
San Joaquin County Affordable Housing Needs Assessment

Technical Memo | December 23, 2022

San Joaquin Council of Governments



HR&A

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01

Study

Introduction

Study Introduction

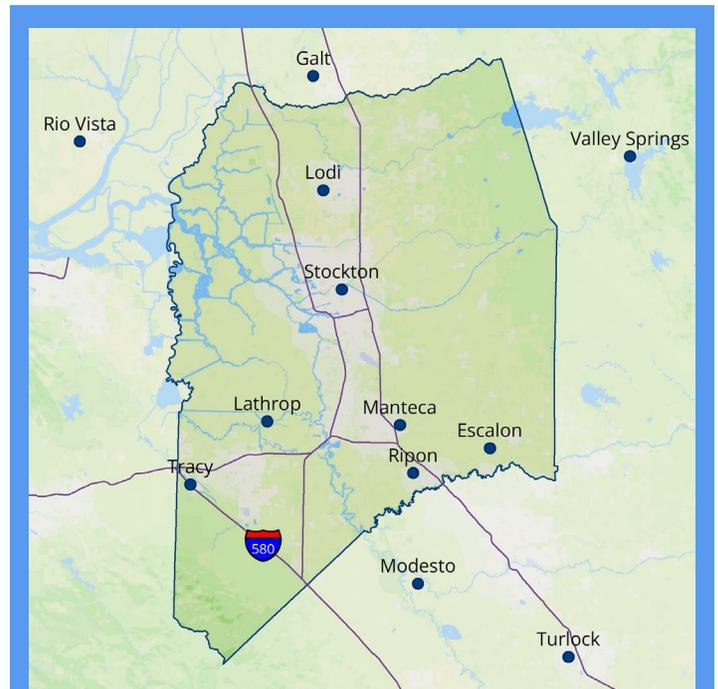
Introduction

A secure and affordable home is the bedrock of a thriving community. When families have a safe, affordable place to live, kids learn better, health and well-being improves, and businesses thrive. But for far too long, San Joaquin County's housing shortage has hampered the County's ability to achieve these outcomes.

In San Joaquin County, more than 56 percent of lower-income residents are housing-cost burdened. Residents impacted by rising rents and increasingly out-of-reach homeownership opportunities seemingly have nowhere to turn, given the lack of decent quality affordable housing options. Families must choose between paying rent, utilities, food and other basic living expenses.

Further, according to a study conducted by the San Joaquin Council of Governments (SJCOG), many San Joaquin County residents are at risk of displacement, which is when a household is forced to move due to circumstances beyond the households' reasonable ability to control or prevent.¹ Residents most vulnerable to displacement include renters, seniors, disabled and low-income residents.

The County's housing crisis is exacerbating longstanding racial inequities and threatening the region's social and cultural vitality.



San Joaquin County is located in Northern California's Central Valley just east of the San Francisco Bay Area region. One of the smaller counties by area in California, it has a high population density and is growing rapidly due to overflow from the Bay Area's need for housing. **Stockton** is San Joaquin's county seat, but other major jurisdictions include **Lathrop, Lodi, Manteca, Escalon, Ripon** and **Tracy**.

Study Introduction

Impetus for Study

Establishing a Regional Housing Trust Fund was identified among regional housing stakeholders as a much-needed financing tool to support housing production, particularly at the levels of affordability currently in short supply across the County. For San Joaquin County, a Regional Housing Trust Fund would establish a new dedicated funding source for local affordable housing needs.

Few jurisdictions in the County allocate general fund dollars or other discretionary resources to support the development of affordable housing. A trust fund for affordable housing will help fill financial gaps to make affordable housing projects viable, allow affordable housing developers and local governments to leverage matching state and federal funding, and support the expansion of affordable housing developers committed to building in San Joaquin County.

Needs Assessment

This Affordable Housing Needs Assessment report is the first part of a housing study prepared by HR&A Advisors for SJCOG. It measures, quantifies, and qualifies the need for affordable housing within the County,

quantifies the need to preserve and construct housing units appropriate to meet the needs of County residents now and in the future, which will help guide investment decisions in the development of a Regional Housing Trust Fund serving San Joaquin County.

Overview of the Memo

The following memo examines the housing needs in San Joaquin County. The first section looks at overall population trends that are driving demand for housing. Then it examines the basic contours of the housing market revealing that housing prices are increasing more rapidly than incomes. This reveals a large affordable housing gap with a majority of households experiencing housing cost burdens. This leads to an estimate of the costs to fill the housing gap. Given this context, the memo then reviews feedback and priorities from the advisory committee formed by SJCOG to advise this study. There is a clear demand for increased sources of funding for new construction in the County. Finally, the memo suggests next steps for continuing to move forward with creating a regional housing trust fund.



