that by 2025 the Valley must provide 176,200 housing units, including 104,000 inside cities, to meet demand. This would require cities to increase housing production from 1,160 per year to around 4,500 per year. A mid-range estimate derived from extrapolating Regional Housing Needs Assessment targets suggests that the Valley would have to produce 100,400 units by 2025, including 74,000 inside cities, to meet the targets. This would require cities to increase housing production from 1,160 per year to around 3,200 per year.

After consulting with the cities, we have estimated the Valley's residential buildout capacity under current General Plans at 64,200 units (a 11.6% increase over current housing unit totals), including 49,200 for cities (an 10.3% increase) and 15,000 in unincorporated areas (a 18.7% increase). Most of the remaining capacity is in the northern part of the Valley, while most of the current housing and most of the demand is in the south.

If Valley cities continue their recent housing production trends, the Valley will not reach buildout until around 2040. However, if housing production increases to meet the demand forecasts described above, Valley-wide buildout could occur between sometime between 2013 and 2022.

Thus, the Valley is faced with a series of difficult housing choices. Maintaining current housing production will probably increase overcrowding and in-commuting, and it will probably cause state and regional agencies to put more pressure on Valley cities to increase the housing capacity in their General Plans. Increasing housing production will lessen these problems, but will hasten the day when General Plans must be revisited. Moving housing obligations from one jurisdiction to another in order to even out Valleywide supply and demand could help, but raises many financial and political questions. Meanwhile, some new strategies are emerging – such as redesignating obsolete non-residential sites for residential use, and looking to commercial strips for new residential land – that could increase housing production without intruding on current low-density neighborhoods.

II. Findings on Housing Finance Options

Currently, the San Gabriel Valley should have approximately $56 million per year in housing money available through the Community Development Block Grant and HOME programs and redevelopment housing setaside funds. City of Industry redevelopment housing funds, which do not currently flow to the San Gabriel Valley, account for approximately $13 million, or 23% of this total. We estimate that by 2013, this revenue will grow to $80 million, of which $33 million, or more than 40%, will consist of City of Industry redevelopment housing funds.

Figure C. Summary of Housing Funds Available, 2003 and 2013

	2003	2013*
CDBG	$9,900,000	$11,200,000
HOME	$6,200,000	$7,500,000
Redevelopment	$40,500,000	$61,500,000
Total	**$56,600,000**	**$80,200,000**

** Moderate Growth Scenario*

Whether and how these funds can be effectively used to produce housing -- especially affordable housing -- in the San Gabriel Valley depends on the type of housing being produced. In analyzing the financial requirements of five different types of projects likely to be common in the San Gabriel Valley in the future, we made the following findings:

- In the current market, single-family infill projects can provide some affordable housing without subsidies. Even when 15% of the units are affordable, no subsidy may be required.

- The current market for patio home projects necessitates a healthy subsidy per affordable unit ($125,000 assuming land costs of $10 per s.f.).

- Market rate transit-oriented development projects are highly feasible, though including affordable housing will almost certainly require subsidy.

- Though some projects may not be feasible as market-rate rental projects, adding a for-sale component may buy down the subsidy required to add much needed housing.

Combining our analysis of available financial resources with our analysis of the financial requirements of individual prototype projects, we reached the following conclusions:

- Up to 5,200 units of affordable housing could be created with no public subsidy by creating a 10% inclusionary onsite affordable requirement on small-lot, single-family infill projects.

- Several thousand units could be created in high-density areas in downtowns, commercial strips, and near transit stations to Gold Line Phase II station locations if the Valley cities were willing to invest $30,000 per unit or $25 million altogether, assuming the demand for such housing types exists in sufficient quantity.

- Creating affordability in the other product types (patio homes, housing in mixed-use corridors, and moderate-density townhomes adjacent to transit would require deep subsidies of approximately $112,000 per unit. Thus, the Valley would have invest more than $250 million to ensure the affordability of only a few thousand units.

In this regard, the Valley faces a set of clear choices about whether to lightly subsidize a large number of units or heavily subsidy a small number of units, depending on the product type involved.

III. Findings on Best Practices for Affordable Housing Production

Once housing opportunity sites have been identified and financial resources have been earmarked, skill and expertise is still required to actually produce housing -- especially the affordable housing that will be required for the San Gabriel Valley workforce in the future. Based on four case studies of affordable housing projects, we concluded that:

- Single-family homeowners often fear affordable housing in their neighborhoods. But in built-out communities undergoing transition, these fears are not always well-founded. In all four examples from the San Gabriel Valley, affordable housing has improved its environment and may well improve surrounding property values.

- In some cases, the affordable housing is virtually indistinguishable from the market-rate housing, because the city provided the land to the developer with price restrictions in place.

- In other cases, cities have maintained neighborhood character by decreasing the overall number of units, thus trading theoretical capacity for community acceptance of a project actually being proposed and built.

- For communities to build an adequate amount of affordable housing, local government may need both a carrot and a stick—that is, a requirement for units combined with a subsidy.

- Although communities rely heavily on community-based non-profits to supply affordable housing, it may be quicker and less expensive to provide incentives to conventional, market-rate developers who can obtain financing and entitlements more readily than non profits.

IV. Findings on Housing Policy Options

The current state housing policy apparatus discourages Valleywide efforts to match opportunity sites, available finance resources, and best practices to ensure that housing does get built. Both the redevelopment housing setaside program and the Regional Housing Needs Allocation (RHNA) process operate on a jurisdiction-by-jurisdiction basis. Although transfers from one jurisdiction to another are legally possible, they are difficult to accomplish.

In order for the San Gabriel Valley to move forward with an aggressive Subregional Housing Production Action Strategy, it will be necessary to reform state housing policy on a pilot basis to permit the Valley to function as a unit rather than a group of individual jurisdictions. Such reform would permit the Valley to work jointly in the following way:

1. At least some housing funds would be placed in a Valleywide pool administered by the San Gabriel Valley COG or another entity.

2. That entity would adopt a list of "housing opportunity sites," which would be the Valley's highest priority locations for housing construction, as well as minimum standards for these sites dealing with such issues as density, affordability, and public subsidies.

3. Funds from the pool could be moved to any opportunity site in any jurisdiction if the standards were met.

4. Each jurisdiction would receive RHNA credit for housing produced with pooled funds no matter where that housing is built.

Table of Contents

I. Introduction

Like much of metropolitan Los Angeles, the San Gabriel Valley is facing difficult choices as the region continues to grow. After a half-century of rapid urbanization, the valley and its 31 cities are now largely built out and must reconsider how to best accommodate additional growth, while at the same time maintain livability and quality of life for the approximately 1.8 million people who live in the valley today.

The latest regional forecasts predict that the San Gabriel Valley, which currently has about 555,900 housing units, will require between 79,000 and 176,000 additional units by 2030 in order to meet the projected demand created by population and job growth during that period. However, unlike in the past, the San Gabriel Valley will not be able to accommodate this additional housing on raw land. Most of this additional housing will probably have to be constructed at higher densities on land that is being recycled from other urban uses. Furthermore, because of the nature of urban land markets, this property is likely to be far more expensive than the raw land.

Many policy tools and financial resources are available within the San Gabriel Valley to help make this transition and provide the housing needed over the next three decades. But these tools and resources must be better used and better targeted than in the past. This report is intended to help provide a roadmap for this new era by proposing a "Subregional Housing Production Action Strategy" for the San Gabriel Valley.

Up to now, public policy efforts aimed at providing needed housing have included a combination of local initiatives serving local needs and the state-mandated Regional Housing Needs Assessment (RHNA) process. In many cases, local efforts have helped to provide affordable housing that is much needed by local communities, but they have lacked the necessary regional perspective. Meanwhile, the San Gabriel Valley Council of Governments has successfully worked through the RHNA process as the only sub-region in Los Angeles County that has accepted delegated authority from the Southern California Association of Governments (SCAG).

But state law prevents some of the housing resources generated in the San Gabriel Valley to be spent in the valley. And, as a recent report by the Public Policy Institute of California suggested, it is not clear that legally valid housing elements adopted as part of the RHNA process actually lead to increased housing production.
The idea of the Action Strategy is to move beyond local efforts and the RHNA process to an integrated regional approach that combines financial resources and specific housing opportunities to increase housing production in appropriate areas.

In seeking to provide a roadmap, this report addresses four separate issues:

1. The capacity of the San Gabriel Valley to absorb additional housing.

2. The public financial resources available to produce additional housing and how they can best be used.

3. Current best practices in the San Gabriel Valley for housing production and design.

4. Possible legislative changes that would be needed in order to combine location opportunities, financial resources, and best practices techniques in a way that will maximize housing production within the bounds of the agree-upon RHNA targets.

In the first section, the report will examine current housing conditions in the valley and recent production trends, both to provide a base level housing count and to establish growth scenarios for the future. By extrapolating SCAG Demand forecasts as well as recent RHNA housing targets and production trends, this report attempts to address demand for housing in the valley through the year 2030. Using the General Plan buildout of each city, we will both calculate current remaining capacity and estimate the buildout date for each city, subregion, and the valley as a whole.

This report in itself is not designed to be a "plan" per se, but rather a report that identifies existing opportunities that already exist and actions that could be taken to utilize their potential. Ultimately, this report should provide the San Gabriel Valley Council of Governments and its members with strategies they can use to move forward in addressing regional housing needs individually and together.

2. Housing Demand and Housing Capacity in the San Gabriel Valley

The starting point for this analysis is to assess both the demand and the capacity for additional housing in the San Gabriel Valley to determine the nature of the housing challenge created by a declining raw land resources. In many cases, cities are already bumping up against their General Plan's capacity. In addition, some cities are adding housing much faster than others. At the same time, all projections suggest significant continued population increase – and demand for housing – in the Valley in the future. The goal of this section is to provide a broad overview of these housing demand and capacity issues.

2.1. Current Housing Stock and Recent Housing Production Trends

According to estimates from city and county authorities within the Valley, there were approximately 555,900 housing units in the San Gabriel Valley in 2003. Of these, 475,800 (approximately 86%) were located inside the 31 incorporated cities and 80,100 (14%) were located in unincorporated areas.[1]

Most of these dwellings are located in flat areas of the central and southern portions of the Valley. For analytical purposes, the Valley is often divided into five subregions as depicted in the map below. Almost 60% of all dwellings are located in the Southeast, Southwest, and Central subregions. The only city in the northern portion of the Valley with a large number of dwellings is Pasadena.

[1] The city housing estimates were calculated by Solimar Research Group based on 2000 Census data updated by construction and demolition statistics through 2003 provided by the cities. The unincorporated estimate was provided by the Los Angeles County Department of Regional Planning.

Figure 2-1. Subregions of the San Gabriel Valley

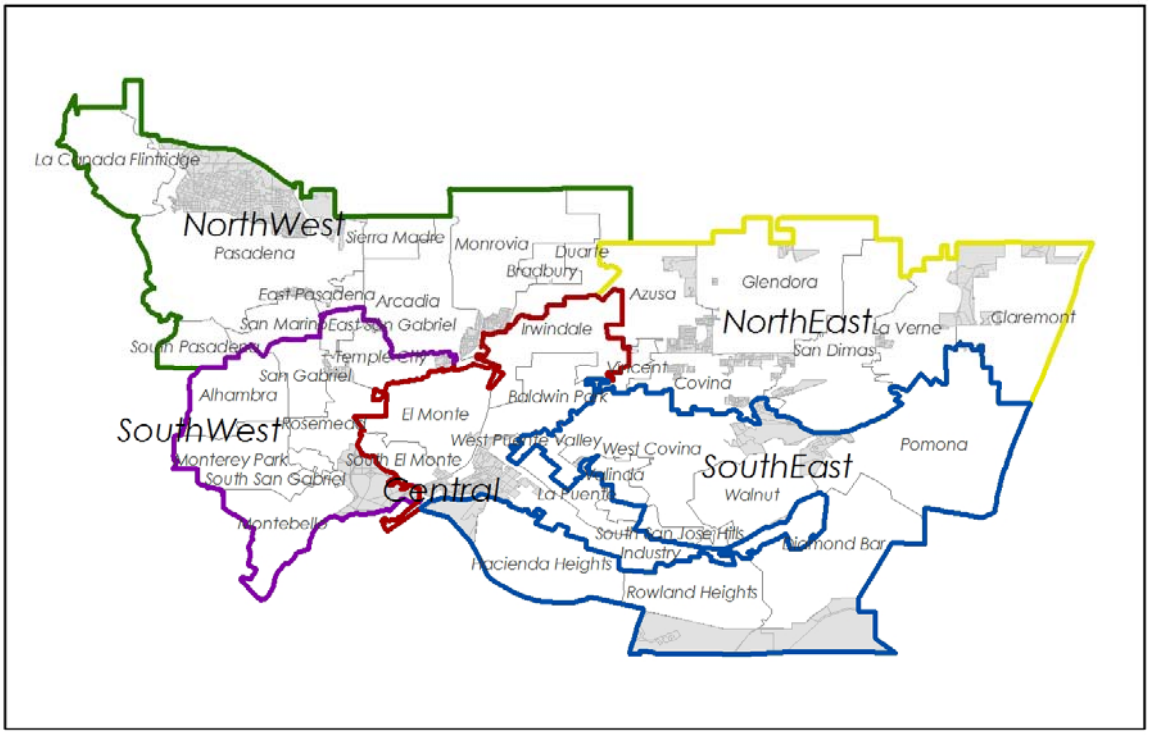
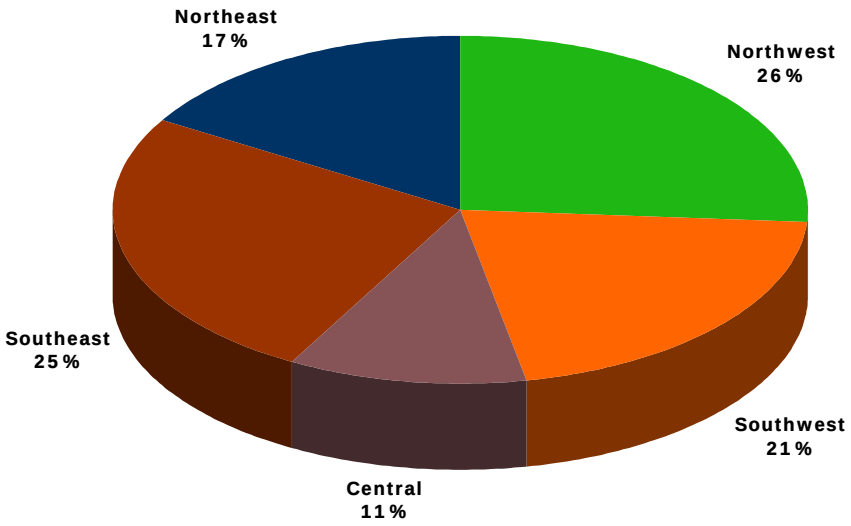


Figure 2-2. Relative Breakdown of Housing Units by Subregion



In the past decade, the Valley has added population more rapidly than housing. According to estimates from the state Department of Finance, between 1993 and 2003, the 31 cities in the Valley added 186,557 people but only 11,664 housing units – an average of 16.0 persons per housing unit.[2] (Estimates of unincorporated areas are not yet available from Regional Planning.) During this time, average household size in the Valley rose from around 3.21 to around 3.55, an increase of 10.6%. It is worth noting that during the last three years, housing production increased slightly relative to population growth, adding approximately 63,988 people and 5,041 units, a ratio of 12.7 persons per housing unit.

Thus, on average, the Valley's cities have added 1,161 dwellings annually over the past decade, a very modest increase of approximately 0.2%. When broken down by subregion – not including unincorporated areas, which are difficult to break out – the average housing production per city, is shown in Figure 2-3.

[2] We chose to use the 1993-2003 period because it is long enough to encompass both boom and bust periods and thus probably reflects a realistic sense of the Valley's long-term housing production trends. Regardless, any trend we put together between 1990 and 2003 resulted in similar overall production rates, give or take 100 units per year.

Figure 2-3. Existing Housing Units, San Gabriel Valley, 2003

City	Subregion	2003 Housing Units	1993-2003 Avg. Annual Housing Production
Arcadia	Northwest	20,225	48.9
Bradbury		325	2.8
Duarte		6,842	8.7
La Canada Flintridge		6,877	13.1
Monrovia		13,911	47.8
Pasadena		56,086	211.7
San Marino		4,437	0.9
Sierra Madre		4,975	4.5
South Pasadena		10,823	4.5
Subregional Total		*124,501*	*342.9*
Alhambra	Southwest	30,298	28.7
Montebello		19,683	10.9
Monterey Park		20,209	60.6
Rosemead		14,420	34.6
San Gabriel		13,203	21.6
Temple City		11,666	17.9
Subregional Total		*109,479*	*174.4*
Baldwin Park	Central	17,248	30.8
El Monte		27,725	83.6
Industry		124	-1.1
Irwindale		384	1.5
La Puente		9,770	22.5
South El Monte		4,756	-4.4
Subregional Total		*60,007*	*132.9*
Azusa	Northeast	13,028	37.5
Claremont		11,865	76.3
Covina		16,427	22.6
Glendora		17,392	44.6
La Verne		11,349	43.9
San Dimas		12,669	39.0
Subregional Total		*82,730*	*263.9*
Diamond Bar	Southeast	17,837	44.6
Pomona		40,529	71.3
Walnut		8,419	32.6
West Covina		32,329	98.5
Subregional Total		*99,114*	*246.9*
City Totals		*475,831*	*1,161.0*
Unincorporated		*80,100*	*Blank*[3]
Valley Total		*555,931*	*NA*

[3] We were unable to obtain a housing production figure from Los Angeles County that broke out the unincorporated areas of the San Gabriel Valley.

