



## Dreams of Home

Author: P. Joseph Potocki  
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### Making home ownership a reality for the North Bay's workforce.

Truly affordable housing may be our most immediately pressing North Bay challenge. Just how do we finance, build and provide housing for an ever-growing workforce?

According to the California Building Industry Association, California has the least affordable housing in the nation. It estimates that "during the third quarter of 2007, nine of the 10 least-affordable communities in the nation were located in California, as were 26 of the bottom 33. Napa County saw a significant decrease in affordability, overtaking Los Angeles County as the nation's least affordable market—only 3.3 percent of homes sold were affordable to a median-income family there.

Sonoma County, while not in the bottom 10 (for now) is cited in the third-quarter National Association of Home Builders/Wells Fargo Housing Opportunity Index for its out-of-bounds housing. The index states no more than 10 percent of median income-earning families in the Santa Rosa/Petaluma metropolitan area can afford to purchase a home. And with Marin County being one of the most expensive places to live in the country, its challenges are unique to say the least.

And if a median income-earning family can't afford to buy the roof over their heads, what about those earning less than that?

This issue cuts to the very heart of the American dream. To own a home isn't only a practical necessity for establishing and maintaining community stability, but it's long been portrayed in American lore as a cornerstone to our country's inherent decency. Take, for example, Jimmy Stewart's character in "It's a Wonderful Life." Without his family's "broken down building and loan," where would this classic movie be placed in our pantheon of most beloved motion pictures? The answer, of course, is: It wouldn't.

So, just what do we mean when we call something "affordable"? Conventional wisdom dictates that a buyer (or, for that matter, a renter) should pay no more than 28 to 35 percent of his or her gross income on housing. OK, so say you're making the median four-member household income for the Napa metro area—\$75,800. No more than about 30 percent of your gross income—that's \$1,900 per month—should be spent to house your family. And yet, were your family to earn this amount of money, your chances of purchasing a fair-market home in the Napa metropolitan area would be less than 4 percent!

### Nesting in Napa

Kathleen Dreessen, formerly a regular contributor and columnist for NorthBay biz, is the executive director of Napa Valley Community Housing (NVCH). It's a nonprofit organization that was established in 1996 when two smaller Napa housing organizations merged. NVCH currently manages 440 affordable rental units and has more than 300 affordable apartments in pre-development. Its real estate portfolio is slightly more than \$50 million. It also owns, manages and maintains 22 properties, which it built throughout Napa Valley on a 2006 budget just shy of \$1.5 million. Dreessen is well aware of the problem working families in Napa face.

"The median household income in the county is \$75,800," she says. "But if someone were going to buy a house, the first-time buyer has to earn at least \$149,000 to afford a median-priced home, which is \$524,000."

But even when resources are raised to build and maintain affordable housing stock, organizations like NVCH face common myths surrounding their efforts. "I think people have a misconception about what affordable housing looks like," says Dreessen. "They think it looks like something they see on TV in New York or Chicago, and that's not the case. Affordable housing has to be built very well, because it's meant to be affordable housing in perpetuity. So only the best designs are used. Only the best materials are used. They're very upscale designs. They fit with the rest of the neighborhood. The neighbors where we've built have been pleasantly surprised by how attractive the buildings are."

One of the more high-profile projects NVCH is working on is with world-renowned chef and restaurateur Thomas

Keller, who hopes to build a 20-room inn near his restaurants, French Laundry, Bouchon and Ad Hoc in Yountville. To fulfill the town's affordable housing obligations and Keller's inclusionary affordable housing requirements needed for him to build the inn, 11 affordable rental units are to be built behind Ad Hoc; this component of the project will be called Washington Gardens. "Thomas Keller has leased us the land," says Dreessen, "They'll be one-bedroom flats and three-bedroom townhouses."

Dreessen cites other local backers who've stepped to the plate in support of her organization's efforts. She's especially appreciative of fundraising efforts by Auction Napa Valley, from the Napa Valley Vintners. "We've been lucky enough to get a grant from them the last few years, and that's really helped a lot."