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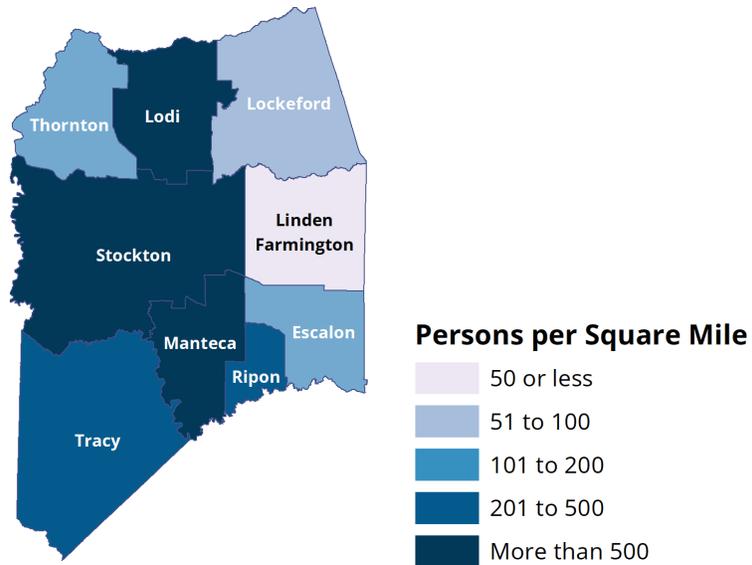
Population &

Housing Conditions

Population Trends

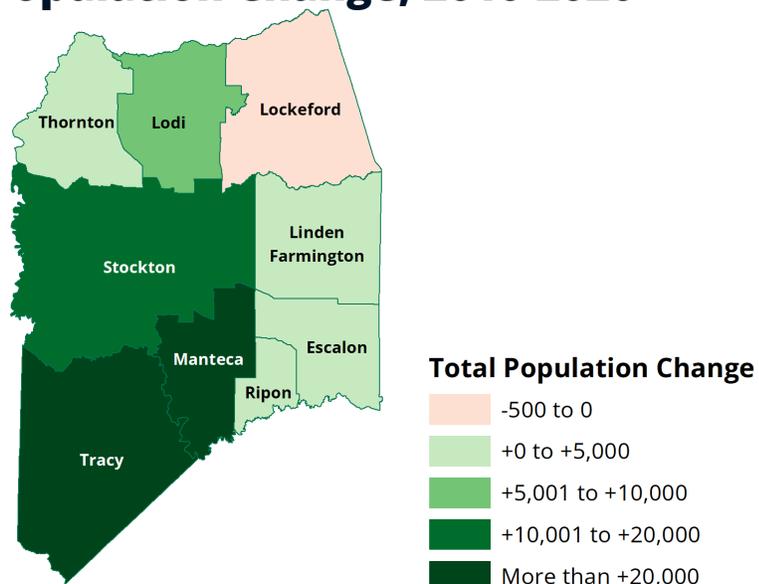
The average population density of San Joaquin County was 550 persons per square mile in 2020. Manteca has the highest average density in the County of over 1,000 persons per square mile. The highest density population runs from Lodi, through Stockton down to Manteca. Note that Stockton still has the highest population density in the downtown areas of the municipality.

Population Density in San Joaquin County, 2020



San Joaquin County's population growth has been increasing at an annual rate of 1.3% since 2010, which greatly exceeds both California (0.5%), and the United States overall (0.6%). The total county population also grew significantly, from 674,000 residents in 2010 to 752,000 in 2020. The following map shows that Tracy and Manteca saw the largest increase followed by Stockton. Meanwhile, Lockeford actually saw a decrease in population.