2.2. Forecasts of Housing Demand

Housing demand—the number of units required to meet projected population growth—can be forecast in many different ways depending on demographic and economic trends, planning policies, and other factors. Deriving a new forecast of housing demand was beyond the scope of this project. In order to roughly estimate housing demand, we have examined two SCAG forecasts as well as an extrapolation of recent RHNA housing targets. These three sources provide estimates of housing demand out to the years 2025 to 2030. Real housing demand may be different, and individual cities may choose to accommodate housing demand in different ways. But these three forecasts provide a good sense of what regional and state housing policy is likely to expect from the Valley in terms of housing demand over the next 20 to 25 years.

2.2.1. SCAG's 2001 Regional Transportation Plan Projection

SCAG's 2001 RTP projection provided a housing demand forecast for the San Gabriel Valley out to 2025 based on 1997 housing counts. This project forecasts that total housing demand in the Valley in 2025 will be approximately 616,600 households, including approximately 509,700 inside incorporated cities and approximately 106,800 in unincorporated areas. A modest 3% vacancy factor should be added to these figures to account for the difference between the number of households in the market and the number of dwellings required for the market to operate with at least some efficiency. Once a vacancy factor is added, total housing demand in 2025 (20 years from now), calls for 522,000 units in cities and 110,000 units in unincorporated areas.

As Figure 2-4. shows, to meet this demand forecast, the Valley would have to produce almost 80,000 housing units between 2003 and 2025, including 49,191 in the 31 incorporated cities – an increase of about 10% over current counts. At the same time, 29,951 of the units demand would be in unincorporated areas, an increase of nearly 38% over current numbers. This projection calls for much higher relative demand in unincorporated areas than in the cities.

Figure 2-4. 2025 Housing Demand According to 2001 SCAG RTP Forecast

	Cities	Unincorporated	Total
2025 Households	509,730	106,846	616,576
Vacancy Factor	15,292	3,205	18,497
Total 2025 Housing Demand	525,022	110,051	635,073
2003 Housing Stock	475,831	80,100	555,931
Increase Required	49,191	29,951	79,142
% Increase Required	10.3%	37.4%	14.2%

Meeting the city share of the goal (49,191 units) would require production of around 2,100 units per year – almost double the 1,161 that the Valley's cities have averaged recently. Figure 2-5 forecasts the projected demand for each city.

Figure 2-5 City Level Breakdown of 2025 Demand – 2001 RTP Projection

Subregion	City	2025 Demand	2003 Housing Units	New Housing Required	% Increase
Northwest	Arcadia	20,877	20,225	652	3.22%
	Bradbury	339	325	14	4.31%
	Duarte	7,783	6,842	941	13.75%
	La Canada Flintridge	7,504	6,877	627	9.11%
	Monrovia	15,178	13,911	1,267	9.11%
	Pasadena	63,585	56,086	7,499	13.37%
	San Marino	4,455	4,437	18	0.40%
	Sierra Madre	5,234	4,975	259	5.22%
	South Pasadena	12,925	10,823	2,102	19.43%
	City Total	*137,880*	*124,501*	*13,379*	*10.75%*
Southwest	Alhambra	30,594	30,298	296	0.98%
	Montebello	22,483	19,683	2,800	14.22%
	Monterey Park	20,902	20,209	693	3.43%
	Rosemead	18,302	14,420	3,882	26.92%
	San Gabriel	13,811	13,203	608	4.61%
	Temple City	12,963	11,666	1,297	11.11%
	City Total	*119,055*	*109,479*	*9,576*	*8.75%*
Central	Baldwin Park	19,098	17,248	1,850	10.73%
	El Monte	31,127	27,725	3,402	12.27%
	Industry	149	124	25	20.16%
	Irwindale	558	384	174	45.31%
	La Puente	10,977	9,770	1,207	12.35%
	South El Monte	5,508	4,756	752	15.82%
	City Total	*67,417*	*60,007*	*7,410*	*12.35%*
Northeast	Azusa	15,109	13,028	2,081	15.97%
	Claremont	12,346	11,865	481	4.05%
	Covina	17,928	16,427	1,501	9.14%
	Glendora	17,911	17,392	519	2.98%
	La Verne	12,050	11,349	701	6.18%
	San Dimas	13,090	12,669	421	3.33%
	City Total	*88,434*	*82,730*	*5,704*	*6.89%*
Southeast	Diamond Bar	20,526	17,837	2,689	15.07%
	Pomona	47,226	40,529	6,697	16.52%
	Walnut	9,123	8,419	704	8.36%
	West Covina	35,362	32,329	3,033	9.38%
	City Total	*112,236*	*99,114*	*13,122*	*13.24%*
	CITY TOTAL	**525,021**	**475,831**	**49,190**	**10.34%**

2.2.2. SCAG's 2004 Regional Transportation Plan Projection

SCAG's 2004 RTP projection provided a housing demand forecast for the San Gabriel Valley out to 2025 and 2030 based on 2000 housing counts. We will use the 2025 estimate to be consistent with the previous projection.

The 2004 forecast is unquestionably more aggressive than the 2001 forecast and projects that the total housing demand in the Valley in 2025 will be 710,800, including 562,908 units in the cities and 147,800 in unincorporated areas. With a 3% vacancy factor, as computed for the 2001 projection, these numbers jump to 579,795 units in the cities and 152,234 in the unincorporated areas.

As Figure 2-6 shows, to meet this demand forecast, the valley would have to produce over 176,193 units between 2003 and 2025, including 103,964 units within cities, an increase of over 20%, and 72,134 units in unincorporated county, an increase of 90% over current housing totals. This projection indicates a similar preference for unincorporated demand as the 2001 projection.

Figure 2-6. SCAG 2004 RTP Projection to 2025

	Cities	Unincorporated	Total
2025 Households	562,908	147,800	710,800
Vacancy Factor	16,887	4,434	21,324
Total 2025 Housing Demand	579,795	152,234	732,124
2003 Housing Stock	475,831	80,100	555,931
Increase Required	103,964	72,134	176,193
% Increase Required	21.8%	90.1%	31.7%

Meeting this goal would require the cities to produce roughly 4,500 units per year more than four times the figure that the cities have averaged in the last decade. Figure 2-7 breaks the demand down by city.

Figure 2-7. City Level Breakdown of 2025 Demand 2004 RTP Projection

Subregion	City	2025 Demand	2003 Housing Units	New Housing Required	% Increase
Northwest	Arcadia	23,203	20,225	2,978	14.72%
	Bradbury	383	325	58	17.85%
	Duarte	7,890	6,842	1,048	15.31%
	La Canada Flintridge	7,449	6,877	572	8.32%
	Monrovia	15,096	13,911	1,185	8.52%
	Pasadena	66,182	56,086	10,096	18.00%
	San Marino	4,450	4,437	13	0.28%
	Sierra Madre	5,516	4,975	541	10.87%
	South Pasadena	11,792	10,823	969	8.96%
	City Total	*141,960*	*124,501*	*17,459*	*14.02%*
Southwest	Alhambra	35,634	30,298	5,336	17.61%
	Montebello	21,997	19,683	2,314	11.75%
	Monterey Park	23,924	20,209	3,715	18.38%
	Rosemead	16,848	14,420	2,428	16.84%
	San Gabriel	16,865	13,203	3,662	27.74%
	Temple City	13,307	11,666	1,641	14.06%
	City Total	*128,574*	*109,479*	*19,095*	*17.44%*
Central	Baldwin Park	20,245	17,248	2,997	17.37%
	El Monte	34,279	27,725	6,554	23.64%
	Industry	125	124	1	0.81%
	Irwindale	572	384	188	48.96%
	La Puente	12,640	9,770	2,870	29.38%
	South El Monte	5,356	4,756	600	12.62%
	City Total	*73,217*	*60,007*	*13,210*	*22.01%*
Northeast	Azusa	16,127	13,028	3,099	23.79%
	Claremont	13,357	11,865	1,492	12.58%
	Covina	21,705	16,427	5,278	32.13%
	Glendora	20,034	17,392	2,642	15.19%
	La Verne	17,236	11,349	5,887	51.87%
	San Dimas	21,775	12,669	9,106	71.88%
	City Total	*110,234*	*82,730*	*27,504*	*33.25%*
Southeast	Diamond Bar	21,777	17,837	3,940	22.09%
	Pomona	50,737	40,529	10,208	25.19%
	Walnut	11,323	8,419	2,904	34.49%
	West Covina	41,975	32,329	9,646	29.84%
	City Total	*125,811*	*99,114*	*26,697*	*26.94%*
	CITY TOTAL	**579,796**	**475,831**	**103,965**	**21.85%**

As stated above, the 2004 projection also has numbers for 2030 and predicts that by 2030, the region will have to produce over 33% the current total housing stock, over 212,000 units in order to meet demand. Unincorporated regions of the valley would have to double their housing stock, adding nearly 84,000 units, while cities would need to produce just over 25% of housing currently on the ground, adding just over 128,000 units. These numbers are broken down in Figure 2-8.

Figure 2-8. SCAG 2004 RTP Projection to 2030

	Cities	Unincorporated	Total
2030 Households	586,450	159,136	745,586
Vacancy Factor	17,594	4,774	22,368
Total 2030 Housing Demand	604,044	163,910	767,954
2003 Housing Stock	475,831	80,100	555,931
Increase Required	128,213	83,810	212,023
% Increase Required	26.9%	104.6%	38.1%

2.2.3. Extrapolation of 1998-2005 RHNA Targets

A third way to estimate likely housing demand – or, at least, what the state and regional housing policy expectation is likely to be – would be to simply extrapolate the Valley's current RHNA housing targets forward to 2025 and 2030. RHNA targets are viewed by many cities as unrealistically high and future RHNA targets could be higher or lower than past targets. Nevertheless, San Gabriel Valley COG members successfully negotiated a RHNA allocation within the region during the last round under the COG's delegated authority.

The 1998-2005 RHNA for the San Gabriel Valley created a housing production target of approximately 18,700 dwellings for the seven-year period, including approximately 12,400 in the 31 cities and 6,300 in the unincorporated areas. By translating these seven-year targets into annual targets (2,681 for the entire Valley and so forth), we can then extrapolate these targets forward to 2025 and 2030.

The RHNA Target extrapolation provided a housing demand forecast for the San Gabriel Valley out to 2025 and 2030 based on 2005 RHNA Targets and indicated that by 2025, the valley will have a demand for 637,200 units, including 534,000 units in the cities and 103,400 in unincorporated areas. With a 3% vacancy factor, these numbers jump to 550,000 units in the cities and 106,500 in the unincorporated areas.

As Figure 2-9 shows, to meet this demand forecast, the valley would have to produce just over 100,000 units by 2025, including almost 74,000 units within cities, an increase of over 15%, and 26,400 units in unincorporated county, and increase of roughly 33%. Although all three projections show a much higher demand relative to current levels in unincorporated areas, the RHNA extrapolation indicates a preference that is only about half that of the SCAG projections.

Figure 2-9. Extrapolation of RHNA Targets to 2025

	Cities	Unincorporated	Total
2025 Households	533,815	103,416	637,231
Vacancy Factor	16,014	3,102	19,117
Total 2025 Housing Demand	549,829	106,518	656,348
2003 Housing Stock	475,831	80,100	555,931
Increase Required	73,998	26,418	100,417
% Increase Required	15.6%	33.0%	18.1%

Meeting the city share of this goal would require production of is goal would require production of over 3,000 units per year, or about triple the recent production. A city-level breakdown of demand is provided in Figure 2-10.

Figure 2-10. City Level Breakdown of 2025 Demand – RHNA Extrapolation

Subregion	City	2025 Demand	2003 Housing Units	New Housing Required	% Increase
Northwest	Arcadia	22,804	20,225	2,579	12.75%
	Bradbury	364	325	39	12.00%
	Duarte	8,939	6,842	2,097	30.65%
	La Canada Flintridge	7,786	6,877	909	13.21%
	Monrovia	16,392	13,911	2,481	17.84%
	Pasadena	64,948	56,086	8,862	15.80%
	San Marino	4,609	4,437	172	3.88%
	Sierra Madre	5,519	4,975	544	10.93%
	South Pasadena	12,184	10,823	1,361	12.57%
	City Total	*143,545*	*124,501*	*19,044*	*15.30%*
Southwest	Alhambra	36,021	30,298	5,723	18.89%
	Montebello	22,784	19,683	3,101	15.75%
	Monterey Park	22,845	20,209	2,636	13.05%
	Rosemead	18,703	14,420	4,283	29.70%
	San Gabriel	14,756	13,203	1,553	11.76%
	Temple City	12,960	11,666	1,294	11.10%
	City Total	*128,069*	*109,479*	*18,590*	*16.98%*
Central	Baldwin Park	20,402	17,248	3,154	18.29%
	El Monte	34,737	27,725	7,012	25.29%
	Industry	143	124	19	15.32%
	Irwindale	452	384	68	17.71%
	La Puente	12,650	9,770	2,880	29.48%
	South El Monte	5,563	4,756	807	16.97%
	City Total	*73,947*	*60,007*	*13,940*	*23.23%*
Northeast	Azusa	17,344	13,028	4,316	33.13%
	Claremont	13,192	11,865	1,327	11.19%
	Covina	17,354	16,427	927	5.65%
	Glendora	19,378	17,392	1,986	11.42%
	La Verne	12,211	11,349	862	7.59%
	San Dimas	12,872	12,669	203	1.60%
	City Total	*92,352*	*82,730*	*9,622*	*11.63%*
Southeast	Diamond Bar	19,177	17,837	1,340	7.51%
	Pomona	43,453	40,529	2,924	7.21%
	Walnut	9,998	8,419	1,579	18.76%
	West Covina	39,287	32,329	6,958	21.52%
	City Total	*111,915*	*99,114*	*12,801*	*12.92%*
	CITY TOTAL	**549,828**	**475,831**	**73,997**	**15.55%**

By 2030, this projection tells us that the region will have to produce another 120,000 units in order to meet demand. Unincorporated regions would have to add roughly 40% of their stock, while cities would need to produce a little less than 20% of current housing totals.

Figure 2-11. Extrapolation of RHNA Targets to 2030

	Cities	Unincorporated	Total
2030 Households	546,261	109,736	655,997
Vacancy Factor	16,388	3,292	19,680
Total 2030 Housing Demand	562,649	113,028	675,677
2003 Housing Stock	475,831	80,100	555,931
Increase Required	86,818	32,928	119,746
% Increase Required	18.2%	41.1%	21.5%

2.2.4 Summary of Demand Scenarios

All three demand scenarios are similar in the sense that they anticipate a need for considerably increased housing production over the next two decades. The 2001 SCAG forecast would require a doubling of production by the cities, from 1,100 to 2,100 units per year. An extrapolation of the current RHNA targets would require a tripling of production, from 1,100 to over 3,000 per year. The 2004 SCAG forecast would require a quadrupling of housing production in the cities, from 1,100 to over 4,500 per year.

2.3 The San Gabriel Valley's Buildout Capacity

In and of itself, increased annual housing production does not necessarily pose a policy problem for the San Gabriel Valley and its cities in the short-term. Few Valley jurisdictions seek to manage growth by limiting the number of housing units that may be built per year. The potential challenge arises if housing demand exceeds the Valley's overall capacity to absorb new housing – a likely long-term scenario if current trends continue.

In policy terms, that capacity is determined through the "buildout" estimate contained in each jurisdiction's General Plan. "Buildout" is the total number of housing units that would be in place if and when the General Plan is completely implemented. Buildout can be estimated in many different ways, but usually it involves making a realistic estimate of the maximum number of housing units for each parcel – either from the zoning district or the land use designation or both – and then aggregating those figures to come up with a jurisdiction-wide total.

While in many cases the "maximum theoretical buildout" for a given city may be unrealistically high given the units already on the ground, for the purposes of this exercise, using this measure helps illustrate the Valley's theoretical housing potential under current policy. Were more reasonable—and in many cases markedly lower—buildouts to be used, the calculated buildout capacity of the valley would be lower than we estimate in this study.

In producing this report, the San Gabriel Valley Council of Governments and its consultants engaged in extensive outreach process to the Valley's 31 cities and Los Angeles County to produce a buildout estimate for each jurisdiction under the current General Plan, which could then be aggregated to subregional and Valleywide totals. In all cases, the COG and the jurisdictions reached an agreement on a plausible *theoretical* buildout under the city's current General Plan. Several jurisdictions emphasized that this buildout total was probably not realistic given recent trends and on-the-ground conditions, but agreed to permit the total to be used in this report for analytical purposes only.

Overall, the residential buildout capacity of the San Gabriel Valley is estimated to be approximately 618,500 dwelling units, including 523,400 for the 31 cities, and 95,100 units for the unincorporated regions. When current housing stock is deducted, remaining capacity under current General Plans is approximately 62,500 units (permitting an increase of 11.2% over the current housing stock), including 47,500 in incorporated cities (a permitted increase of 10%), and 15,000 in unincorporated areas (permitted increase of about 18.7%). Figure 2-12 shows the geographical distribution of the remaining capacity within incorporated areas. Note that most capacity remains in the north, whereas – as previously noted – most of the current housing stock is located in the south. Figure 2-13 lists specific city numbers, grouped by subregion.