### **Making the mortgage in Marin**

The Marin Community Foundation is the nation's seventh-largest community foundation, with assets totaling \$1.2 billion. In existence for more than 20 years, during its 2007 fiscal year, MCF provided more than \$60 million in grants to charitable organizations in Marin, elsewhere in the United States and around the world. During its two decades of gift giving, MCF has given \$35 million in grants and loans to various affordable housing projects. Some of the top nonprofit affordable housing developers it's funded include nonprofit developers EAH, Citizens Housing and Bridge Housing. In addition to these, MCF President/CEO, Dr. Thomas Peters, adds, "We have a cadre of banks and major employers like AutoDesk, Sutter and Kaiser Hospitals, and the County of Marin who've joined together with us." Over that time, MCF funding has contributed to the building or renovation of more than 2,500 affordable apartments and homes in Marin County. In January, MCF contributed \$1 million to the Marin Workforce Housing Trust (MWHT) and its current funding project for workforce housing development in Marin, bringing MWHT closer to its total goal of \$6 million.

Dr. Peters recognizes that Marin County faces some unique challenges in dealing with its affordable housing situation. "I can tell you for sure we're a community that's both blessed and challenged by these housing statistics. Our county's median home price, just for a two-bedroom one-and-a-half-bath, which probably needs a little love and care is—well, it peaked at more than \$1 million a few months ago. It's just completely off the chart for most people in the area. And that translates into pressure on rental or starter housing.

"The other factor is that about 85 percent of the land mass of Marin County is either national park, state park or designated open space. So, it's sort of a perfect storm of factors. But we're convinced there are opportunities ahead to find a balance point and develop additional affordable housing units throughout this county."

One of the front-burner issues in Marin County is concern for the environment, and the balance between protecting it and providing needed new development. According to Dr. Peters, "The question is how to have a reasonable amount of development—and certainly housing development—for people who live in or want to work in the area, but do so in an environmentally sensitive way that takes into account all the various issues of footprint and impact, view-lines and such. We strive to balance those without getting drawn into a false dichotomy, which is, either you're going to build an appropriate amount of housing for the jobs that are in your community, or you're going to protect the environment.

"We reject that false dichotomy, and look for the balance point. Has that worked? Yes, it definitely has. I argue that the successful affordable housing projects we've supported all around the community, whether it be in Larkspur or Corte Madera or out in West Marin in Pt. Reyes Station—that the success of those projects is testimony to the fact that they, while each has unique features, are finding that balance."

Asked what he felt was the most fundamental argument for providing affordable housing to Marin County workers who can't presently afford to live in the county, Peters says, "Increasingly, America is becoming the land of ironies and disparities. That's a matter of very fundamental concern to us. Sometimes it's expressed in the topic of affordable housing, sometimes it's expressed in the disparities of educational achievement of youngsters, and sometimes it's expressed in other ways, but you're hitting on a very core value. I'm a retired public health doctor, so I'll put it in terms of biology. Nature is very, very clear. One of its most basic principles, whether you're talking cellular structure or community structure, is the more diverse it is, the more viable and strong it is."

### **Selling in Sonoma County**

An affordable workforce development has recently been built east of Highway 101 in Petaluma. Frates Square Homes, part of the larger, 242-home Southgate development, was built by for-profit Delco Builders in partnership with the city of Petaluma and the Housing Land Trust of Sonoma County (HLTSC). The 26 workforce homes range in approximate price from \$250,000 to \$350,000, depending on household income. To get an idea of the interest in this project, one need only note it received more than 100 applications to buy during spring and summer of 2007. To qualify, buyers must earn between 80 percent and 120 percent of the area's median income. For a family of four, Petaluma area median income is about \$75,100. So to qualify, a potential borrower must make at least \$59,600 for a family of four.

Dev Goetschius is the executive director of Housing Land Trust of Sonoma County. Regarding the workforce housing portion of Delco's Southgate development, she says, "We hold the land in trust, and it's our job to work with the city and the developer to create homeownership opportunities for people who can then both live and work in the same community. We believe in working with for-profit and nonprofit developers. We also believe in working with the local

jurisdictions, and that partnerships are the key to success.”

When asked to whom their efforts are aimed, Goetschius says, “The superintendent of schools told the city council she couldn’t hire principals for Petaluma, because they looked at home prices and said they couldn’t afford to live here. So if we can be a part of the partnership that makes it possible to recruit and maintain [employees] and develop affordable housing opportunities for all income-levels, and, in particular, the workforce—I think that would be a wonderful thing.”

HLTSC has previously partnered with Habitat for Humanity and The Housing Company, a for-profit developer, to create the Kali subdivision in Santa Rosa. Goetschius proudly states, “We really made that happen. We have families there that all live in the same model homes. Ten lots, one subdivision, but the incomes and the diversity—the socio-economic diversity—is there. It ranges from 30 to 35 percent of area median income, all the way up to 120 percent.”