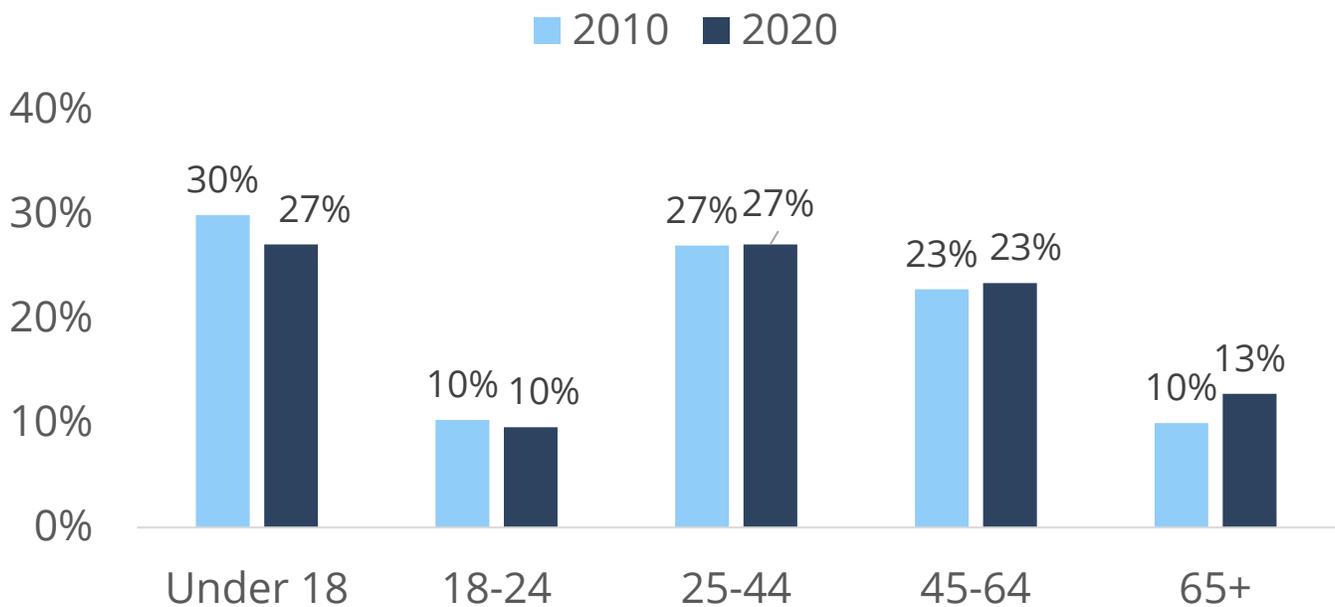
Percent Population Change, 2010-2020



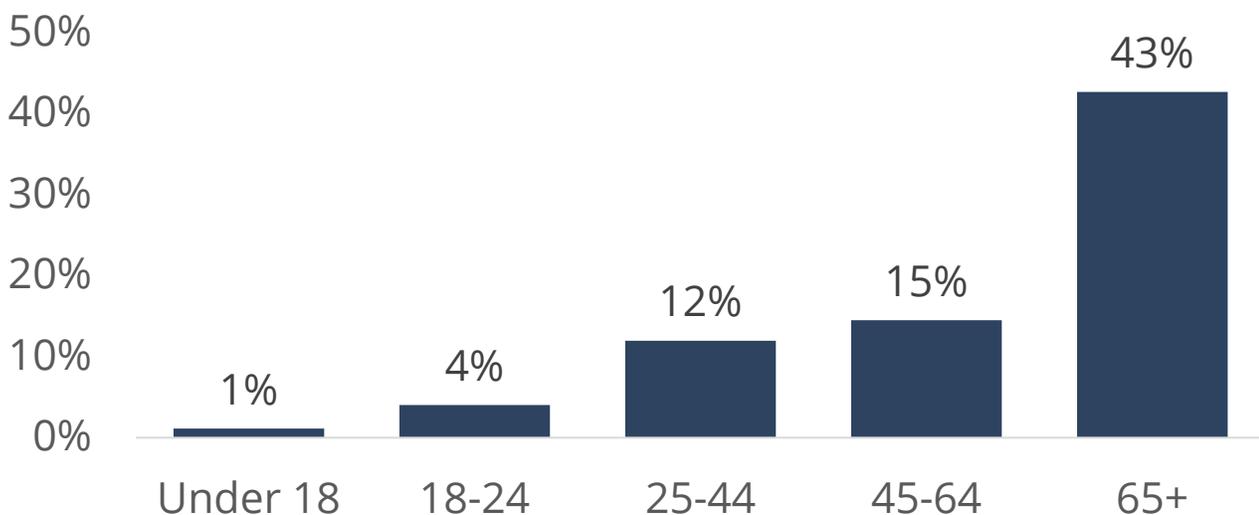
Age Distribution

Much like the rest of the country, San Joaquin County's population is aging. There was a 43% increase in the number of residents aged 65 and over. Nonetheless, more than half the population is working age between 18 and 64.