Figure 2-12: Buildout Capacity by Subregion

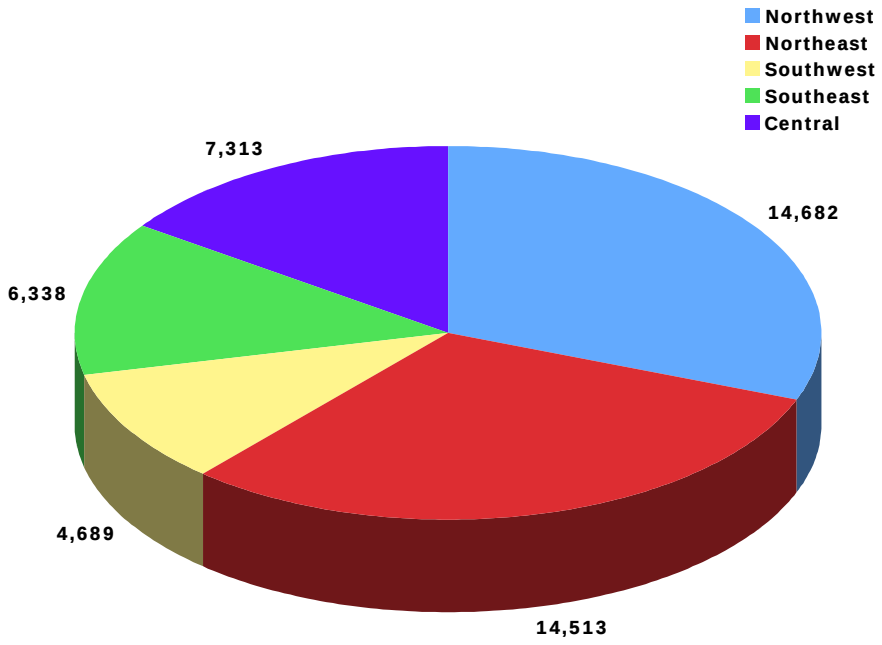


Figure 2-13. Current Housing and Remaining Capacity by City

City	Subregion	2003 Housing Units	GP Capacity*	Remaining
Arcadia	Northwest	20,225	23,422	3,197
Bradbury		325	354	29
Duarte		6,842	7,262	420
La Canada Flintridge		6,877	7,232	355
Monrovia		13,911	15,696	1,785
Pasadena		56,086	64,519	8,433
San Marino		4,437	4,437	0
Sierra Madre		4,975	5,208	233
South Pasadena		10,823	11,053	230
Subregional Total		*124,501*	*139,183*	*14,682*
Alhambra	Southwest	30,298	30,437	139
Montebello		19,683	20,632	949
Monterey Park		20,209	21,719	1,510
Rosemead		14,420	14,420	0
San Gabriel		13,203	13,208	5
Temple City		11,666	13,752	2,086
Subregional Total		*109,479*	*114,168*	*4,689*
Baldwin Park	Central	17,248	19,188	1,940
El Monte		27,725	31,479	3,754
Industry		124	124	0
Irwindale		384	600	216
La Puente		9,770	10,635	865
South El Monte		4,756	5,294	538
Subregional Total		*60,007*	*67,320*	*7,313*
Azusa	Northeast	13,028	15,873	2,845
Claremont		11,865	12,861	996
Covina		16,427	17,905	1,478
Glendora		17,392	22,697	5,305
La Verne		11,349	12,907	1,558
San Dimas		12,669	15,000	2,331
Subregional Total		*82,730*	*97,243*	*14,513*
Diamond Bar	Southeast	17,837	19,646	1,809
Pomona		40,529	43,858	3,329
Walnut		8,419	8,903	484
West Covina		32,329	33,045	716
Subregional Total		*99,114*	*105,452*	*6,338*
City Totals		*475,831*	*523,366*	*47,535*
Unincorporated		*80,100*	*95,100*	*15,000*
Valley Total		*555,931*	*618,466*	*62,535*

*The general plan capacity numbers reported here are theoretical maximums derived from each city's general plan and further consultation with each city. They don't necessarily reflect the realistic maximum capacity for each city, which in some cases may be lower. These numbers are used as part of an exercise to determine if regional housing needs could be met if each city were able to build out their general plan according to its theoretical maximum capacity.

2.3.1. When Will Buildout Be Reached?

The most important question that arises from this analysis is simply this one: Given estimated housing demand and recent housing production trends, when will the San Gabriel Valley and its subregions reach buildout?

If recent housing production trends continue into the future, buildout in the San Gabriel Valley is not a serious concern. If the remaining capacity of all the valley's cities were consumed at a rate of 1,161 units per year, the Valley's cities would reach buildout in approximately 2044 – about 40 years from now. Some cities and subregions, of course, would reach buildout more quickly than others. The Southwest and Southeast subregions would reach buildout by approximately 2030, for example. Meanwhile, under this calculation, the Northeast subregion would not be built out until almost 2058.

As we discussed above, however, if recent housing production trends continue, the Valley will fall far short of most estimates of housing demand. Even if actual demand proves less than these forecasts, the experience from other regions and subregions in California suggests that continued low housing production would probably lead to increased overcrowding in the Valley and increased commuting into the Valley for employees who work here but cannot afford to live here. In any event, assuming the RHNA and Housing Element processes remain in place, continued low production is likely to lead state and regional agencies to place increased pressure on the COG and the Valley to rezone property and increase their buildout scenarios.

One alternative for the COG and its cities is to increase annual housing production without increasing overall buildout. Given the gap between current production and estimated demand, however, this alternative is likely to hasten the "day of buildout" considerably. Depending on the demand scenario we use, buildout in the San Gabriel Valley could occur anywhere between 2013 and 2020 for the valley as a whole. The details of these scenarios are presented in Figure 2-14.

Figure 2-14. Buildout Year Under Four Scenarios

Subregion	City	Past Prod. Buildout	RHNA Buildout	2001 Rate Buildout	2004 Rate Buildout	Past Prod.	RHNA	2001 RTP	2004 RTP
Northwest	Arcadia	49	92	57	138	2068	2038	2059	2026
	Bradbury	3	2	2	4	2013	2015	2018	2011
	Duarte	9	71	32	41	2351	2009	2016	2013
	La Canada Flintridge	13	27	18	17	2030	2016	2023	2024
	Monrovia	48	61	38	49	2040	2032	2050	2040
	Pasadena	211	355	374	513	2043	2027	2026	2019
	San Marino	1	0	0	3	2003	-	2003	2003
	Sierra Madre	5	18	15	25	2055	2016	2019	2012
	South Pasadena	5	41	80	41	2054	2009	2006	2009
	Subregional Total	*342*	*667*	*616*	*830*	2046	2025	2027	2021
SouthWest	Alhambra	29	195	35	223	2008	2004	2007	2004
	Montebello	11	113	111	106	2089	2011	2012	2012
	Monterey Park	61	63	19	154	2028	2027	2082	2013
	Rosemead	35	155	141	101	2003	2003	2003	2003
	San Gabriel	22	60	40	155	2003	2003	2003	2003
	Temple City	18	32	47	65	2119	2068	2047	2035
	Subregional Total	*176*	*618*	*393*	*804*	2030	2011	2015	2009
Central	Baldwin Park	31	95	60	100	2066	2023	2035	2022
	El Monte	84	237	125	255	2048	2019	2033	2018
	Industry	-1	0	2	0	2189	-	1887	-
	Irwindale	1	5	9	8	2152	2043	2027	2030
	La Puente	23	103	44	120	2041	2011	2023	2010
	South El Monte	-4	22	21	24	-	2027	2029	2025
	Subregional Total	*134*	*463*	*261*	*507*	2056	2018	2030	2017
Northeast	Azusa	37	135	65	126	2080	2024	2047	2026
	Claremont	76	57	35	66	2016	2020	2031	2018
	Covina	23	20	58	206	2067	2077	2028	2010
	Glendora	45	53	20	101	2121	2103	2268	2055
	La Verne	44	16	24	230	2038	2100	2068	2010
	San Dimas	39	18	46	363	2063	2133	2054	2009
	Subregional Total	*264*	*299*	*248*	*1,092*	2058	2052	2062	2016
Southeast	Diamond Bar	45	29	100	143	2043	2065	2021	2016
	Pomona	71	116	310	458	2050	2032	2014	2010
	Walnut	33	45	19	105	2018	2014	2028	2008
	West Covina	99	252	128	376	2010	2006	2009	2005
	Subregional Total	*248*	*442*	*557*	*1,082*	2029	2017	2014	2009
	City Total	***1,164***	***2,489***	***2,074***	***4,315***	**2044**	**2022**	**2026**	**2014**
	Unincorporated	*N/A*	*1264*	*1145*	*2148*	*N/A*	2015	2016	2010
	Valley Total	***N/A***	***3,753***	***3,219***	***6,463***	***N/A***	***2020***	***2022***	***2013***

Of course, the reality is that if cities and county regions built at projected paces, buildout would occur at substantially different times throughout the valley. However, if production of housing truly were regional, and flowed to where there was capacity when any city reached buildout, the following summaries are more or less the picture that would be presented.

SCAG 2001 RTP Forecast: Under the SCAG 2001 RTP Projection, the Valley would need to produce 79,000 additional housing units by 2025 to meet demand, while the jurisdictions (county included) have only 62,500 additional units of capacity remaining. Assuming that the Valley could produce new housing at the rate of 3,200 units per year, Valleywide buildout would occur in 2022, less than 20 years from now. This problem would be most acute in the Southeast and Southwest, where buildout within cities would likely occur in 2014 and 2015 years respectively. The Northwest and Central subregions would likely build out by 2027 and 2030 respectively, while the Northeast would be built out far later, by 2062. The unincorporated region of the Valley would buildout by 2016 while the cities would build out by 2026.

SCAG 2004 RTP Forecast: Under the SCAG 2004 RTP Projection, the Valley would need to produce 176,000 housing units by 2025 to meet demand, while the jurisdictions (county included) have only 62,500 additional units of capacity remaining. Assuming that the Valley could produce at the rate of 6,400 units per year, Valleywide buildout would occur in 2013, eight from now. Buildout would occur soonest in the South, where both subregions would be built out before 2010. The Central subregion would buildout by 2017 while the Northeast would buildout by 2016 and the Northwest by 2021. The unincorporated county under this scenario would reach capacity by 2010, while the cities would reach capacity by 2014.

RHNA Extrapolation Forecast: Under this scenario, the Valley would need to produce 100,400 housing units to meet demand, while only 62,500 units of capacity remain. Assuming that the valley could produce at the rate of 3,750 units per year, Valleywide buildout would occur by 2020, twenty years from now. This problem would be most acute in the Southeast, Southwest, and Central subregions, where buildout within cities would likely occur in 2017, 2011, and 2018 respectively. The Northwest and Northeast would likely build out by 2025 and 2052 respectively. The unincorporated region of the Valley by itself would buildout by 2015 while the cities would build out by 2022.

Although the relative pace of the projections vary, see Figure 2-15, the subregional breakdown is quite clear – the Southwest and Southeast will hit buildout most quickly, followed closely by the Central subregion. The Northwest has substantially more capacity than the Southwest, Southeast, or Central subregions, with two of the projections indicate that the Northeast has ample capacity for well over 50 years, perhaps up to 75 years of growth.

2.4. Strategies for Increasing Housing Capacity in General Plans

Increasing the capacity for housing production in the General Plan is always a controversial issue, especially in a built-out city. Nevertheless, as the supply of raw land declines, some cities in the San Gabriel Valley and elsewhere are considering this alternative. Furthermore, if housing production in the Valley remains low and/or affordability is further diminished, regional or state agencies might place more pressure on cities in the Valley to increase densities in their General Plans.

In the course of researching this report, we examined many housing capacity increase strategies elsewhere in Southern California and participated in several Growth Visioning workshops in the San Gabriel Valley, talking with local planners about the how to approach this question. In general, we found that a significant upzoning in existing residential areas is not politically feasible. However, several other strategies did emerge as consistent themes from these workshops and discussions.

The most frequently mentioned approach was the re-designation of a large parcel of land currently in another use – most frequently a lower-density use left over from a previous era or a commercial or industrial use that has been rendered obsolete. One location that was frequently mentioned in the Growth Visioning process, for example, was the Monrovia Nursery site in Azusa, which has since been approved by the voters for housing. Oftentimes, an older industrial or institutional use has been moved, freeing up a large parcel of land. Many planners identified underutilized land in and near old retail downtowns as promising possibilities. This approach has many advantages, especially if the property is not located near existing low-density residential neighborhoods and it is located in a center that could become a transit hub. It is hard to quantify the potential of such areas, but it is clearly in the thousands of units.

A second approach that is likely to be attractive in many San Gabriel Valley communities is re-designation of many smaller parcels on old commercial strips along arterial streets. In Los Angeles, almost half of all new housing units are located along commercial strips; and older suburban areas similar to the Valley, such as north Orange County, are actively discussing this possibility. Such sites present some problems, as they are often shallow lots and cannot be easily converted to pedestrian orientation because of the traffic demands on the arterials. Nevertheless, there is declining demand for this land as retail or office land and these parcels are often located along bus lines. Although parcels are smaller and land assembly is more difficult, there is a vast amount of land along the commercial strips and again the potential is probably in the thousands of units.

A third approach is to reclaim “brownfields” – industrial land that suffers from toxic contamination but could be cleaned up. This approach can be promising in many cases. However, cleanup can be expensive and liability questions continue to plague landowners. Also, because of cleanup standards, it is often easier to convert brownfields to commercial use than residential use.

The overall theme is these approaches is that they can increase housing capacity considerably, but they do not necessarily involve greatly increasing densities in existing residential neighborhoods, especially single-family neighborhoods. Economic

trends have rendered much non-residential land obsolete as it is currently configured. This approach to increasing housing capacity may be attractive to Valley cities that feel pressure to provide more capacity but do not want to intrude into stable lower density neighborhoods.

2.5. Summary Of Demand and Capacity Patterns

The patterns presented in this analysis are clear. If the San Gabriel Valley continues the recent trend of low housing production, the housing capacity embedded in current General Plans will last many decades. However, if real housing demand approaches the demand forecasts discussed in this report, continued low housing production will likely have serious unintended consequences in the form of further overcrowding and in-commuting. At the very least, the Valley will probably face increased political pressure from state and regional agencies to address this problem by re-zoning property and increasing their buildout capacity.

However, increased capacity will not alleviate the housing crisis in and of itself if housing production does not increase in the short-term. Another alternative is for the San Gabriel Valley to increase short-term housing production without increasing buildout in the cities' General Plans. Most of the strategies discussed in the next section are aimed at assisting the cities in moving toward this goal. But this alternative contains a tradeoff as well: While increased housing production will help to alleviate overcrowding and in-commuting, it will hasten the day when Valley cities have to revisit the buildout scenarios in their General Plans. As we stated above, increasing production to meet forecast demand could mean that some parts of the Valley hit buildout within a decade. At the same time, however, some strategies for increasing General Plan buildout might be both economically feasible and politically acceptable under certain circumstances.

A third alternative is to examine how the Valley cities can work together to spread market demand and housing production more evenly across the entire region. This is the subject of the Section 5, which suggests ways for cities to pool their RHNA obligations and redevelopment housing setaside funds. Such an approach could alleviate subregional housing problems in many ways. The analysis above suggests, for example, that the cities in the Southeast and Southwest subregions – which are more heavily Latino – will have a much more difficult time accommodating market demand under current General Plan buildouts than other cities in the subregion.

A pooling system might provide financial resources and political benefit to a solution. On the one hand, cities with more capacity but less market pressure may be willing to increase their production if they can be assured of high-quality projects that meet their own policy goals. On the other hand, cities with less capacity but more market pressure might be more willing to increase their buildout capacity if they can receive additional financial resources that help them target new housing to populations in need of housing.

In any event, this analysis has highlighted the need a serious discussion within the Valley about the tools and strategies described in the later sections as a way of approaching housing issues on a regional basis.

3. Financial Strategies for Facilitating Housing Production

As this report stated in Part II, meeting the housing needs of the San Gabriel Valley over the next decade involves facing difficult choices. Whatever choices the Valley's cities make, however, meeting the housing challenge will almost certainly involve a sophisticated understanding of housing finance and housing markets. Simply put, the cities – individually and jointly – will have to focus on using their financial resources wisely to produce housing units that meet market demand at specific price points, and also ensure that these new housing projects will be viewed as assets to their neighborhoods and their communities.

The purpose of this section is to help the Valley's cities gain a better understanding of the financial resources available to them and the policy options they have in facilitating the construction of specific housing types that are likely to help ease the housing crisis in the context of dwindling raw land resources. The three parts of this section seek to answer three questions that are crucial to any successful strategy:

1. What are the public financial resources available for housing in the San Gabriel Valley?

2. At a project level, how can those financial resources be best used to provide new housing at specific price points?

3. At the policy level, what are the options available to San Gabriel Valley in dedicating financial resources to housing production?

3.1. Financial Resources Available for Housing

A critical component of a successful subregional strategy is to identify potential financial resources available for housing and determine how they can be applied to ensure that prospective housing projects can be both feasible and affordable.

Most housing is developed by the private sector, and most affordable housing is developed as a public-private partnership, although non-profits are playing an increasing role in directly developing affordable housing. In this section, we will estimate how much housing funding is available to 2013 and how many units of affordable housing could be created based on the financial feasibility of housing development in general within the pragmatic context of existing General Plans and the current and foreseeable housing market.

3.1.1. Public Investment Resources Available For Housing in the San Gabriel Valley, 2003-2013

Most cities and other local jurisdictions rely heavily on three revenue sources for housing finance funds. These are:

1. ***Community Development Block Grant (CDBG) funds*** provided by the U.S. Department of Housing and Urban Development (HUD) to qualifying cities through formula allocations or allocated by the Los Angeles County Community Development Commission (LACDC).

2. ***Federal HOME Investment Partnership (HOME) funds*** available to participating jurisdictions either directly from HUD or channeled through the county or state.

3. ***Housing funds available from city redevelopment agency tax increment***. This is usually the 20 percent of tax increment amount set-aside for low-moderate income housing. Note that these are available only in communities that have Redevelopment Agencies and active project areas.

In this section, we will examine how much funding is currently available from these revenue sources and estimate how these funding patterns will change over the next decade. Keeping in mind the current fiscal crisis in California and the ongoing national recession, we make conservative assumptions. Our examination of historic data, especially data from the past 8 to 10 years, has also helped in establishing oncoming trends. It is important to keep in mind that the projections give an order of magnitude scale of available housing related funds and should not be considered in "absolute" terms. Some housing funds listed in this section may already be earmarked by cities for specific projects, including some projects, such as rehabitation, that seek to preserve existing housing units rather than construct new housing. Subsequent sections analyzing how this money might be spent to produce housing assume that only 50% of the funds would be available.