Amy Lemmer of Habitat for Humanity Sonoma County, points out how teaming up with her organization in developing affordable housing benefits the local business community: “Habitat for Humanity has the same brand recognition as Starbucks. I think partnering with our organization leverages that brand recognition. We’ve been around more than 30 years and have a reputation for doing good work, so we’re a reliable organization to support. I’d also say that the health and well-being of workers is important to any employer. So, to support Habitat for Humanity is to support workforce housing. It gives people a sense that there really is something they can do in an area that can seem so daunting.”

Unlike workforce housing projects like Petaluma’s Frates Square in Southgate, which is a public/private project structured to provide homes for median-income earners, Habitat, according to Lemmer, works, “with people who make 50 percent of the median income or below. So that’s \$37,500. We’re talking about EMTs, security guards, grocery store clerks, nurses aids, dental assistants, vineyard managers, high school teachers, even bank tellers. The problem is, to keep their mortgages at a third of their income, their mortgage payment can only be \$600 to \$700 per month.”

### Private proponents

While nonprofits spearhead many of Sonoma County’s affordable housing projects, there are also purely private firms chipping in with affordable housing projects. One such firm is Hugh Futrell Corporation (see “A Place in the Sun,” Sept. 2007), which doesn’t collaborate with nonprofits. Instead, it develops, owns and manages each of its affordable housing rental properties. It develops commercial, residential and mixed-use properties, offering both market rate and lower-income rentals. Over the course of three decades, Futrell has completed more than 25 affordable housing projects, including 15 low- or moderate-income projects. One of its latest is North Village in Santa Rosa. It’s a two-phase project that will eventually include a total of 32 lower-income rental units.

One of the most intriguing Futrell projects is the proposed Art House, which would include 14 moderate-income market rate condos and 7 lower-income rentals, a total of 21 units, that will be set aside for artists and art professionals. The ground floor of the building will house a gallery and a café. Hedgepath and Associates is the architect.

Regarding affordable housing in the North Bay, company CEO Hugh Futrell tells us, “We know that, in general, housing in the North Bay is too expensive for the workforce. Part of what we do is develop projects that can be sold to moderate-income home buyers. We also build and retain lower-income rental units. The lower income units at North Village are an example of that. Other examples include our lower-income downtown Santa Rosa project called Beaver Street Apartments. We also are pro bono consultants to Santa Rosa City Schools for development of the Fir Ridge teacher-housing project, the nation’s first K-12 teacher workforce project of its kind.

“We were the first company to introduce low-income duplexes into a standard subdivision in the City of Santa Rosa. That was a project called Rincon Meadows, way back in 1984. In the case of North Village, you can rent a three-bedroom duplex unit for a little bit over \$900. Folks have to be certified as being lower income, which, in this case, is 60 percent or less of the median income.”

### Finding funding

The Sonoma County Community Development Commission is charged with administering much of the federal, state and local government funds dispersed to provide affordable housing in the county. It doles out financial resources from the federal HOME Investment Partnership Program (HOME) and the Community Development Block Grants (CDBG). In addition, it administers local funds from the County of Sonoma and federal subsidies earmarked for rental assistance programs from HUD.

Bob Branson is a community development associate with the commission. In terms of who gets the money, Branson says the local elephant in the room is the high-profile Burbank Housing. “It’s the largest nonprofit builder in the North Bay. It does most affordable housing projects we get involved with.” Branson adds, “We do work with for-profit developers using either the HOME funds or our County Fund for Housing (CFH). Only nonprofits can use CDBG funds. But the HOME and CFH funds can be used by either nonprofit or for-profit developers.”

The issue of affordable housing in the North Bay is complex, if not labyrinthine. It involves current economic realities both locally and nationwide, competing social and economic philosophies, pro-growth and pro-preservation pressures, environmental concerns, occupational wages, family issues and just plain money.

Subprime loans have wreaked wave upon wave of North Bay home foreclosures, particularly to those at the lower end of the market. Lending money has tightened. With so many priced out of the buying market here, many expect pressures to grow on rentals. To make matters worse, what's considered affordable elsewhere in the country isn't affordable here, and while the "Prestige Home Index" (those homes selling for \$2 million or more) is still rising, the opposite holds true for lesser-priced homes. What this all adds up to remains to be seen, but I think we can all agree that 2007 witnessed a significant page turned in the saga of North Bay affordable housing. What we don't yet know is how this story will end.

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