Age Distribution in San Joaquin County, 2010 and 2020



Percent Change in Population by Age Since 2010

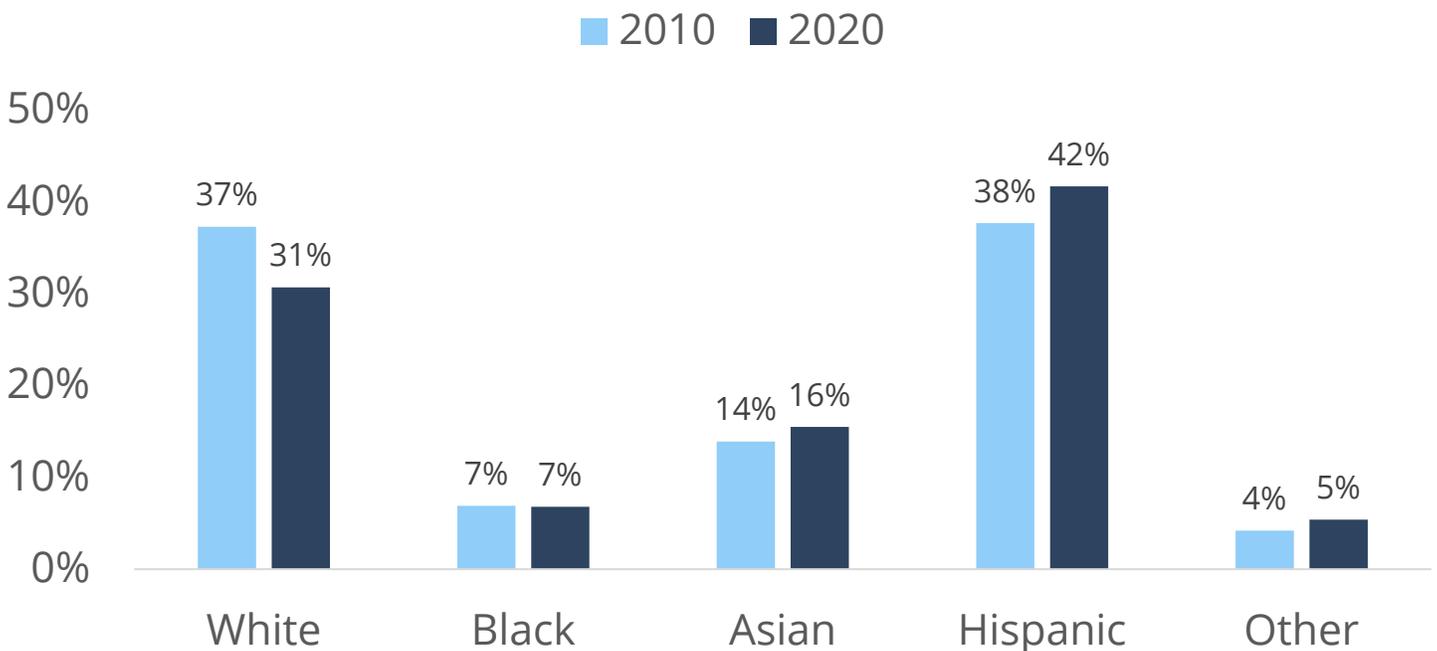


Source: American Community Survey (ACS) 5-Year 2010 & 2020.

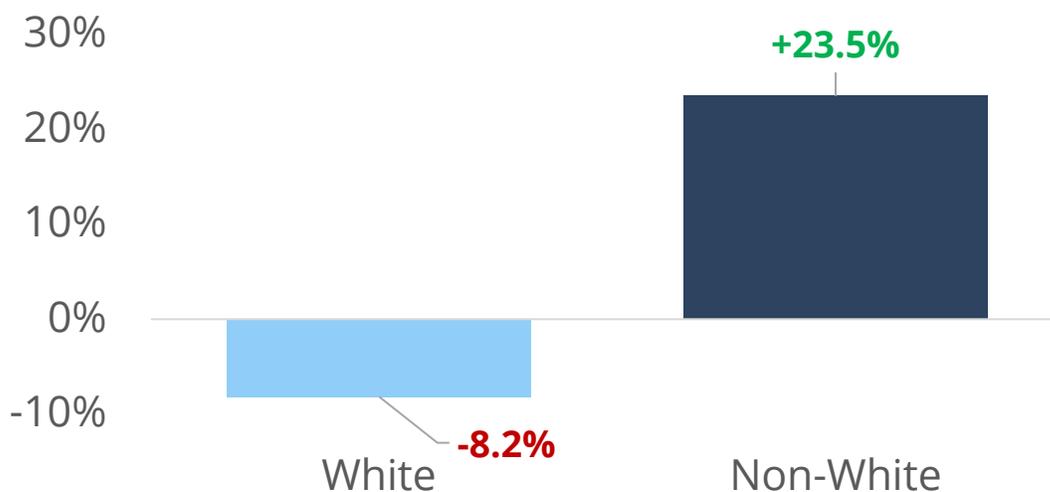
Race and Ethnicity

San Joaquin has a very diverse population. No racial or ethnic group constitutes a majority in San Joaquin and in fact the distribution is very similar to the California average. Nonetheless, between 2010 and 2020, the Hispanic population became the largest group as the white non-Hispanic population declined. The White population decreased by 8% between 2010 and 2020.