Appendix C details the financial resources methodology and Appendix E contains detailed spreadsheets for housing funding.

3.1.2. Funding Summary

- Total current housing-related annual funding from CDBG, HOME, and Redevelopment housing is estimated at $56.6 million ($9.9 million, $6.2 million and $40.5 million, respectively) with the City of Industry Redevelopment funds accounting for $13.3 million (23.5%).

- Total projected 2013 housing-related annual funding (under Moderate growth assumptions) from CDBG, HOME, and Redevelopment housing set-asides is estimated at $80.2 million ($11.2 million, $7.5 million and $61.5 million, respectively) with the City of Industry Redevelopment funds accounting for $33.1 million (41.3%). This represents an increase of approximately 42% over the next 10 years. These estimates and projections do not include whatever is being expended in the unincorporated areas of Los Angeles County.

- Excluding the City of Industry redevelopment housing allocations, the total cumulative revenues from CDBG, HOME, and RDA tax increment range from approximately $500 million to $580 million during the 2003-2013 period with Redevelopment Tax Increment Revenues account for approximately 60 to 65 percent. If one includes City of Industry RDA housing allocations, this pool of funds increases by approximately 40 to 50 percent, but this funding is currently

being used across a wider geographic area than just the San Gabriel Valley. Tax increment is the largest funding source, but is also one of the most vulnerable considering the ongoing state fiscal crisis and associated drastic measures.

Figure 3-1. Summary of Housing Funds Available, 2003 and 2013

	2003	2013*
CDBG	$9,900,000	$11,200,000
HOME	$6,200,000	$7,500,000
Redevelopment	$ 40,500,000	$ 61,500,000
Total	**$ 56,600,000**	**$ 80,200,000**

** Moderate Growth Scenario*

3.1.3 Current Funding

CDBG

The Community Development Block Grant (CDBG) program provides grants to qualified cities and counties on an annual basis using established formula allocations based largely on population and poverty rates. Qualifying jurisdictions develop their own programs and funding priorities and CDBG funds should be used in the prevention or elimination of slums and blight. Usually, cities with a population of 50,000 or more qualify for CBDG funds directly from HUD and smaller cities are funded through Los Angeles County.

CDBG funded activities may include acquisition of real property; relocation and demolition; rehabilitation of residential and non-residential structures; construction of public facilities and improvements and the conversion of school buildings for eligible purposes; public services; renewable energy and energy conservation related activities; and assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.

Jurisdictions can also utilize a portion of CDBG dollars to provide loans under the Section 108 program. Section 108 is essentially a loan guarantee program provided by HUD under which local governments pledge their current and future CDBG allocations to secure the loan amount.

Estimates of housing-related CDBG funding from 1993 to 2003 were made by applying a 38.6 percent housing-specific share to the total funds received by the 10 cities that qualify for direct HUD funding. As fully explained in Appendix C, this percentage was derived from current disbursement made by the LACDC because data were not consistently available on a city-specific basis. As a result, the numbers listed in Figure 3.2 may not exactly match the amounts of HUD funds directed by individual cities to housing production.

Using this area-wide percentage, we estimate $7.38 million for housing production activities (of $19.1 million total). Total housing related CDBG funds, then, in all cities are estimated to be approximately $9.89 million. If Los Angeles County funds for its unincorporated areas were added the total would likely be well over $10 million,

possibly as high as $11 million. Note that certain smaller cities do not have any CDBG housing allocations and this may change in the future.

HOME

HOME is also a HUD grant program to state and local participating jurisdictions for acquisition; rehabilitation or new construction of housing for rent or ownership; homebuyer or rental assistance; and low and moderate income housing site acquisition and improvements, demolition, and relocation.
HOME's primary emphasis on low and moderate income housing, especially in terms of rental and home buying assistance, differentiates it from CDBG. HOME funds are also disbursed on a formula basis and funding is dependent on action plans submitted by the participating jurisdictions to HUD with detailed description of activities and funding requirements. Similar to CDBG funds, a number of cities in the SGVCOG participate in the HOME program and receive funds directly from HUD, while most of the smaller communities participate and receive funds through the LACDC. We have not been able to obtain disbursement data by the LACDC to the smaller cities and our analysis is limited to cities that participate directly with HUD. We have also not included county unincorporated areas due to the unavailability of disaggregated data from the County or HUD.

Redevelopment Housing Funds

Redevelopment is a key local funding source for low and moderate income housing as 20 percent of redevelopment tax increment is allocated for housing by state law. In the SGVCOG, 26 communities have active Redevelopment Agencies (RDAs) with over 57,000 acres currently included in Project Areas.

During FY 2001-02, the RDAs received over $202.8 million of which $66.5 million (33%) came from the City of Industry RDA. Of the $40.4 million in tax increment allocated for housing, Industry accounted for 33 percent or $13.3 million and remaining 25 RDAs accounted for $27.1 million. Compounded annual growth in total Tax Increment was 3.7 percent but the City of Industry tax increment revenues grew by 7.9 percent annually compared to 1.8 percent annual growth in the remaining 25 RDAs.

3.1.4. Funding Projection to 2013

CDBG

We projected CDBG funds related to housing activities, HOME Investment Partnership Funds, and RDA Tax Increment allocations out to the year 2013, or ten years, based largely on the trends revealed in the data presented above. We present projections on a regional basis in terms of total funds available to all cities in the SGVCOG, rather than on a city by city basis. We have three scenarios:

1. Moderate, which is comparable to the past 8-10 year growth trend as discussed in the previous sections;

2. Low, which assumes recovery from the current recession will be slower than expected and includes the effects of continued State and Federal fiscal cutbacks; and

3. High, which assumes a faster economic and fiscal recovery over the next decade as well as a continued support from state and Federal sources to subsidize low and moderate income housing.

The projections should be considered benchmarks for housing related funding volumes that can be potentially available to SGVCOG cities during the 2003-2013 period.

We estimate that by 2013, the San Gabriel Valley will be receiving somewhere between $11 million and $13 million per year in CDBG funds for housing activities. This projection does not include the communities of Irwindale, Industry, La Canada-Flintridge, South El Monte, and unincorporated county areas. These excluded areas either do not receive any CDBG funds, or no allocation data is available. Since it is likely the County does expend CDBG funds in one or more of the unincorporated areas, our projection is probably low, but not by a significant amount.

These scenarios yield between $114 million to $120 million in cumulative CDBG housing funding in cities currently receiving CDBG funds. Some cities will add more population during this 10-year period and may qualify for direct formula allocation of funds from HUD. Even though some of the communities are approaching buildout under their current General Plans, we estimate that at least 8 to 10 additional cities are likely to cross the 50,000 population mark if they continue to grow at their current growth rates.

HOME

We estimate that HOME funding flowing to the San Gabriel Valley will fall in the range of $7.5 million per year by 2013.

Since we have not received data regarding HOME allocations to cities through the LACDC, our projections include only the 8 participating cities that currently receive HOME funds directly from HUD.

We project HOME funds will grow at an annual rate of 2 percent under a Moderate growth scenario. This is close to the growth rate in HOME funds received by these 8 cities during the 1995-2002 period. Under these circumstances, HOME funds to these 8 cities will increase from $6.19 million in 2003 to $7.55 million in 2013 (in constant 2003 dollars). Cumulative 10-year HOME funding for the 8 cities under this moderate growth scenario is estimated to be approximately $75 million.

Figure 3-2. 2003 and 2013 CDBG and HOME Funds

City	Current Year				2013				2003-2013
	CBDG Funds direct from HUD	CDBG received thru LACDC	HOME	Total	CDBG Funds direct from HUD	CDBG received thru LACDC	HOME	Total	Cumulative Total
Alhambra	$665,456		$899,584	$1,565,040	$749,764	$0	$1,096,588	$1,846,352	$18,722,197
Arcadia		$300,027		$300,027	$0	$338,038	$0	$338,038	$3,505,617
Azusa		$309,700		$309,700	$0	$348,936	$0	$348,936	$3,618,640
Baldwin Park	$706,599		$562,492	$1,269,091	$796,119	$0	$685,675	$1,481,793	$15,100,944
Bradbury City				$0	$0	$0	$0	$0	$0
Claremont		$104,848		$104,848	$0	$118,131	$0	$118,131	$1,225,080
Covina		$100,000		$100,000	$0	$112,669	$0	$112,669	$1,168,434
Diamond Bar		$125,000		$125,000	$0	$140,836	$0	$140,836	$1,460,542
Duarte		$160,000		$160,000	$0	$180,271	$0	$180,271	$1,869,494
El Monte	$1,294,890		$1,586,851	$2,881,741	$1,458,942	$0	$1,934,363	$3,393,304	$34,439,872
Glendora	$164,395			$164,395	$185,223	$0	$0	$185,223	$1,920,851
Industry				$0	$0	$0	$0	$0	$0
Irwindale				$0	$0	$0	$0	$0	$0
La Canada-Flintridge				$0	$0	$0	$0	$0	$0
La Puente		$319,112		$319,112	$0	$359,541	$0	$359,541	$3,728,613
La Verne		$60,000		$60,000	$0	$67,602	$0	$67,602	$701,060
Monrovia		$195,000		$195,000	$0	$219,705	$0	$219,705	$2,278,446
Montebello	$506,088		$573,561	$1,079,649	$570,205	$0	$699,168	$1,269,372	$12,892,800
Monterey Park	$467,468		$527,273	$994,741	$526,692	$0	$642,743	$1,169,435	$11,878,291
Pasadena	$1,094,734		$1,357,427	$2,452,161	$1,233,427	$0	$1,654,696	$2,888,123	$29,309,382
Pomona	$1,361,899		$112,000	$1,473,899	$1,534,440	$0	$136,527	$1,670,968	$17,275,787
Rosemead	$549,051		$572,554	$1,121,605	$618,611	$0	$697,940	$1,316,552	$13,382,547
San Dimas		$222,230		$222,230	$0	$250,385	$0	$250,385	$2,596,611
San Gabriel				$0	$0	$0	$0	$0	$0
San Marino		$120,000		$120,000	$0	$135,203	$0	$135,203	$1,402,121
Sierra Madre		$20,000		$20,000	$0	$22,534	$0	$22,534	$233,687
South El Monte				$0	$0	$0	$0	$0	$0
South Pasadena		$85,000		$85,000	$0	$95,769	$0	$95,769	$993,169
Temple City		$250,000		$250,000	$0	$281,673	$0	$281,673	$2,921,085
Walnut		$141,811		$141,811	$0	$159,777	$0	$159,777	$1,656,968
West Covina	$574,492			$574,492	$647,275	$0	$0	$647,275	$6,712,560
TOTAL	$7,385,071	$2,512,728	$6,191,742	$16,089,541	$8,320,699	$2,831,070	$7,547,699	$18,699,468	$190,994,798

Redevelopment Housing Funds

We estimate that, under a moderate-growth scenario, the San Gabriel Valley's redevelopment housing funds will increase from approximately $45 million in 2003 to $60 million in 2013.

In order to project Redevelopment Tax Increment low- and moderate-income housing funding for the 26 RDA's in the SGVCOG, we first estimated the growth of total tax increment in the RDAs. The tax increment revenues are classified into three distinct categories that broadly distinguish them. They are:

1. Projects that will expire after 2013,
2. Projects that will expire before 2013, and
3. City of Industry.

We keep the City of Industry as a separate line item in order to relate the scale of tax increment generated from this RDA to the remaining RDAs. As Industry has minimal housing need, its 20 percent housing set aside amount is often seen as a potential revenue source to produce housing elsewhere. The approximately $10 million in annual housing funds are currently sent to Los Angeles County.

The first two of the above categories are projected at the same rate of growth under each of the scenarios, while a separate growth rate is used to project the City of Industry. We then assume that 20 percent of this total projected tax increment will be allocated to low- and moderate-income housing.

Under a Moderate growth scenario of 1.8 percent for all RDAs except City of Industry (7.9 percent annual for Industry based on inflation adjusted historic performance) tax increment set asides for housing are $61.5 million in 2013, up from $43.7 million in 2003. In this scenario, Industry's share increases from 33 percent in 2003 to 54 percent in 2013. Cumulative tax increment set aside for housing during this 10-year period is estimated to be $663 million. Of this, $256 million will be attributed to the City of Industry.

Under the several growth assumptions, cumulative total redevelopment tax increment set aside for housing ranges from a low of $593 million to a high of $758 million. If one excludes the City of Industry, this amount is estimated between $399 million to $460 million. Note that these amounts are estimated housing related allocations and do not account for ongoing bond payments and other continuing project related expenditures in specific projects.

Compared to CDBG and HOME funding, Redevelopment tax increment is the single largest revenue source available to SGVCOG cities for housing related activities. RDAs in California, however, are facing a number of difficulties in the short term that may extend over a period of time. The main uncertainty is the possibility of continued shifts of redevelopment tax increment funds into the state's Educational Revenue Augmentation Fund.

3.2. Public Investment Analysis: How Can Public Resources Be Used to Meet Both Demand and Affordability Requirements?

So far, this report has focused on overall housing demand and capacity as well as the public financial resources available for housing. But to be successful, housing policy must marry these tools in a sophisticated way. Simply put, how can the public financial resources available for housing be best used to facilitate new housing production in the context of a land scarcity, especially given the need to provide housing at particular price points?

This section uses pro-forma analyses to suggest how affordability goals might best be met and when and how public resources might be best used to meet those goals. The five pro-formas are used in five different hypothetical development scenarios. Though their overall density and form vary, all five involve higher densities or reuse of nonresidential sites. Each one represents a different approach to new housing production that is likely to be "on the table" in the San Gabriel Valley in the future. The five prototypes are:

1. Small Lot Single Family Homes on Recycled Large Lots
2. "New Urbanist" Patio Homes Along Commercial Corridors
3. Mixed-Use Projects Along Commercial Corridors
4. Transit-Oriented Townhomes
5. Downtown/TOD Multi-Family Apartments

3.2.1. Key Findings

In general, we would emphasize the following key findings:

- In the current market, single-family infill projects can provide some affordable housing without subsidies. Even when 15% of the units are affordable, no subsidy may be required.
- The current market for patio home projects necessitates a healthy subsidy per affordable unit ($125,000 assuming land costs of $10 per s.f.).
- Market rate transit-oriented development projects are highly feasible, though including affordable housing will almost certainly require subsidy.
- Though some projects may not be feasible as market-rate rental projects, adding a for-sale component may buy down the subsidy required to add much needed housing.

3.2.2. Methods Used In This Section

The basic tool for studying feasibility of real estate projects is called a *pro forma.* A real estate development project pro forma subtracts all the expected costs of

development from the estimated current market value (sales price or capitalized rents) to arrive at a Net Present Value, or Residual Land Value (Residual). In effect, this is a measurement of whether a project will "pencil" -- that is, it is the high limit of what the project could pay for land and still pay for development costs and a 10 percent profit. There are three possible results:

Type I — If the Residual is clearly higher than current land values, the project is feasible and should be developed by the private sector without public assistance, provided there is available qualifying land in adequate supply.

Type II — If the Residual is about the same as current land values, the project is "barely" feasible and could quickly slip into infeasible if interest rates increase or other problems arise that increase project costs.

Type III — If the Residual is below current land values, the project is not feasible by the private sector alone and would require some kind of outside funding just to reach feasibility.

In the above three situations, private sector developers are building to sell or rent at current market levels which, as we know all too well, are unaffordable for many households. How do we take the three feasibility situations and interpret them in terms of encouraging (or requiring) the production of affordable housing (we use the most recent HUD definitions of affordability for Los Angeles County)?

In Types I and II there is little incentive for a developer to lower the cost of a housing product when the market supports a higher value. There are generally three ways to create affordable units from feasible private developments:

1. Require affordable housing as part of future rezonings and/or other public involvement in maintaining the land supply,

2. Offer a density bonus in exchange for creating affordable units (this already exists at the state level, the 'state affordable housing density bonus'), and

3. Assume that providing market value housing has a 'filtering' or 'trickle-down' effect that frees up lower cost housing to lower income housing.

In contrast, under the Type III infeasible project scenario, the introduction of public funding allows the cities or county to arrange for affordable housing based largely on the amount of public funding put into the project. The public funding may come in many forms from assembling parcels, clearing land and relocation, site cleanup, upgrading infrastructure, grants, lower-interest loans, and household income subsidies. As we estimate housing funding available, we are able to make a qualified estimate of the number of affordable units that could be created under the Type III projects.

The section begins with five prototype residential projects for their general market feasibility. The project types were chosen to represent development products that are now occurring and likely to continue in the San Gabriel Valley for the foreseeable

future. The second part of this section documents current housing funds from three sources and projects the funding streams to 2010. The section ends by summarizing the number of affordable housing units that theoretically could be created to 2010 from the funds identified based on the five prototype pro formas.

Appendix D contains spreadsheets for material presented in this section.

Often, development projects may have a favorable financial scenario but still may not be realized due to other factors such as the added cost of waiting (for zone changes etc.), cost of assembling multiple parcels, the cost of cleaning up hazardous materials, and the cost of relocating existing residents or businesses. This is especially true in the case of infill housing projects, where many of the above stated issues may arise. For purposes of these analyses, the following assumptions are made:

1. There is no cost of waiting due to legal or political processes.

2. There is no major site clean-up involved.

3. There is no additional cost of land assembly other than demolition of existing structures and site preparation, and

4. There are no relocation costs.

Although our scope is limited to a preliminary financial analysis of the suggested prototypes, we have looked at broad market indicators such as home values and land costs in San Gabriel Valley cities to make realistic assumptions in this analysis. These indicators are based on 2003 data. Other assumptions in the analysis are based on our knowledge of the local market and current industry standards. It is important to note that many of the prototypes are not 'standard' developments and do involve unique approaches; nce all industry standards may not always be applicable across the board. Also many of the market assumptions, especially sales prices, rents and absorption may vary widely from site to site.