Race and Ethnicity in San Joaquin County, 2010 and 2020



Population Change by Race Since 2010



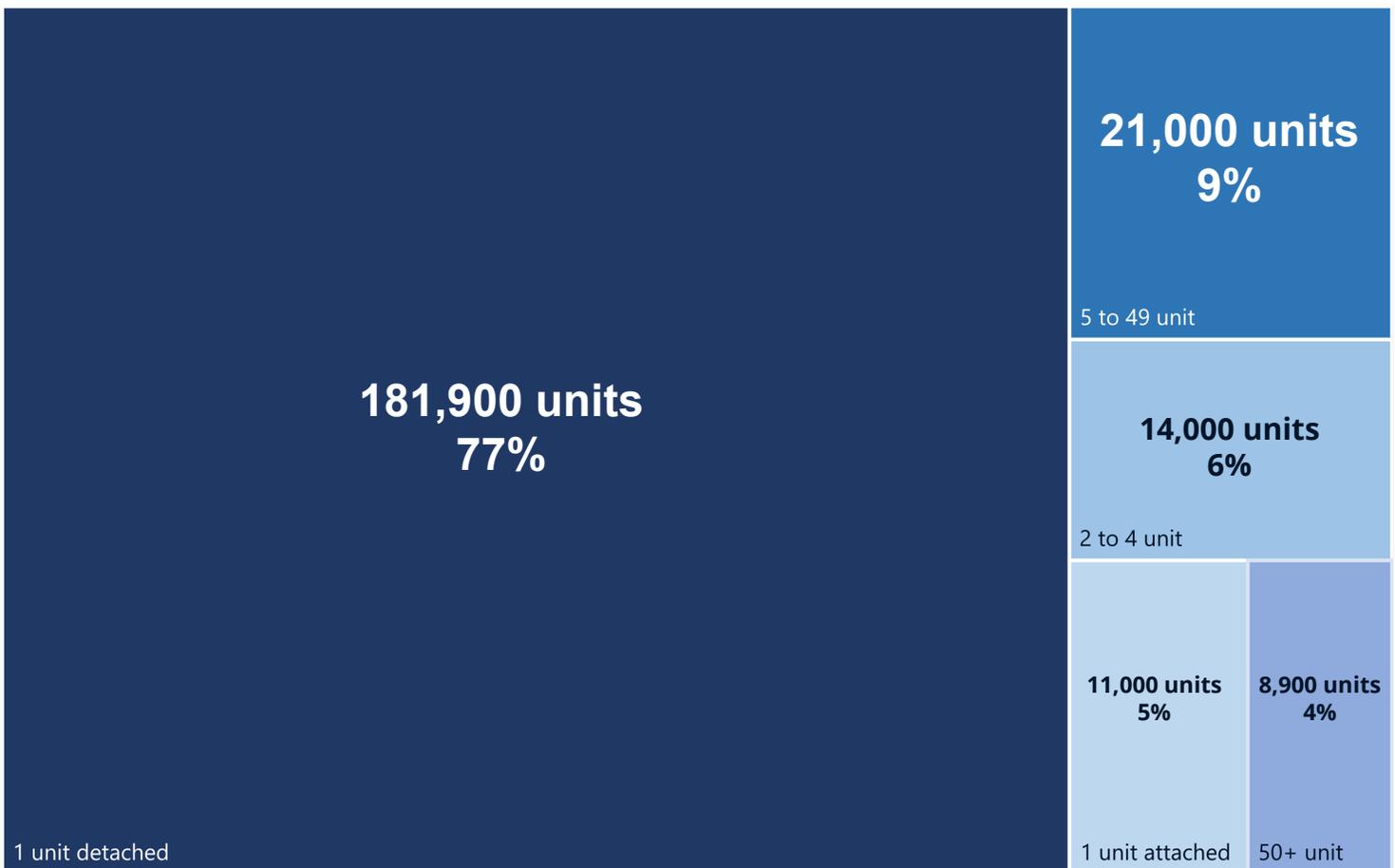
Housing Units in Structure

The majority of San Joaquin County's housing units are single family detached units. This represents approximately 77% of the total housing stock in the County. Another 5% of the stock is in single family attached homes or duplexes. This distribution is similar across the state of California. Multi-family apartment buildings account for 19% of the stock with large buildings making up the smallest share of the stock at just 4%.

San Joaquin County lacks diversity in its housing stock because a large share of its units are single-family homes. Notably, this lack of diversity decreases housing affordability as single-family homes are less affordable to those with lower incomes. Multi-family units, which includes structures like duplexes, fourplexes and townhomes, increase rental supply available and as a result increase overall affordability. The smaller scale of multi-family stock in the County means that rents will remain less affordable than they otherwise could have been.

Housing Units Structure in San Joaquin County, 2020

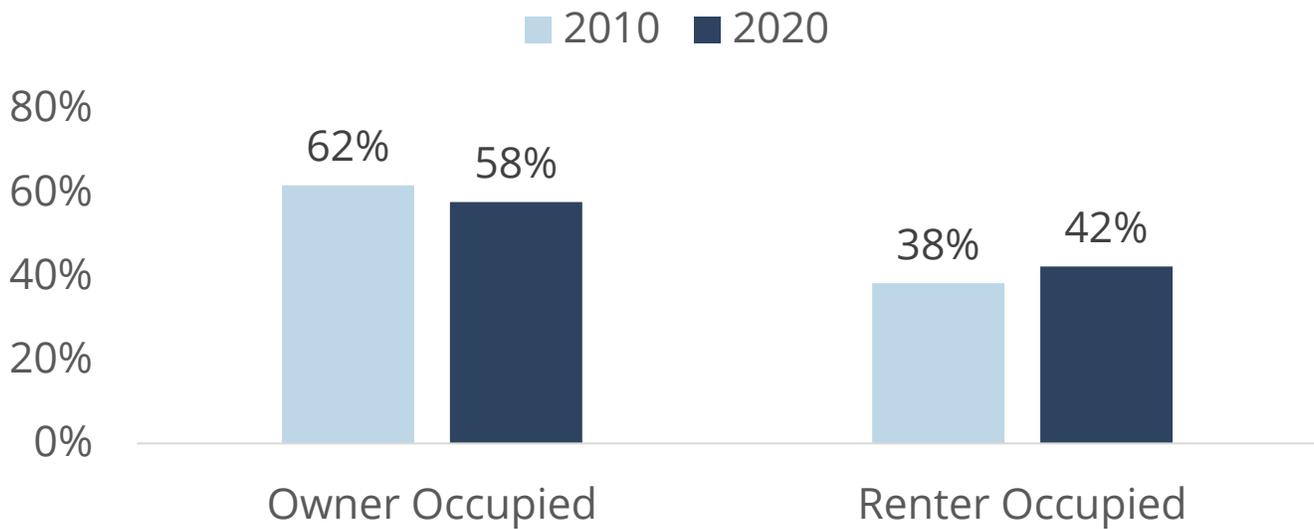
■ 1 unit detached ■ 1 unit attached ■ 2 to 4 unit ■ 5 to 49 unit ■ 50+ unit



Housing Tenure

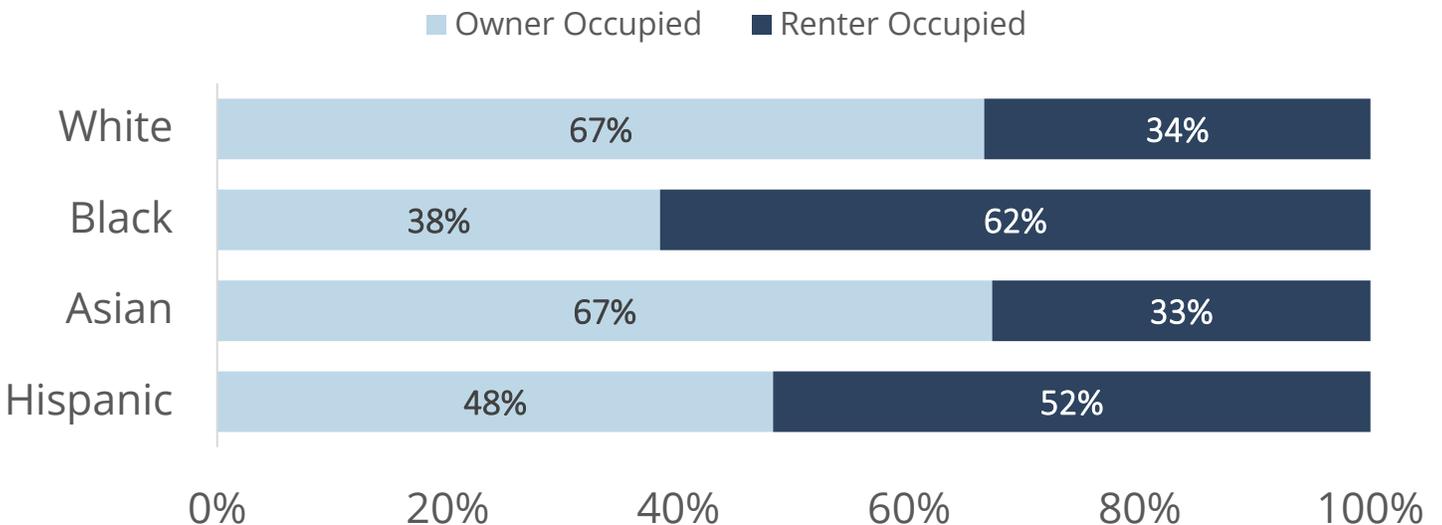
The overall share of owner-occupied units in San Joaquin County decreased by 4 percentage points between 2010 and 2020. This change is slightly higher than the state average of a 1 percent change over the same period.

Housing Tenure in San Joaquin County, 2010 and 2020



Although Hispanic households account for the largest share of the population, they are less likely to own a home than White and Asian households. Black households account for the smallest share of the population but are the least likely to own a home.