Site-specific acquisition and carrying costs are not included in the pro formas, but net present values (Residuals) are calculated on all other development costs, including a 10 percent profit for the developer. Under these assumptions, the residual value would be available to cover the land acquisition and any other costs associated with a specific site.

3.2.3. Prototype 1: Small Lot Single Family Homes

In many cases, San Gabriel Valley residential neighborhoods were originally developed as half-acre lots so that families would have the option of a 'backyard farm'. Many of these neighborhoods are now zoned at typical new subdivision densities of 8 units/acre (4,5000-square-foot lots), even though current development still reflects the original low densities. The question we asked here is, Is it possible to provide relatively affordable housing through market-driven redevelopment of these large lots to the density allowed under current zoning?

The example property is located in the El Monte area consisting of two adjacent half-

acre single-family lots of linear configuration with an unoccupied aged single family dwelling unit on each lot. The developer acquires both lots totaling one acre with 2 existing units to demolish and re-subdivide into eight lots.

The proposed development prepares the site and develops eight 2,800 s.f. two-story single family detached units at a density of eight units per acre. This density is comparable to raw land subdivisions in the Inland Empire. Sales prices average $498,000 ($178/s.f.). The site is prepared and the units are constructed within 12 months to be sold within the next year (for financial analysis purposes).

Existing Property		**SMALL LOT SFD**		
2 lots @	0.5	acres/lot		
Existing Structures	2	SFD Units (Unoccupied)		
Proposed Development				
Land Area	1.00	acres	43,560	s.f.
Proposed Density	8.00	DU/Acre		
Total D.U.s	8			
Average Unit Size	2,800	s.f.		
Avg. Sales Price	$498,400	@	$ 178	/s.f.

This type of development is possible only if two adjacent lots can be assembled into a developable parcel. Extensive hillside grading or demolition may increase costs substantially. Site configuration may not always allow larger units (which have higher market demand). The developer will have to assemble the land. Existing housing is assumed to already be vacant.

At a 10% discount rate the Residual is approximately $18.00/s.f. of land, making this a highly feasible private sector development scenario as single-family detached housing, which yields high values and is attractive in the current market. Of course, $500,000 houses are not affordable to many households.

But, since the residual is approximately $2 over the average amount paid per square foot for residentially zoned land in El Monte in 2002, this $2 cushion amounts to $87,120 for this one-acre, 8-unit, single-family project and might be used to “buy down” one unit to a more affordable level. Of course, land cost increases since 2002 might eliminate this cushion, but with the recent market slowdown land prices are coming down once again.

If land costs drop below 2002 levels – possible if the housing market remains flat – the feasibility cushion would increase. Conceivably, cities could offer to rezone larger lots to densities similar to Prototype 1 with an affordability requirement as a means of producing more affordable for-sale housing with little or no public funding.

In small lot single-family for-sale developments under certain conditions, the Residual might be used to “write down” selling prices to more affordable levels. A sufficient amount of land must be zoned for this density in order to keep the per-square foot prices at level that provides a healthy Residual.

3.2.4. Prototype 2: "New Urbanist" Patio Homes

In the San Gabriel Valley, as elsewhere in Southern California, considerable land for housing development may be available by recycling obsolete retail and commercial property along arterial strips. This strategy has been widely used in Los Angeles and is under serious consideration in most older suburban areas, including north Orange County. The second prototype seeks to examine the possibility of using such property to create patio homes for first-time buyers and attempts to achieve affordable prices, perhaps with some government assistance.

The example existing property is in the Covina area. The site is a closed, medium sized auto dealership of 2.5 acres with a 1,000 s.f. office building along a commercial corridor. No major contamination exists on the site for purposes of the pro forma.

The proposed project involves demolishing the structures, preparing the site, and developing 25 two-story attached patio homes at ten units to the acre. Average unit size would be 2,000 s.f. and average sales price/unit $360,000 (about $180/s.f.). We assume 15 units are absorbed during the 2nd year after commencement of the project and the remaining 10 are absorbed in the 3rd year.

Existing Property		**PATIO HOMES**		
Auto Dealership	2.5	acres	108,900	s.f.
Existing Structures	1,000	s.f.		
Proposed Development				
Land Area	2.50	acres	108,900	s.f.
Proposed Density	10.00	DU/Acre		
Total D.U.s	25			
Average Unit Size	2,000	s.f.		
Avg. Sales Price	$360,000	@	$180	/s.f.

At a 10% discount rate the Residual is approximately $10.00/s.f. of land. This is comparable to prevailing average market rates but is on the margin, meaning this project is barely feasible, a Type II. Market performance will depend significantly on the existing neighborhood and surrounding uses, especially if this is a 'catalyst' project. City assisted site acquisition and ease of entitlements will make such a development more attractive. The project will most likely not be feasible if there are any significant environmental cleanup requirements.

This product type could be feasible to enhance commercial areas in transition. The project, however, needs to be accompanied by other offsite public improvements (street lighting, trees, and concerted effort to transform surrounding uses) to make it more attractive to developers and ensure financial feasibility. The sales price of $360,000 is also barely below regional median values. Two wage-earner households could probably qualify, but higher interest rates and down payment requirements would affect affordability. A shallow subsidy per unit to assist in down payments or help with site clean up could be a good strategy.

The residual associated with this market rate project leaves about $1.1 million for

costs associated with site acquisition. If four of the 25 units were set aside as affordable units priced at $187,000, the project would require additional funds of about $415,000 to be feasible, or about $100,000 per unit. This amount would rise as land costs increased.

For-sale Patio Home development is just feasible where the costs of land acquisition are slightly less than $10 per square foot.

With a subsidy of about $125,000 per unit and assuming $10 per square foot land costs, 15% of the project (4 units) could be priced to be affordable to a family of four earning $40,240 per year (80% of the Los Angeles area median income).

3.2.5. Prototype 3: Mixed Use Corridor

The patio homes described in the previous example represent a relatively low-density approach to redevelopment arterial strips. As several development projects throughout Southern California have suggested, higher-density mixed-use projects can also be feasible on arterial strips in the right locations. Such projects also hold the potential to support transit ridership and help establish transit nodes.

The third prototype seeks to address this possibility with housing types geared towards young and smaller households (perhaps elderly), both renters and owners, and attempts to achieve all or partial affordability prices, perhaps with some government assistance.

The example existing property is in the Alhambra area. The site offers approximately 50,000 s.f. of buildable area (1.15 acres) at a major city arterial intersection. Current uses include 7,500s.f. of vacant retail/commercial space and two aged single family dwelling units. Site configuration is approximately 500' x 100'.

The proposed development would first demolish existing structures and prepare the site, then develop 30,000 s.f. of retail/commercial (2 floors retail+offices) and 25 market rate apartments. We assume a total of 124 parking spaces to be accommodated in a subterranean structure and that neither the previous retail space not housing was occupied.

Existing Use(s)		**MIXED USE CORRIDOR**		
Land Area	1.15	acres or	50,000	s.f
Retail Commercial	60%	0.69	acres @	0.25 FAR
Existing Bldg. Area	7,500	s.f.		
SFD Residential	40%	0.46	acres @	5 U/acre
Existing Units	2.00	DUs		
Proposed Development				
Land Area	1.15	acres or	50,000	s.f
Retail/Commercial				
Retail/Commercial GLA	30,000	s.f.		

Parking (Subterranean)	99	spaces	@ 5 /1,000 s.f. 33% shared	
Average Rent	$18.96	/s.f./Yr.		
Apartments				
Units	25	@	22.00	DUs/acre
Average Unit Size	1,100	s.f. (Gross)		
Avg. Rent	$1,595	@	$ 1.45	/s.f./mo.
Parking (Subterranean)	25	@	1.00	spaces/DU

At a 10% discount rate the Residual is approximately $13.40/s.f. of land, within the acceptable range of prevailing land values. The site is extremely tight and the need to provide subterranean parking significantly increases development costs. Additional land for surface parking, public lots assembled by the City, or creative design to cut parking costs on site may significantly improve the financial feasibility. The market reality of the assumed rents will depend on the location of the site, surrounding uses and the quality of design. Relocation costs of existing uses and additional site assembly costs may affect feasibility.

A well-designed project of this type is an essential catalyst in corridor revitalization. Other options for this site include a horizontal mix of retail/commercial and 'for-sale' units (as opposed to a 'vertical' mix in this scenario) and live-work units and lofts. The average apartment rent of nearly $1600 per month is not considered affordable, but with 25 units it is possible some cross-subsidization could be feasible if the City had inclusionary zoning, say 15 percent, or 4 units. Another advantage is the location on major arterials where transit service is assumed that could perhaps justify a further reduction in the parking requirement and/or tie in transit related funding of some kind.

As a market rate project, the residual of $13.36 per s.f. leaves approximately $668,000 for land acquisition costs. With a subsidy of approximately $113,000 per unit, four two-bedroom units priced at the HUD 2003 Fair Market Rent of $997 could be included in the project.

3.2.6. Prototype 4: Transit Oriented Development (TOD) Townhomes

The fourth prototype under discussion is still more dense and geared toward the opportunities that could emerge if the Gold Line Extension is built.

The TOD prototype is geared towards both renter and owner family household at the proposed 11 Gold Line Extension stops. It assumes a redevelopment agency role for site acquisition and some affordable housing subsidy, but keeps development at three stories. The question this time is, What is the feasibility of medium-density TOD redevelopment at prospective Gold Line stations?

The example existing property is in the La Verne area. The example site Includes four parcels: one with an old and low quality apartment building with 23 units and three with older single family units (at 5 units/acre) on a total land area of 1.5 acres. The site is located within a TOD and redevelopment area. The proposed development would assemble the three parcels and develop 30 quality townhomes at a density of 20 units/acre. The average unit size is 1,700 s.f. and average sales price is

$306,000. We assume18 units are absorbed during the 2nd year after commencement of the project and the remaining 12 are absorbed in the 3rd year.

Existing Property		**TOD TOWNHOMES**		
Land Area	1.50	acres		
Multi-Family				
Apartments	0.90	acres	or	60%
	23	Units @	25	Units/acre
Single Family Units	0.60	acres	Or	40%
	3	Units @	5	Units/acre
Proposed Development				
Land Area	1.50	acres	65,340	s.f.
Proposed Density	20	DU/Acre		
Total D.U.s	30			
Average Unit Size	1,700	s.f.		
Avg. Sales Price	306,000	@	$ 180	/s.f.

At a 10% discount rate the Residual is approximately $21.00/s.f. of land, making it the highest (Type I) among the compared prototypes. This value, however, is highly sensitive to the average sales price of the units and assumes site assembly.

There may be other significant hidden costs in site assembly such as cost of relocation of existing residents and the loss of the existing affordable housing, even if it is of low quality. The assumption is that the product serves a middle market to yield the sales price assumptions. The project will benefit from additional neighborhood improvements resulting from a TOD area development initiative. It is assumed that parking costs are included in the basic cost of construction (at grade garages). If subterranean parking needs to be provided to lower the height to two stories, added costs would drive down the NPV considerably.

Other uses which might be incorporated in this project are inclusionary rental units, large family apartments, and a mix of small office/commercial space at the project edges. This project could generate sufficient tax increment and/or redevelopment agency participation revenue to fund affordable housing that would replace the previously existing units, although probably at a less expensive location and subject to a host of assumptions.

- As a market rate project, the Residual would provide about $1.4 million for site acquisition costs ($21 per s.f.).

- Under the pro forma assumptions and with 15% of the project (5 units) priced to be affordable to a family of four earning $40,240 per year (80% of the Los Angeles area median income), a residual of approximately $947,200 would leave room for land acquisition costs of about $14.50 per s.f.

- If land costs amounted to $21 per s.f., a subsidy of approximately $85,000 per affordable unit would be required.

3.2.7. Prototype 5: Downtown/TOD Multi Family Apartment Infill

The final prototype is a relatively high density downtown and/or TOD project geared towards both renter and owner family household. It keeps development at five stories (Type V construction). The salient question here is, What is the feasibility of high density TOD redevelopment in downtown and TOD areas?

This sample project is located in Pomona and the site consists of 4.00 acres that includes 21,780s.f. of vacant and under-performing retail and six medium density dwelling units. The proposed development would demolish the existing uses, prepare the site, and develop a 120-unit apartment complex of an average unit size of 1,100 gsf with an average rent - $1,350/unit/month. We have assumed a total of 144 parking spaces to be accommodated in a subterranean structure.

		DOWNTOWN TOD MULTIFAMILY		
Existing Use(s)				
Land Area	4.00	acres or	174,240	s.f
Retail Commercial	50%	2.00	acres@	0.25 FAR
Existing Bldg. Area	21,780	s.f.		
SFD Residential	50%	2.00	acres@	3.0 DUs/acre
Existing Units	6	DUs		
Proposed Development				
Total Land Area	4.00	acres or	174,240	s.f
INCOME PROPERTIES				
Land Area	4.00	acres @	100%	of total
Market Rate Rental Apts.	100.00%			
Units	**120**	Units	30.00	DUs/acre
Average Unit Size	**1,000**	s.f.		
Avg. Rent	**$ 1,350**	@	$1.35	/s.f./mo.
Parking (Subterranean)	**144**	spaces @	1.20	spaces/DU
Affordable Rental Apts.	0.00%			
Units	**-**	Units	30.00	DUs/acre
Average Unit Size	**1,000**	s.f.		
Avg. Rent	**$ 650**	@	$ 0.65	/s.f./mo.
Parking (Subterranean)	**-**	spaces @	1.20	spaces/DU
'FOR SALE' PROPERTIES				
Land Area	-	acres @	0%	of total
Lofts (for Sale)	100.00%			
Units	**-**	Units	15.00	DUs/acre
Average Unit Size	**1,500**	s.f.		
Average Sales Price	**$ 225,000**	@	150.00	/s.f.
Parking (Subterranean)	-	spaces @	1.20	spaces/DU
Live Work Units (for Sale)	0.00%			
Units	**-**	Units	10.00	DUs/acre
Average Unit Size	**2,500**	s.f.		
Average Sales Price	**$ 437,500**	@	175.00	/s.f.
Parking				
Surface	-	spaces @	2.20	spaces/DU
Subterranean	-	spaces @	1.20	spaces/DU

At a 10% discount rate the Residual is approximately $9.32/s.f. which, based on average land prices used in this study, is probably not sufficient to make the project feasible. Site assembly may be a challenge where there are multiple owners, and under this condition City assistance would almost be mandated. Rental rates will depend on specific location of the project, design and quality of space. 'Well designed' does not always translate into higher construction costs.

Other options for this site would include a 15 percent inclusionary requirement (18 units) and additional subsidized affordable units with rents averaging $650 per unit. The project might also include owner-occupied 'live-work' units and lofts.

- As a strictly market rate rental project under the pro forma assumptions, the Residual indicates $1.6 million for land acquisition costs, or roughly $9.30 per s.f., which may not be sufficient to make the project feasible.

- If the costs associated with assembling the parcel were approximately $21 per square foot, including 18 affordable units in the project would require a subsidy of about $177,000 per unit to cover development costs and return a reasonable profit (10%) to developers.

- If the project were configured to include both market rate and affordable rentals along with for sale lofts and live-work units, the Residual indicates $1.7 million could be allocated to land acquisition costs, or $9.85 per s.f. With total land costs of about $21 per s.f., a subsidy of about $139,000 per each of 14 lowered-rent units would be required to make the project feasible.

3.3. Strategies For Using Public Financial Resources To Facilitate Housing Production

In this section we bring together the two previous discussions to estimate how many units of affordable housing could be created given the financial resources available and the land and housing market conditions described above. We will suggest three different policy and subsidy scenarios that San Gabriel Valley cities may wish to consider using, depending on their local circumstance, their financial resources, and their policy goals: a *no subsidy* approach; a *shallow subsidy* approach; and a *deep subsidy* approach. These scenarios could be undertaken by individual cities or jointly as part of a subregional housing strategy. We note that there are a host of assumptions buried in our numbers but we are confident we can make a decent stab at realistic conservative estimates based.

Area cities currently have an annual budget of about $43 million for housing, not including Industry's $13.3 million set aside now going to Los Angeles County. We assume that each city has fully committed the current year's funds. The cumulative housing funding for the next 10 years is estimated at $515 million ($116 million for CDBG, $75 million for HOME, and $324 million redevelopment not including Industry – all based on Moderate scenarios).

In the following analysis, we assume that 50% of the funds over the next 10 years is already committed by the cities to housing projects. Thus, we assume that $258 million of the $515 million available over the next decade is "spoken for," while the remaining $257 million is at least theoretically available for new housing initiatives of the type that we discuss in this analysis.

If Industry's redevelopment set aside were included, the cumulative amount increases by $256 million, to about $770 million, and the amount available for new housing initiatives increases by $128 million, to $385 million.

How far can that pool of funding go in producing affordable housing? To answer that question, we need a numerator, a "public cost per affordable unit" to divide into the denominator, the ten year cumulative housing funding for new housing initiatives. Affordable per unit subsidies can range from none to 100 percent, depending on programs and housing markets at any one time in any one city. As stated above, wee will examine approaches that involve no subsidy, a shallow subsidy, and a deep subsidy.

3.3.1. No-Subsidy Scenario

We have demonstrated with Prototype I, albeit with many qualifications, that some private-sector housing development types in some areas (mainly depending on land supply and values) generate enough Residual 'cushion' to create roughly a 1 in 10 affordable unit in the for-sale single-family development market. The caveat is that zoning allows roughly 8 units to the acre, that current development is roughly 2 units to the acre, that cities zone enough land to keep the price of land roughly below $15/s.f., and that there is some mechanism for requiring 10 percent affordability. Our GIS data show 356 census blocks scattered throughout the region with a density of two units to the acre: 10,500 units on 5,200 acres. At the rate of one affordable unit per rezoned acre, up to 5,200 units could conceivably be created a little to no cost to cities just by piggy-backing on the rather lucrative single-family infill development market.

3.3.2. Shallow Subsidy Scenario

We define this subsidy as public expenses related to assembling parcels and minor aesthetic site improvements. These subsidies are aimed at projects that are barely feasible, perhaps along corridors or in or near transit stops, where a relatively small amount per unit, say for arguments sake $30,000, will tip a project into feasibility. Development Prototype 4, TOD Townhomes is the case in hand. This project was barely feasible and would likely need condemnation and parcel assembly assistance along with some city-funded off-site improvements to create the financing confidence. If the city chipped in $150,000 in exchange for five affordable units (out of 30 total) to improve the market image of a risky site purchased at $15 per s.f., the city would leverage $150,000 for $1.5 million worth of affordable units. If all available financial resources were devoted to this particular type of project – an approach the market may or may not support – this would yield about 8,500 affordable units.

3.3.3. Deep Subsidy Scenario

The remaining three Prototype developments require an average of $112,000 per affordable unit to be feasible, under the various stated assumptions. If the entire 10-year new initiative funding of $257 million were used for deep-subsidy type projects at $112,000 per unit, the result would be just under 3,000 affordable units. Add in the City of Industry funding, and the total increases by 50 percent to 4,500 units.

3.3.4. Conclusion

The San Gabriel Valley would appear to have substantial funds available for public investment in housing over the next 10 years, especially if the City of Industry funds can be captured and used in the Valley rather than throughout all of Los Angeles County. However, how far those funds can carry the Valley depends on the type of project being built. In some cases, as with single-lot single-family projects, it may be possible to produce substantial affordable housing with no subsidy but an inclusionary requirement. On the other hand, if all the housing funds went to deep-subsidy projects, the result would likely be only 3,000 to 4,000 units over 10 years.

Understanding these options is important to future housing policy in the San Gabriel Valley both for individual cities and for a subregional strategy. In some cases, a deeper subsidy may be desirably – in order to do a pilot project for a specific product type (such as high-density TOD) or perhaps to do a better-designed or lower density project as a way of securing public support for a project. Such options might be preferable to other alternatives involving different subsidy arrangements and different density; as we will learn in the subsequent section, sometimes a lower density, better-designed project is more likely to actually get built than a higher-density alternative that exists on the drawing boards. However, from a Valleywide perspective it is important to recognize that such decisions involve tradeoffs between community acceptance on the one hand and the theoretical amount of housing that can be produced under policies with current financial resources.

4. Best Practices for Affordable Housing Production

Once housing capacity has been identified and financial resources have been earmarked, skill and expertise is still required to actually produce housing -- especially the affordable housing that will be required for the San Gabriel Valley workforce in the future. In a land-constrained environment such as the Valley, virtually all new housing will be constructed in existing neighborhoods, so sensitive design and planning – as well as a true partnership with the community – are necessary for success. The planning, pro-formas, and other strategies described above will not matter at all unless new housing is successfully integrated into existing communities.

These skills do not exist only in Los Angeles or some other part of the country. Successful affordable housing projects have been built in many places in the San Gabriel Valley. The following four case histories identify some “best practices” in affordable-housing production in the San Gabriel Valley -- techniques that may be valuable in implementing the Subregional Housing Production Action Strategy in the future.

The criteria for choosing the following projects included the following:

- Geographic balance throughout the Valley.
- A variety of community settings (i.e. single-family neighborhoods, multi-family neighborhoods, industrial areas and downtown areas).
- A variety of “product” types, including rental and for-sale units
- A variety of architectural styles, from traditional Craftsman to Postmodern.
- A range of household incomes, from very low to moderate
- Transit-oriented projects

Above all, we have attempted to identify projects that are generic in nature and not overly “site specific,” so that may serve as models, both financially and architecturally, for similar projects throughout the Valley.

In contrast to the practices of previous generations, the most successful affordable housing projects of today -- including those discussed in this section -- do not look like “housing projects,” nor do they bear the social stigma and deleterious effects on property values historically associated with “the projects.” These examples suggest that there is no essential difference between market-rate and affordable housing except that affordable housing is subsidized.

Several of the case studies discussed here demonstrate that affordable housing can be achieved with a variety of different housing types and styles. Several examples demonstrate that such housing, in some cases, can be compatible with single-family neighborhoods, both in style and scale. This compatibility is critical for winning acceptance for projects among local property owners who might otherwise object to conventional apartment buildings. In other cases, the examples reveal that these housing projects can be compatible with commercial/industrial structures.

4.1. Case Study No. 1: Duarte Magnolia Court, Monrovia

The Duarte Magnolia Court in Monrovia, which is scheduled to begin construction later this year, is a courtyard project that fits almost seamlessly into the historic context of Craftsman housing in the Northwest San Gabriel Valley. The project is significant in a number of ways. For example, it is being developed by a commercial homebuilder with conventional financing, not a community-based non-profit relying on multiple funding sources. In addition, the affordable units, priced to be within reach to moderate-income households earning up to 110 percent of Monrovia median household income of $45,375.

The City of Monrovia was the catalyst of the project, assembling the site, remediating it and issuing an RFP with affordable-housing restrictions.

The winning proposal came from a local firm, Bowden Development, that proposed a scheme in the Craftsman style designed by the Pasadena-based architectural firm Moule + Polyzoides Architecture and Urbanism. The latter is a proponent of the New Urbanist architectural philosophy, as well as the use of courtyard housing. (Principal architect Stefanos Polyzoides was the co-author of a book on the topic, *Los Angeles Courtyards*, which has remained continuously in print since the early 1980s.) According to Polyzoides, courtyard housing is a type of multi-family housing that offers many of the advantages of single-family housing, including front and back doors, opportunities for natural ventilation and natural light and a separate entrance and porch for each unit. The architect further argues that courtyards can provide renters with a variety of different unit types within the design. In this case, the architects provided at least six different floor plans for both two- and three-bedrooms units.

1. Name and Address of Project

Duarte Magnolia Court, northwest corner of Magnolia Avenue and Duarte Road, Monrovia

2. Developer

Fred E. Bowden, Bowden Development Inc. 212 West Foothill Boulevard, Monrovia, CA 91016 (626) 303-7917

3. Lead Public Agency

City of Monrovia, Kevin O'Brien, senior project manager (626) 932-5550

4. Budget and Financing Sources

The budget is $2.89 million, with the average sales price tentatively set at $220,625. The affordable units will be each be priced about $200,000. The lender plans to borrow about $2.1 million, receive another $224,000 in land draw, and contribute $576,000 of its own equity. The choice of construction lender is not yet finalized, although Wells Fargo is the likeliest candidate. No subsidies or direct city participation except a land write-down worth about $600,000.

5. Description of Project

The project is a traditional courtyard, with 16 attached, for-sale townhouses on a half-acre site arranged around a rectangular, landscaped open space. According to a statement by the architects, Duarte Magnolia Court is "organized around three primary components – a central common open space, a frontage to the surrounding street and a discreet integration of the automobile with the architecture and landscape." Each unit has two parking spaces, as required by code. Half the units have front doors opening onto the courtyard, while the other half open onto the street. Ten units have individual attached garages, the remaining units use detached garages at the rear of the project.

The courtyard is a carefully designed space, not a "leftover" area as is sometimes found in conventional multi-family projects, and is intended as an active social area at certain times.

6. Purpose of Project

Duarte Magnolia Court is part of the City's ongoing process of providing new affordable units. The Request for Proposals for the site said the winning project would be chosen on the basis of both architecture and the proposed purchase price of the land, or about $640,000.

7. Project History

The City took the leading role in the project, at least in the beginning, by acquiring the land in 2001. The existing site was essentially a brownfield with "obnoxious" land uses, including an abandoned gas station, an auto-repair facility that was under parked and two dilapidated frame houses. The City paid for the environmental clean up, spending a total of $1.2 million on combined site acquisition and environmental mitigation, using redevelopment funds. The following year, the City issued an RFP for design-build teams.

While providing no direct subsidy for construction of the units, the City offered the land to the developer for about half its own cost, or about $640,000. The RFP required that 8 of the 16 units to be affordable to moderate-income households. The price-restricted units remain "encumbered" for 15 years. This strategy achieves the goal of mixing the range of incomes within a single project.

The developer anticipates seven months between receiving a development

agreement from the City and receiving a certificate of occupancy.

8. Type of Construction

Wood frame

9. Architectural Design

See project description

10. Contextualism / Urban Design Considerations

The Craftsman architectural style is intended to blend with Monrovia's historic bungalow neighborhoods. The homebuilder, Bowden Development of Monrovia, has developed a portfolio of properties in a similar style in Monrovia and surrounding cities.

11. Rents / Prices

About $200,000 for affordable units and about $220,000 for market-rate units.

4.2. Case Study No. 2: Mission Promenade, Pomona

Mixed-use housing is an ancient form of housing that has recently experienced an enormous resurgence of popularity. While the first projects of this type were conversions of old retail and industrial buildings into residential buildings with street-level retail, the demand for the building type has grown to the point that developers are building all-new mixed-use projects, as is the case in the Mission Promenade project in Pomona.

The Mission Promenade project is an example of a housing development that serves several purposes. Built on a site that has been vacant for nearly 25 years, the Promenade is intended as a catalyst for further development. It is also located in a prime civic location. Once the site of the former post office, the building is across the street from the Pomona City Hall and near the Police Department building, the Superior Court and the city library.

The design of the project, by Rothenberg Sawasy Architects of Los Angeles, is intended to reflect the historic office buildings in the downtown area, while the loft housing reflects the popularity of downtown Pomona with artists. The building is a "sandwich" of three uses, with retail on the ground floor, office on the second, and residential lofts on the top level. Still under construction, the 26 for-sale loft condominiums sold out in three weeks, and the developer is already planning at least two additional phases, to be designed along similar lines. (The next phase will be an eight-story building, incorporating a five-story parking structure, surrounded by live-work units. Townhouse units will occupy the uppermost floors.) The units are about 1,000 square feet on average, and prices range from $139,500 to $269,500.

In addition to providing the site, the city acquired a 30-year covenant for 11 moderat-eincome units for $1.9 million. The city spent other funds on onsite and offsite improvements and preservation of a significant Camphor Tree.

1. Name and Address of Project

Pomona Courtyard, 425 Garey Street, Pomona

13. Developer

Southland Cos., of Pasadena, Robert Fehring, (626) 568-8000.

14. Lead Public Agency

City of Pomona, Richard Belmudez, associate planner, (909) 620-2241; Robert Wise (909) 620-2037

15. Budget and Financing Sources

$12 million, Far East Bank, plus developer equity. $4.7 million in city bond funds.

16. Description of Project

Mission Promenade is an approximately 74,000-square-foot building, consisting of two three-story buildings, connected by a bridge. (The bridge is a cost-saving measure, because it requires only one elevator to be built for the entire complex.) The parking is located on the northwest portion of the site. Walkways are intended to link pedestrians to both the parking and the Thomas Street corridor. With the intention of stimulating pedestrian movement around the building, the project features several "seating courts" in different locations. According to a city document, this seating is "is intended to complement the restaurant uses as well as promote the pedestrian orientation of downtown."

17. Purpose of Project

According to a city staff report by Richard Belmudez, Mission Promenade is consistent with several goals of the Land Use Section of the Downtown Pomona Specific Plan, viz.: "to create an economically viable downtown, to encourage mixed-use, to provide uses which serve downtown employees, visitors and residents, and to encourage innovative and appropriate uses such as residential/office loft space to support revitalization of the historic district."

18. Project History

The City of Pomona took a catalytic role in developing the project, which is one of a number of activities that the City has undertaken in the past two decades to bring more activity to its downtown area. Starting in the mid-1980s, the city began acquiring parcels on a run-down site that included a battery-rehab shop, a post office and other small industrial uses. Eventually, the city acquired a total of 2.2 acres for a total of $688,000. The city issued an RFP for the former Post Office Project in 2001 and selected the Southland Cos. Proposal the following year, and conveying the parcel to the developer for the price the city had paid for it.

Although the city did not "write down" for the developer, the city provided direct support to the project by remediating the "haz-mat" from the site and providing other off-site improvements, such as road and sidewalk improvements. In an exceptionally ingenious arrangement, the city found a way to provide a clean site to

the developer, and to arrange a financing mechanism that allowed the developer to pay off the costs of remediation and site improvements over time.

To assist the developer, the city undertook the cost of several off-site improvements and environmental remediation. The developer also granted an easement to the city to save a historic tree, for which the city paid the developer $1.8 million. The total off-site costs to the cdity, including the above-mentioned toxic remediation, were $4.7 million. To recoup those costs, the city issued $4.7 million in bond financing, which were secured by the city's parks. Simultaneously, the developer signed a promissory note and posted a letter of credit, agreeing to lease back the historic tree site for an amount exactly equal to the debt service on the bonds. In this creative arrangement, the city was able to provide a clean site to the developer, and enable the developer to pay off the city's cost on an amortized basis.

19. Type of Construction

Steel frame (Type 2) on the first lower floors and wood frame (Type 5) on the upper floor.

20. Architectural Design

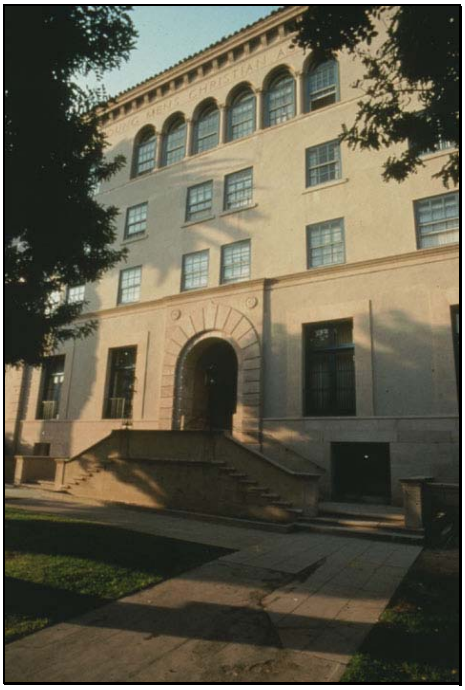
In its RFP, the city had requested a "Mid America" style, to reflect the character of historic civic structures and office buildings in the city's downtown area. After several attempts, the city and the architect agreed on a historical-looking design, with darkly painted stucco suggestive of brick and prominent white cornices. The third (residential) story is set back from the main façade, to provide a balcony and pergola (trellis cover) to most units.

21. Contextualism / Urban Design Considerations

See above comments on architectural design.

22. Rents / Cost

$139,500-$269,500.



4-3. Case Study No. 3: Centennial Place, 235 E. Holly St., Pasadena

This SRO hotel in downtown Pasadena began life in 1910 as a YMCA designed by Arthur Benton. Obsolete by the 1980s, the building was vacated by the YMCA and shortly afterwards converted to very-low-income, Single Room Occupancy housing in the early 1990s. The project took advantage of tax credits for both historic structures and low-income housing, as well as special loan programs from both city and state agencies.

In 2002, Los Angeles Community Design Center, a firm that designs and develops low-cost housing on behalf of community-based non-profits, purchased the ornate landmark building to keep the SRO units from being converted to market-rate units in an area that has become increasingly fashionable, and expensive, among renters.

Located only a block away from the Holly Street Station of the Gold Line rail system, this century-old building qualifies as transit-oriented housing.

23. Name and Address of Project

Centennial Place, 235 E. Holly St., Pasadena

24. Developer

25. Lead Public Agency

Pasadena Planning & Development Department, Housing & Community Development Division, Stella Lucero, (626) 744-8300.

26. Budget and Financing Sources

In the original project from early 1990s, the City of Pasadena assisted the project by providing deferred payment loans of $4.21 million. Wells Fargo provided the $6 million construction loan from Wells Fargo Bank, while Citibank provided $1.6 million permanent loan from Citibank. The State Department of Housing and Community Development provided deferred payment loans of $1.34 million. The developer—a partnership of Los Angeles Community Design Center and Pasadena Housing Alliance, contributed $5.4 million from the syndication of low-income housing tax credits and historic tax credits with Edison Capital Housing Investments. Janss Corporation of Santa Monica served as the developer and Levin & Associates, the Los Angeles-based architectural firm, provided the design work.

27. Description of Project

A three-story YMCA gym converted into 144 units of very-low-income housing, with ground-floor retail.

28. Purpose of Project

The building provides very low income housing for special-needs people, within an easy walk of the Gold Line commuter light-rail station.

29. Project History

First built in 1910, the building was remodeled in 1925 by Marston & Van Pelt. In the 1980s, Pasadena identified portions of downtown Pasadena as a target area for both low-income housing and for transit-oriented projects. In 1991, a partnership of Design Center and the Pasadena Housing Alliance converted the old "Y" into low-income housing, with Janss Corporation serving as a fee-based developer. Historic Resources Group, a preservation consultant, and the architectural firm of Levin & Associates were also on the team. With the expiration pending on the restriction of the units to low-income housing, Los Angeles Community Design Center purchased the property in 2002 to keep the units affordable in perpetuity. (The financing of this most recent transaction is not detailed here.)

30. Type of Construction

Reinforced masonry

31. Architectural Design

Centennial Place retains its original Beaux-Arts Classicist façade. The building is listed on the National Register of Historic Places.

32. Contextualism / Urban Design Considerations

As part a distinguished group of Beaux-Arts Classical buildings in the downtown area, the old YMCA is a landmark building and an important element in the redevelopment of Old Pasadena.

33. Rents

Sliding scale, ranging from $96 to $200 monthly

4-4. Case Study No. 4: Alpha Rental Housing Project, El Monte

The Alpha Rental Project consists of three new single-family homes, another three single-family lots to be built, and the "rehabbing" of an 18-unit apartment building on a site where dilapidated housing and an illegal unit formerly stood. The new homes are contiguous to an existing single-family neighborhoods, and are thus completely in context with the neighborhood.