Housing Tenure in San Joaquin County by Race, 2020

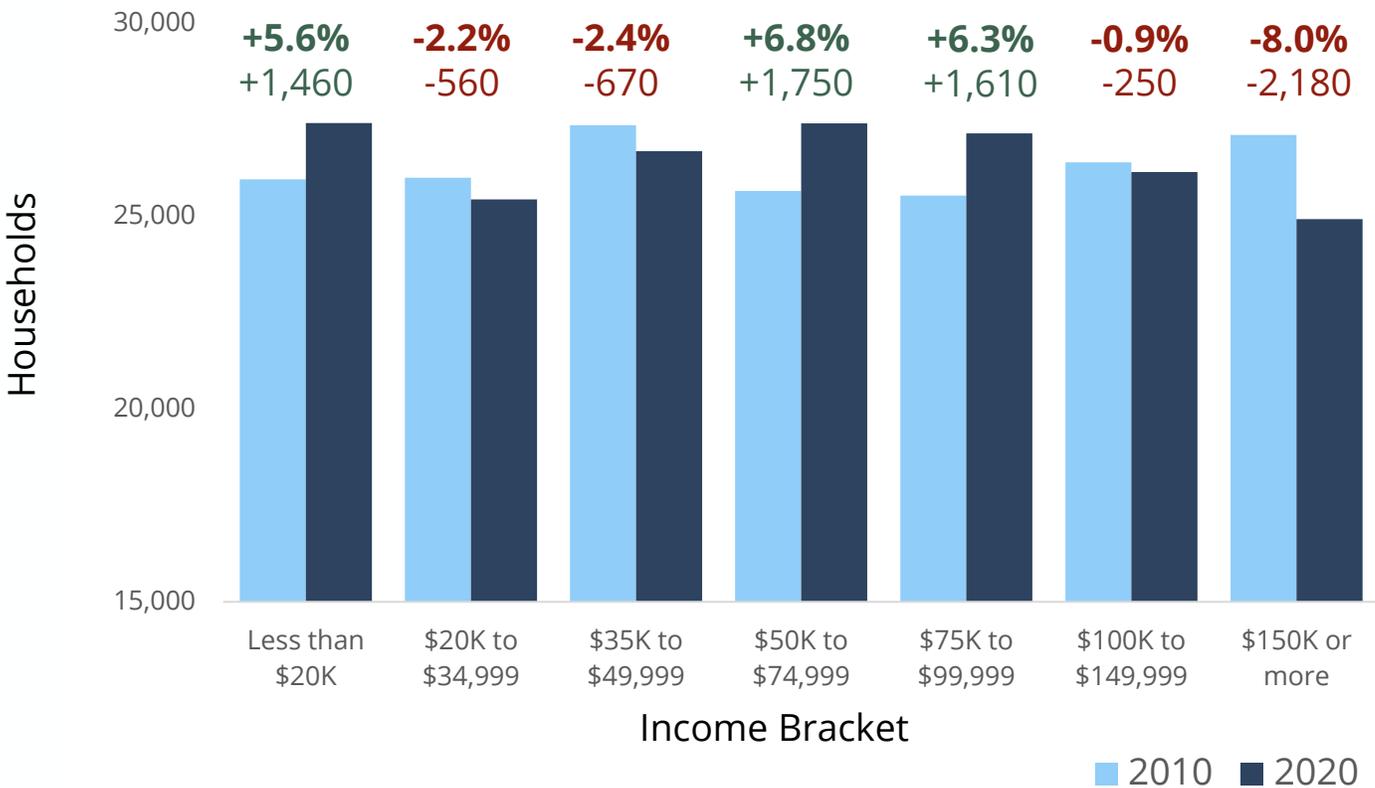


Source: American Community Survey (ACS) 5-Year 2020.

Income Trends

San Joaquin County's inflation adjusted median household income grew to \$72,000 in 2020, up 6% from 2010 and slightly above the national average growth. However, over this period the County lost households in the highest income bracket as there were net gains in the moderate- and lowest-income brackets. That is, there are 1,460 more households with an income of less than \$20,000.

Household Income Distribution, 2010-2020



Average household incomes are lower than living wage. This implies that the median household in San Joaquin is struggling to meet a minimum standard of living on their current incomes. That is, a living wage in San Joaquin County is approximately 33 percent higher than the median come, \$111,200 compared to \$75,000.

Living Wage vs Median Income, 2020

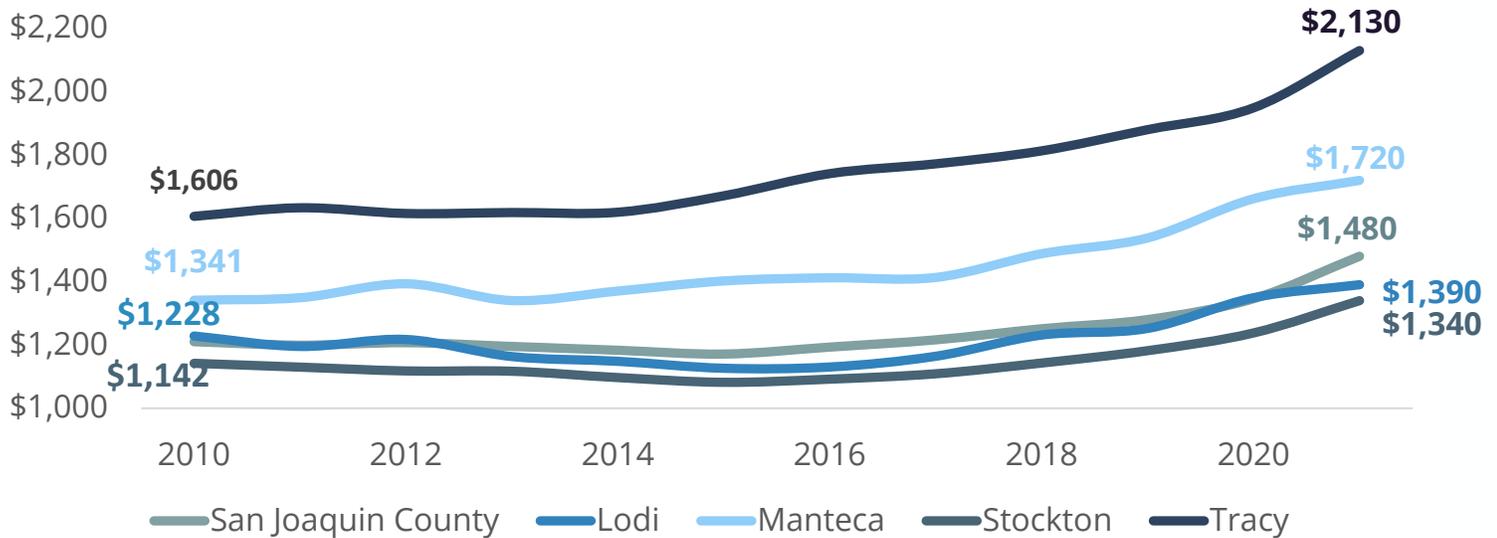
	Median Income	Living Wage
San Joaquin County	\$72,000	\$111,200
Stockton Lodi Metro	\$71,800	\$109,600