This approach to housing might be controversial among some affordable-housing advocates, because the city is stretching its resources to build a comparatively low number of units. On the other hand, the approach takes away the onus of affordable housing as an extremely dense project which conjures images of ghettoes and barrios. As one city official puts it: "Our R3-zoning developers are all proposing to build the maximum amount of units. We are trying to see if we are able to do fewer units and not just cram people in."

34. Name and Address of Project

Alpha Rental Housing Project, Five Points District, El Monte (built 2003)

35. Developer

Rio Hondo Community Development Corp., Dante Hall, (626) 457-1374

36. Lead Public Agency

City of El Monte, Community Development Department, (626) 580-2080. Dante Hall

37. Budget and Financing Sources

Construction budget was nearly $2 million, with the City providing $200,000 in redevelopment housing funds, and HUD providing the rest.

38. Description of Project

Three single-family homes and an 18-unit apartment building on a blighted residential site.

39. Purpose of Project

To provide affordable rental units while eliminating an eyesore that damaged the value of the neighborhood.

40. Project History

The city acquired five contiguous parcels in 1995-98, spending just under $1 million. The appraisal value of the parcels was $1.2 million when the city sold the land to Rio Hondo. The City provided the non-profit home builder with a 2 percent loan on $1.2

million. The city used some funds from the HOME Participating Investment Program, as a means to "pay down" the low interest rate. After clearing the site, the CDC built three homes largely with HUD financing. City staff provided the architectural design. In January, the homes reached completion, with more than 150 households applying for the rentals. Three additional lots remain to be built. The city and the home builder share the income from the properties on a 50-50 basis, after expenses, including operating costs, maintenance and landscaping.

41. Type of Construction

Conventional wood-frame housing.

42. Architectural Design

The three houses are conventional, white-painted, wood-frame houses, with two-car garages in front. Although unambitious in design, the houses fit in well with the existing neighborhood of single-family homes.

43. Contextualism / Urban Design Considerations

(see 42)

44. Rents

Under HUD requirements, the project must be affordable to families earning up to 80 percent of the city's median household income of $35,000. The rents are $650 for three bedrooms, $750 for four bedrooms

4-5. Lessons from Affordable Housing Case Studies: What works in the San Gabriel Valley

The case studies described above illustrate several "best practices" lessons that cities and developers can use as they move forward with housing production. As the Valley moves forward with an enhanced housing production strategy, Valley leaders should bear in mind the following practical, on-the-ground lessons that will help enhance proposed projects and improve both their feasibility and their acceptability:

- Affordable housing comes in many forms, not just the stereotypical, speculative apartment buildings that are unsightly and insensitive to neighborhood character. At its best, affordable housing “fits in” seamlessly into existing neighborhoods.

- Among the other types of housing that are compatible with single-family neighborhoods not discussed here are duplexes, triplexes and four-plexes; townhomes or row housing; high-density detached housing; high density-detached housing built atop a parking structure, sometimes with ground floor retail (so-called “podium housing.”)

- Single-family homeowners often fear affordable housing in their neighborhoods. But in built-out communities undergoing transition, these fears are not always well-founded. In all four examples from the San Gabriel Valley, affordable housing has improved its environment and may well improve surrounding property values. Well-planned affordable housing can improve neighborhoods by removing blight, providing tax-generating uses on abandoned properties, and “mending” neighborhoods troubled by non-conforming or industrial uses by replacing it with housing.

- In Monrovia and Pomona, the affordable housing is virtually indistinguishable from the market-rate housing, because the city provided the land to the developer with price restrictions in place, allowing the developer to create a combination of market-rate and moderate-income units. This strategy also accomplishes another social good: mixed-income housing.

- A most important lesson from these case studies is not to create an overwhelming density of poorly designed and poorly built units. In the case of El Monte, the city placed neighborhood character at a higher value than maximizing units, thus raising the value of the neighborhood, rather than diminishing it.

- For communities to build an adequate amount of affordable, local government may need both a carrot and a stick—that is, a requirement for units combined with a subsidy. Redevelopment agencies are uniquely well equipped to assemble land parcels, entitle them and convey them to developers. Using the 20 percent of tax increment that state law requires to set aside for low- and moderate-income housing production, redevelopment agencies should acquire sites and existing buildings, and issue RFPs to private developers.

- Although communities rely heavily on community-based nonprofits to supply affordable housing, it may be quicker and less expensive to provide incentives to conventional, market-rate developers who can obtain financing and entitlements more readily than non profits. In some cases, it may be possible that a city's housing budget is better spent on providing a small subsidy to a conventional project, such as a land writedown, in exchange for a certain number of affordable units, rather than financing 100 percent of new construction.

- Developers can give new life to historic properties by converting older buildings to housing, as in the case with the YMCA building in Pasadena. Both public agencies and developers must be aware, however, that these projects are often complex. Ideally, developers can make use of both the historic tax credit and low-income housing credit. The low-income credit, however, is obtained through a competitive system and is often hard to get. Further, Department of the Interior requirements for historic preservation can add to cost, by requiring developers to preserve a large portion of historic material in buildings.

- Contextuality -- that is, the ability of a project to "fit in" with an existing neighborhood -- is a better goal than maximizing the number of units at a particular site. The El Monte example is admirable in the way that it introduces new units into existing communities in a non-disruptive way. The approach of "sprinkling" affordable units throughout the community is less destabilizing to neighborhoods than building high-density projects that call negative attention to themselves. Affordable units lose the onus of being "poverty" projects, and demonstrate that affordable and market-rate housing can co-exist without eroding housing values.

5. Subregional Housing Policy Options

The ideas for bringing sites, financing, and best practices together, which have been outlined in the previous sections, cannot be brought to fruition without changes in state and regional policy that will provide the San Gabriel Valley and its jurisdictions with more flexibility. This section outlines a strategy for legislative change that would move the San Gabriel Valley past the "paper exercise" of the Regional Housing Needs Allocation process toward an actual "housing production strategy." The intent is to devise a simple and elegant system to "line up" housing opportunities, housing obligations, and at least some of the housing financial resources so that the 31 cities and Los Angeles County can work together to ensure maximum housing production. This system could be proposed as a "pilot program" during the next RHNA cycle.

5.1. Background On Housing Policy Affecting the San Gabriel Valley

Under state law, all local government jurisdictions, including the 31 cities in the San Gabriel Valley and Los Angeles County, is obligated to devise a plan every five years to meet the projected housing need identified through the state's Regional Housing Needs Allocation process. The housing targets -- which include overall numerical targets as well as targets for different income groups -- are devised by the state Department of Housing and Community Development (HCD) and allocated to each regional council of governments. Those targets are then allocated to local governments by the COG. In the case of the six-county Southern California region, including the San Gabriel Valley, this allocation process is supervised by the Southern California Association of Governments (SCAG). Once the local governments have accepted a particular set of housing targets, their Housing Element (an element of the General Plan) must lay out a strategy for meeting those housing targets. HCD then "certifies" these Housing Elements as being in compliance with state law.

During the last RHNA cycle, SCAG granted "delegated authority" to the San Gabriel Valley Council of Governments. This delegation meant that the 31 cities and the county could determine among themselves how the overall RHNA targets for the San Gabriel Valley would be allocated.

The RHNA process engenders considerable resentment among local governments and there is considerable evidence that it does not result in increased housing production. Even though the percentage of localities whose Housing Elements are in compliance with state law has gone up since 1990, statewide housing production was much lower in the 1990s than it was in the 1980s. Furthermore, a recent analysis by the Public Policy Institute of California found no relationship between a valid housing element and increased housing production.

Some similar concerns arise surrounding the availability and use of local public resources for housing. Under state law -- with some exceptions -- 20% of all property tax increment flowing to redevelopment agencies must be set aside for affordable housing. These funds can be used for affordable housing anywhere within a local government's jurisdiction, not just in redevelopment areas. However, it often

takes several years for a small city to accumulate enough funds to cover the costs of a single project, and in some cities virtually no sites are available. In addition, in the case of the City of Industry, which produces more redevelopment housing setaside money than any other city in the San Gabriel Valley, by law these funds are not retained within the valley but instead are used throughout Los Angeles County.

For all these reasons and many others, redevelopment funds are not always used in optimum fashion for housing production within the San Gabriel Valley, and state budget officials often seek to appropriate redevelopment housing setaside funds that have not yet been committed to specific housing projects.

The goal of the Subregional Housing Production Action Strategy is to determine how best to direct available housing resources toward the housing opportunity areas -- and do so in ways that will allow projects to "pencil out" -- so that overall housing production is increased. However, doing so will require at least a pilot program that will permit localities to have more flexibility in transferring both financial resources for housing and RHNA obligations from one jurisdiction to another. Both are constrained under current law.

Although this effort could involve rearranging federal housing funds as well – for example, Community Development Block Grant and HOME funds -- this report will focus primarily on the legal restrictions on the use of housing setaside money under California Redevelopment Law.

5.2. Current Housing Policies: Regional Housing Needs Allocation and Redevelopment Housing Setaside Funds

This section will describe current law and the ability to transfer resources and obligations under both the Housing Element law and the California Redevelopment Law.

The Housing Element law and Regional Housing Needs Allocation process is covered in Government Code Sections 65580-65589.8. Among other things, these code sections require cities and counties to work within the RHNA process to agree on a housing production target for each of several different income groups, and to adopt a Housing Element in the General Plan that lays out a strategy for meeting those targets.

The housing setaside requirements under the California Redevelopment Law are covered by Health & Safety Code Sections 33334.2 et seq. These provisions require all project areas created after 1976 to contribute 20% of the tax increment generated in that project area to a Low and Moderate Income Housing Fund. There are many restrictions on how those funds may be aggregated and used, but generally they must be used to produce affordable housing within the jurisdiction and can be spent outside the redevelopment project area.

State law clearly contemplates a relationship between the housing production targets created in the Housing Element law and the tax increment funds earmarked for the Low and Moderate Income Housing Fund. For example, in order to make a finding that the 20% setaside is not required to serve the community's affordable housing

needs, a jurisdiction's Redevelopment Agency must rely on the Housing Element.

Many proposals have been made over the years to permit transfers of both Housing Element obligations and redevelopment housing setaside funds, and even to link the transfer of both. A few of these proposals have made their way into state law, but in most cases they are specialized, cumbersome, and not part of an overall housing production strategy.

For example, transfer of at least part of a jurisdiction's RHNA obligation is permitted under Government Code Section 65584.5. However, such transfers can be made only if both sending and receiving jurisdictions comply with a long list of requirements. For example, the obligation transferred must be broken down by income group in the same proportion as its overall RHNA obligation. Jurisdictions can be no more than 10 miles apart. And both cities must have Housing Elements that have been declared valid by HCD. Not surprisingly, given this cumbersome process, few such transfers have occurred. In addition, Government Code Section 65584.6 specifically authorizes the City of Napa to transfer up to 15% of its RHNA obligation to Napa County.

The Health and Safety Code permits some similar transfers regarding redevelopment housing setaside money. For example, Health & Safety Code Section 3334.2(2)(a) permits the Contra Costa County Redevelopment Agency to use redevelopment housing setaside funds on certain parcels of land adjacent to the Pleasant Hill BART station that are located inside the City of Walnut Creek.

There is one notable example in which the transfer of RHNA obligations and redevelopment housing setaside funds are linked, and that example does involve the San Gabriel Valley. Government Code Section 65584.3 permits the City of Industry to adopt a Housing Element "that makes no provision for new housing" and transfer all of its redevelopment housing setaside money to the Housing Authority of Los Angeles County. For this reason, the Housing Authority receives more than $11 million a year from the City of Industry, which is used on projects all throughout L.A. County.

5.3. Option for Pilot Program: Valleywide Subregional Housing Production Program

We believe that the potential exists to create a pilot program in the San Gabriel Valley that would provide an alternative method to the RHNA process that could increase housing production by focusing on bringing together available sites and a portion of available financial resources from throughout the Valley, rather than requiring each individual city to expend money separately in hopes of meeting each individual city's RHNA obligations.

The goals of the program would be:

1. To emphasize actual housing production, rather than simply devising housing plans and programs.

2. To view the San Gabriel Valley as a single housing market in which housing production in any city provides benefits for the housing situation in all jurisdictions.

3. To focus housing production on the housing opportunity sites identified through the Subregional Housing Production Action Strategy process.

4. To make transfer of redevelopment housing setaside funds and RHNA obligations simply and easy, so long as those transfers occur in the service of Valleywide housing production goals and the housing goals of each individual city.

We would propose that the San Gabriel Valley Council of Governments serve as the legal vehicle to be used in the service of these goals. The San Gabriel Valley COG is a joint-powers authority of all 31 cities in the Valley, and it has already received delegated authority from the Southern California Association of Governments (SCAG) in the RHNA process, meaning that the COG has great discretion in determining how RHNA obligations are allocated among the cities. Another legal entity could be created if the state and the localities prefer, but the point is that this proposal will require a Valleywide entity that has the support of the state, SCAG, and the localities.

The pilot program would contain several basic components. Virtually all of these components would require legislative change, but these changes could be adopted as a package, specifying that this is a pilot program for the San Gabriel Valley only. These components would include the following:

1. The jurisdictions in the San Gabriel Valley would agree on a jurisdiction-level RHNA allocation as permitted under the directed authority from SCAG.

2. A portion of the redevelopment housing setaside money would be placed in a Valleywide pool. If it were possible to obtain waivers from the federal government, Community Development Block Grant funds and HOME funds could be included in this pool as well. (Obviously, this pool could be set up so that it includes only a portion of the redevelopment, CBDG, and HOME funds as well, with each jurisdiction retaining a portion as well.) The total amount of funds placed in this pool would be determined by the cities through discussions at the COG. Cities would retain most or all of their own housing resources if they so choose.

3. The COG would identify and adopt an undetermined number of "housing opportunity sites" in the Valley, which would be regarded as the Valley's highest priority locations for housing construction. The COG would also adopt minimum standards for all opportunity sites, including density, affordability, and public subsidies, that are consistent with the RHNA and with the Housing Element process.

4. Any jurisdiction could apply to the COG for additional housing from the Valleywide pool -- that is, funds that originated in another community -- *so long as those funds will be used to build housing on one of the "housing opportunity sites" and the projects meet the standards for housing opportunity sites adopted by the COG.*

5. RHNA credit for the housing units produced through this transfer method would be placed back in the Valleywide pool, where they would be

redistributed back to jurisdictions from which the funds came in proportion to the amount of funds each jurisdiction contributed.

We would also propose that this pilot program be implemented for SCAG's 2005-2010 RHNA cycle, after which the state, SCAG, and the localities can assess its effectiveness and determine whether it should be continued or expanded into other geographical areas. The legislation establishing the pilot program would also include a benchmark for housing production against which success of the program could be measured.

In Sections 1 and 2 of this report, we noted that the San Gabriel Valley faces not only a possible shortage of housing capacity but also a possible mismatch. Some cities that have more housing demand may not have land or zoning capacity. Other cities that have less housing demand may have more capacity or financial resources but want to ensure that new projects fit into their community. The policy proposal contained in this section holds the potential to permit cities throughout the Valley to work together on a voluntary basis to match financial resources, RHNA obligations, and appropriate sites in a way that will help meet housing demand.

6. Conclusion: Putting It All Together

The previous sections have all dealt with different "pieces of the puzzle" for increasing housing production in the San Gabriel Valley. But housing production is a complex process involving public and private players who must work together on a variety of tasks to bring new housing projects to fruition. As the Valley moves forward with a housing production strategy, it is important to understand the political, economic, and geographical realities involved in doing so. These realities may require Valley communities -- and the Valley as a whole -- to confront difficult tradeoffs in producing housing. Our research and analysis on this project provides the basis for the following conclusions:

First, *there are insufficient available sites to accommodate housing in the San Gabriel Valley -- at least in theory.*

We found capacity for 52,000 units in current city General Plans, compared with a projected demand for somewhere between 50,000 and 110,000 units for the. The SCAG 2004 RTP Housing Demand Projections for 2030, indicate a demand as Other research suggests that actual housing projects are usually built at something less than 100% of General Plan capacity for a variety of reasons. And, of course, just because capacity exists in the General Plan does not mean all private landowners will be motivated to maximize their density. It seems likely that the actual on-the-ground situation in 2030 will yield even fewer than units.

Building the necessary housing may require Valley cities not only to plan for more housing, but also make difficult choices in approving projects close to the theoretical General Plan capacity. The opportunity exists to provide several thousand more units by redesignating non-residential parcels for residential use, but such actions must be taken voluntarily by each city in a way that protects existing neighborhoods. important in closing the large projected deficit in some of the Valley's subregions.

Second, *there is a great deal of funding available for housing in the Valley, but how much housing will be produced depends on important strategic decisions.*

We estimate that by 2013 the Valley will have $80 million per year available for housing, including the City of Industry funds. This is a large sum. However, it is fair to assume that a larger percentage of it is already committed by the cities to their own projects. Furthermore, as the pro-forma analyses reveal, the extent to which these funds can help stimulate housing production -- especially affordable housing production -- depends in large part on what type of housing Valley cities focus on in expending the money. The funds could be used to help create a large amount of lightly subsidized housing or a small amount of heavily subsidized housing.

Third, *using best practices to build affordable housing projects may require tradeoffs between quality and density.*

The most successful affordable housing projects appear to be those that sought to integrate themselves seamlessly into surrounding neighborhoods and in many cases this has meant moving to lower densities (and higher subsidies) in order to achieve

this goal. This approach may increase the likelihood that individual affordable projects will be built but decrease the overall (theoretical) amount of housing construction.

Finally, *putting it all together will require policy change.*

At present, state policies make it very difficult for a subregion such as the San Gabriel Valley to match up sites, funding, and best practices. In particular, the redevelopment housing setaside law and the Regional Housing Needs Allocation law should be reformed and streamlined to permit more flexibility for a subregion in making this match.

Appendix A: Financial Resources Methodology

Table A.1 presents CDBG funds received by San Gabriel Valley cities that qualified for direct formula allocation from HUD during 1993 through 2013. Of the total 31 member cities, 10 receive direct formula allocation from HUD. Rosemead and Glendora qualified for direct funding from HUD only in 1994 and 1997 respectively. The cities of Diamond Bar and Arcadia receive funds through the LACDC even though their populations exceed 50,000. This table does not show CDBG funding to Los Angeles County unincorporated areas located in the San Gabriel Valley as disaggregated data was not available from HUD. The 10 cities receive approximately $19.1 million in CDBG funds based on 2003 estimates.

Table A.1 CDBG Funds To Qualifying Cities: 1993 to 2003

	(in constant 2003 $Dollars)				
	1993	1998	2003	'93-'03	'98-'03
ALHAMBRA	1,682,482	2,119,865	1,724,110	0.2%	-4.0%
BALDWIN PARK	1,811,315	2,045,325	1,830,705	0.1%	-2.2%
EL MONTE	3,520,585	3,848,961	3,354,891	-0.5%	-2.7%
GLENDORA CITY	-	487,896	425,927		-2.7%
MONTEBELLO	1,387,825	1,489,665	1,311,207	-0.6%	-2.5%
MONTEREY PARK	1,443,950	1,653,427	1,211,149	-1.7%	-6.0%
PASADENA	2,864,939	2,822,346	2,836,312	-0.1%	0.1%
POMONA	3,057,551	3,602,754	3,528,503	1.4%	-0.4%
ROSEMEAD	-	1,701,991	1,422,520		-3.5%
WEST COVINA	1,234,756	1,528,065	1,488,434	1.9%	-0.5%
Total	17,003,403	21,300,296	19,133,758	1.2%	-2.1%

Source: U.S. Department of Housing and Urban Development.

CDBG funding grew at an annual compounded rate of 3.7 percent during the 1993-2003 period which, after adjusting for inflation, is 1.2 percent. CDBG funds to the 10 cities peaked in 1995 and have gradually declined since. Figure A.1 shows an extrapolated 'trendline' of growth for both actual and inflation adjusted CDBG funds. Once adjusted for inflation, we see that CDBG funding remained relatively flat. In fact, during the last five years (1998-2003), CDBG funding actually show a modest decline.

Table A.2 presents CDBG funding to cities channeled through the LACDC. As the LACDC was not able to provide historic data, this table presents a snapshot of 2003-2004 allocation, extracted from the LACDC's annual action plan. By going through the current LACDC action plan on a city by city and project by project basis we estimated the share of funds that are allocated for housing related projects at 38.6 percent ($2.51 million of $6.51 million total).

Figure A.1 Estimated CDBG Funds to Qualified SGVCOG Cities Directly from HUD

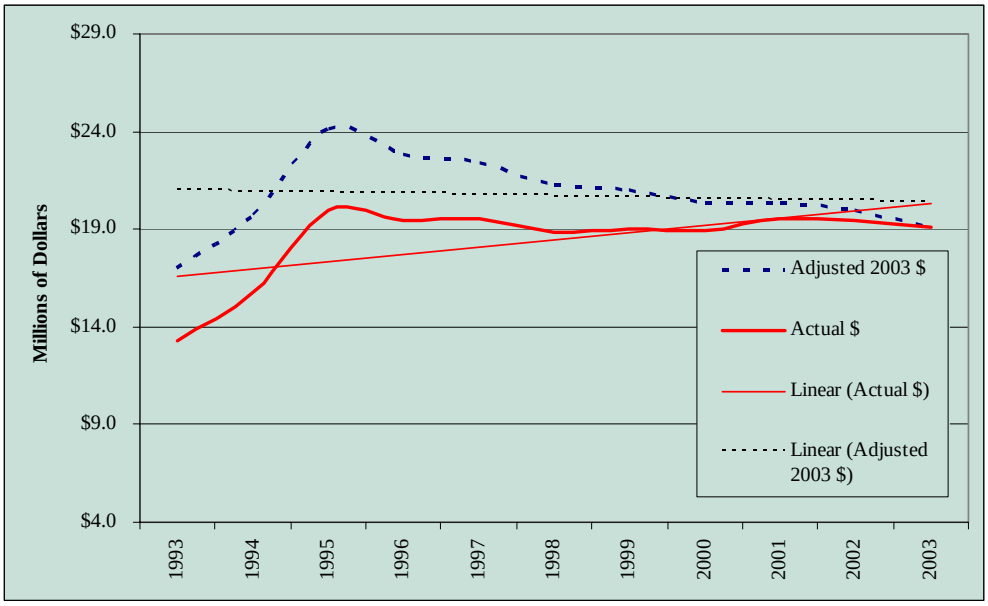


Table A.2 CDBG Funds Dedicated to Housing through LACDC: 2003/04

City	Total CDBG Funds	CDBG Funds Related to Housing	% Share of Housing Related Funds
Arcadia	498,032	300,027	60.2%
Azusa	750,978	309,700	41.2%
Bradbury City	-	-	0.0%
Claremont	259,173	104,848	40.5%
Covina	542,462	100,000	18.4%
Diamond Bar	447,240	125,000	27.9%
Duarte	256,542	160,000	62.4%
Irwindale	21,834	-	0.0%
La Canada-Flintridge	128,313	-	0.0%
La Puente	728,777	319,112	43.8%
La Verne	209,460	60,000	28.6%
Monrovia	467,231	195,000	41.7%
San Dimas	259,115	222,230	85.8%
San Gabriel	610,546	-	0.0%
San Marino	84,311	120,000	142.3%
Sierra Madre	60,029	20,000	33.3%
South El Monte	398,377	-	0.0%
South Pasadena	186,243	85,000	45.6%
Temple City	363,478	250,000	68.8%
Walnut	238,010	141,811	59.6%
TOTAL	6,510,151	2,512,728	38.6%

Table A.3 and Figure A.2 present HOME funds received during the 1993-2003 period for eight jurisdictions, approximately $6.19 million in 2003. After adjusting for inflation, HOME funds grew at an annual rate of 7.6 percent during the 1993-2003 period. However, inflation adjusted HOME funding growth between 1998-2003 in the 8 participating cities was only 0.5 percent. We requested LACDC HOME funding data for the remaining participating communities and unincorporated areas, but the data were not provided before this project ended. We estimate that the total amount of funding including LACDC HOME funds would be twice that of the 8 cities where we have data, about $12 million, but we cannot verify that estimate. The current dataset, however, provides a fair benchmark of growth and how future years will not see increases similar to those of the early 1990s.

Table A.3 HOME Funds obtained Directly from HUD: 1993 - 2003

	(in constant 2003 $Dollars)				
	1993	1998	2003	93-'03	98-'03
ALHAMBRA	507,678	760,079	899,584	5.9%	3.4%
BALDWIN PARK	-	449,497	562,492		4.6%
EL MONTE	803,612	1,088,732	1,586,851	7.0%	7.8%
MONTEBELLO	-	528,555	573,561		1.6%
MONTEREY PARK	-	489,026	527,273		1.5%
PASADENA	1,011,530	1,211,835	1,357,427	3.0%	2.3%
POMONA	658,196	993,863	112,000	-16.2%	-35.4%
ROSEMEAD	-	527,425	572,554		1.7%
Total	2,981,017	6,049,013	6,191,742	7.6%	0.5%

Figure A.2 HOME Funds obtained Directly from HUD: 1993 - 2003

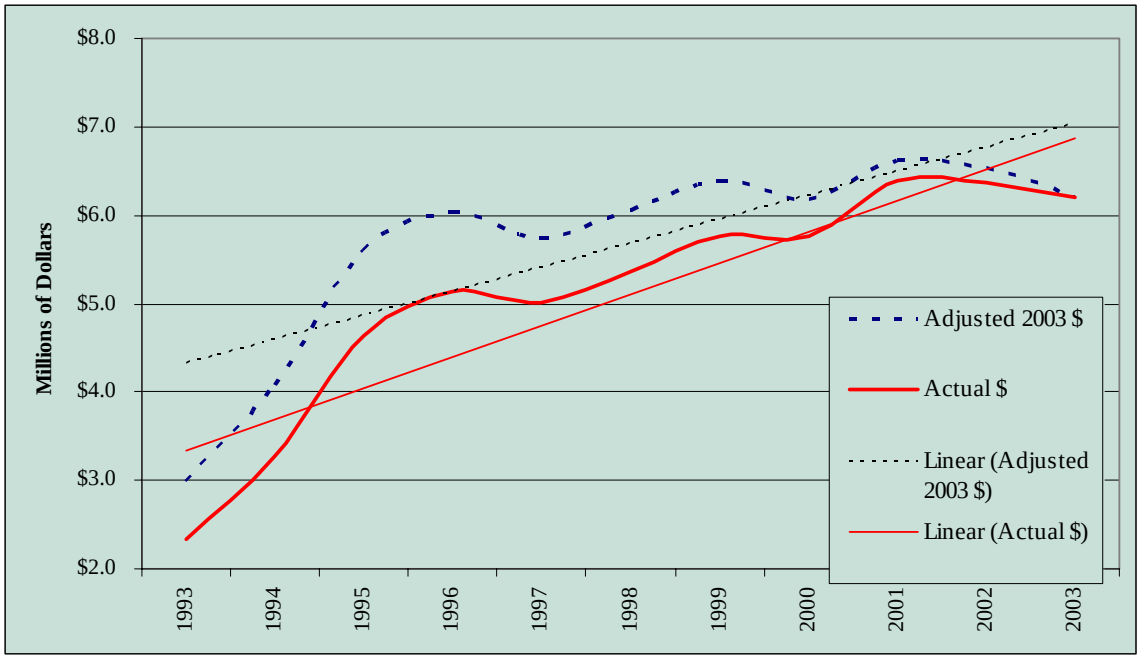


Table A.4 RDA Project Area Total Tax Increment and Contribution to Low/Moderate Income Housing Fund: 1998 to 2002

	FY 1998/1999		FY 2001/2002		Annual Change	
City	100% of Gross Project Area Tax Increment	Tax Increment Allocated to Housing Fund	100% of Gross Project Area Tax Increment	Tax Increment Allocated to Housing Fund	Tax Increment FY'98/'99-FY'01/'02	Housing Fund Allocation FY'98/'99-FY'01/'02
Alhambra	6,560,326	1,315,750	6,921,706	1,411,398	1.8%	2.4%
Arcadia	2,924,738	584,947	2,709,541	541,908	-2.5%	-2.5%
Azusa	4,150,771	830,154	4,888,188	977,638	5.6%	5.6%
Baldwin Park	5,337,874	1,165,292	4,289,340	857,868	-7.0%	-9.7%
Claremont	1,806,335	361,267	1,474,299	294,860	-6.5%	-6.5%
Covina	5,444,125	1,088,825	6,366,685	1,275,791	5.4%	5.4%
Duarte	5,057,102	1,011,421	5,354,568	1,070,913	1.9%	1.9%
El Monte	2,108,435	421,686	2,470,337	494,067	5.4%	5.4%
Glendora	4,098,340	821,552	4,371,210	874,249	2.2%	2.1%
Irwindale	12,003,411	2,400,681	11,698,061	2,339,612	-0.9%	-0.9%
La Verne	4,432,280	886,456	5,594,900	1,118,980	8.1%	8.1%
Monrovia	5,611,131	1,102,878	4,956,940	1,156,397	-4.0%	1.6%
Montebello	10,548,042	2,299,607	10,190,598	2,459,917	-1.1%	2.3%
Monterey Park	4,506,044	946,268	5,938,468	1,336,156	9.6%	12.2%
Pasadena	15,549,203	2,038,835	15,702,438	2,010,576	0.3%	-0.5%
Pomona	16,704,532	3,430,810	17,657,262	3,467,226	1.9%	0.4%
Rosemead	3,998,193	799,639	3,991,577	798,315	-0.1%	-0.1%
San Dimas	2,979,102	595,820	3,410,796	682,159	4.6%	4.6%
San Gabriel	0	0	217,070	43,414	n.a.	n.a.
Sierra Madre	738,491	147,698	835,151	167,030	4.2%	4.2%
South El Monte	884,683	164,031	1,194,289	238,858	10.5%	13.3%
South Pasadena	398,956	79,791	442,445	88,489	3.5%	3.5%
Temple City	0	128,851	716,605	143,321	n.a.	3.6%
Walnut	4,378,625	903,512	4,138,560	830,351	-1.9%	-2.8%
West Covina	8,857,075	1,532,152	10,745,310	2,449,658	6.7%	16.9%
TOTAL	129,077,816	25,057,923	136,276,343	27,129,150	1.8%	2.7%
City of Industry	53,018,217	10,603,644	66,582,551	13,316,510	7.9%	7.9%
Total w/City of Industry						

Table A.5 2013 CBDG Housing-Related Funding Projections.

Moderate Growth Scenario - Growth Rate = 1.2 %[1]

Thousands of 2003 Dollars

Cities	2003[2]	2008	2013	Cumulative	
Direct HUD Funds	7,385	7,839	8,321	86.29	Million
Funds Through LACDC	2,513	2,667	2,831	29.36	Million
TOTAL	9,898	10,506	11,152	116	Million

Low Growth Scenario - Growth Rate = 0.85 %[3]

Cities	2003[2]	2008	2013	Cumulative	
Direct HUD Funds	7,385	7,704	8,037	84.78	Million
Funds Through LACDC	2,513	2,621	2,735	28.85	Million
TOTAL	9,898	10,326	10,772	114	Million

High Growth Scenario - Growth Rate = 2.0 %[3]

Cities	2003[2]	2008	2013	Cumulative	
Direct HUD Funds	7,385	8,154	9,002	89.87	Million
Funds Through LACDC	2,513	2,774	3,063	30.58	Million
TOTAL	9,898	10,928	12,065	120	Million

[1]Based on 1993-2003 inflation adjusted growth trend estimates

[2]ERA estimates based on HUD and LACDC data

[3]ERA Estimates

If we assume a Low growth scenario of 0.50 percent and a High growth scenario of 4.0 percent cumulative 10-year total HOME funding ranges from approximately $70 million to $84 million during the 2003-2013 period. As in the case of CDBG funds, additional cities may qualify and opt to participate in the program directly through HUD during this 10-year period. And, these projection do not include Los Angeles County HOME funds that are being used in the unincorporated areas.

Table A.6 2013 HOME Funding Projections

Moderate Growth Scenario - Growth Rate = 2.0 %[1]

Thousands of 2003 Dollars

Cities	2003[2]	2008	2013	Cumulative
Direct HUD Funds[3]	6,192	6,836	7,548	75 Million
Funds Through LACDC[4]	0	0	0	0 Million
TOTAL	6,192	6,836	7,548	75 Million

Low Growth Scenario - Growth Rate = 0.50 %[5]

Cities	2003[2]	2,008	2,013	Cumulative
Direct HUD Funds[3]	6,192	6,348	6,508	70 Million
Funds Through LACDC[4]	0	0	0	0 Million
TOTAL	6,192	6,348	6,508	70 Million

High Growth Scenario - Growth Rate = 4.0 %[5]

Cities	2003[2]	2,008	2,013	Cumulative
Direct HUD Funds[3]	6,192	7,533	9,165	84 Million
Funds Through LACDC[4]	0	0	0	0 Million
TOTAL	6,192	7,533	9,165	84 Million

[1]Based on 1993-2003 inflation adjusted growth trends and ERA estimates

[b]Actuals

[3]Only includes eight communities

[4]ERA is awaiting data from LACDC

[5]ERA Estimates

Table A.7 2013 Redevelopment Funding Projections

Moderate Growth Scenario

Thousands of 2003 Dollars

Cities	Growth Rate[1]	2003	2008	2013	Cumulative	
Expiring after 2013	1.8%	118,685	129,921	142,220	1,431	Million
Expiring before 2013	1.8%	22,612	23,939	0	188	Million
City of Industry RDA	7.9%	77,503	113,295	165,616	1,282	Million
Total Tax Increment		218,800	267,154	307,835	3,315	Million
20% Housing Set Aside						
Expiring after 2013		23,737	25,984	28,444	286	Million
Expiring before 2013		4,522	4,788	0	38	Million
City of Industry RDA		15,501	22,659	33,123	256	Million
Allocated For Housing		43,760	53,431	61,567	663	Million

Low Growth Scenario

Cities	Growth Rate[3]	2,003	2,008	2,013	Cumulative	
Expiring after 2013	1.5%	117,928	127,042	136,860	1,399	Million
Expiring before 2013	1.5%	22,467	23,408	0	185	Million
City of Industry RDA	4.0%	72,016	87,618	106,601	971	Million
Total Tax Increment		212,411	238,068	243,461	2,965	Million
20% Housing Set Aside						
Expiring after 2013		23,586	25,408	27,372	280	Million
Expiring before 2013		4,493	4,682	0	37	Million
City of Industry RDA		14,403	17,524	21,320	194	Million
Allocated For Housing		42,482	47,614	48,692	593	Million

High Growth Scenario

Cities	Growth Rate[3]	2,003	2,008	2,013	Cumulative	
Expiring after 2013	4.0%	123,809	150,632	183,267	1,670	Million
Expiring before 2013	4.0%	23,588	27,755	0	211	Million
City of Industry RDA	10.0%	80,565	129,751	208,965	1,493	Million
Total Tax Increment		227,961	308,138	392,232	3,792	Million
20% Housing Set Aside						
Expiring after 2013		24,762	30,126	36,653	334	Million
Expiring before 2013		4,718	5,551	0	42	Million
City of Industry RDA		16,113	25,950	41,793	299	Million
Allocated For Housing		45,592	61,628	78,446	758	Million

[1]Based on Actual Growth during the 1998-2001 period

[2]Actuals

[3]ERA Estimates

Source: Economics Research Associates and California Redevelopment Agencies' Activities Reports