Source: American Community Survey (ACS) 5-Year 2010 & 2020. In 2020, the San Joaquin median household income was \$71,800, Massachusetts Institute of Technology (2019); HR&A Analysis.

Housing Affordability Trends

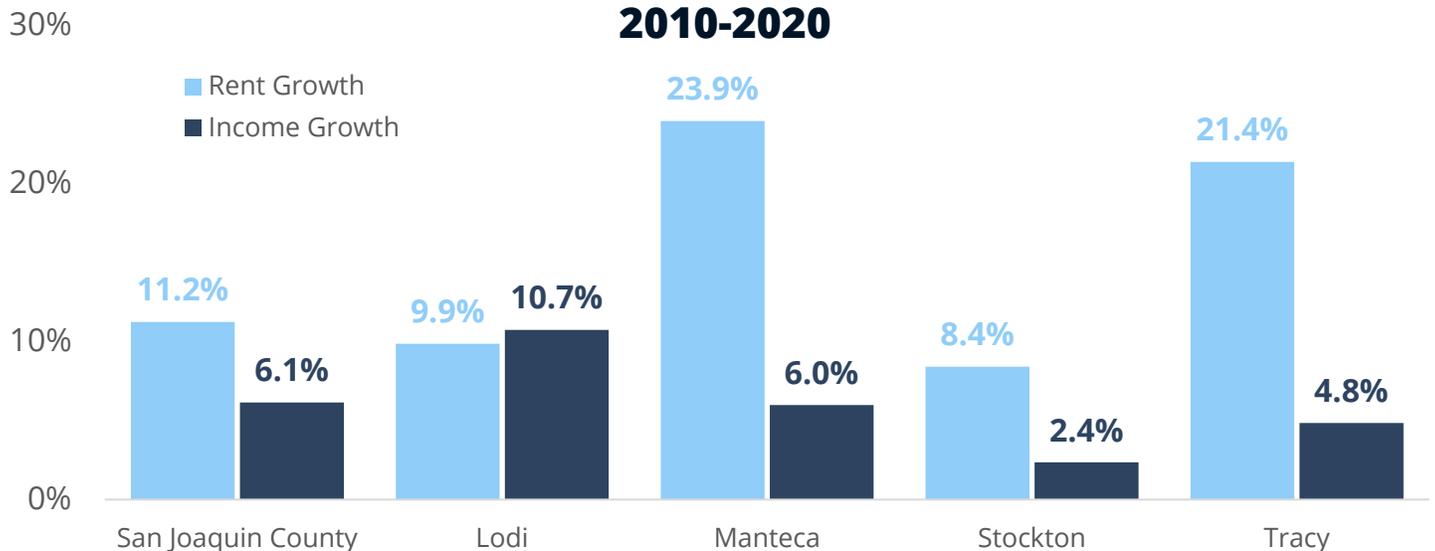
Median rent in San Joaquin County has increased at a rate of about 1.9% annually between 2010 and 2020. Countywide, rents increased approximately \$270 per month between this period. At the same time housing prices have increased rapidly since the onset of the pandemic. A recent study found that the average house price increased 24 percent since the onset of the COVID 19 pandemic. A part of this increase is due to higher-income workers moving into the region from the Bay Area who have the option of working remotely.

Median Rent in San Joaquin County and Cities, 2010-2020



Except Lodi, every jurisdiction in San Joaquin County witnessed higher rent growth than income growth between 2010 and 2020. In Manteca and Tracy, rent growth was over 21%. Another important indicator of the struggles facing households is that San Joaquin has the highest share of commuters with more than 90 minutes commutes in the state even after accounting for a large increase in work from home.

Rent vs Income Growth in San Joaquin County and Cities, 2010-2020



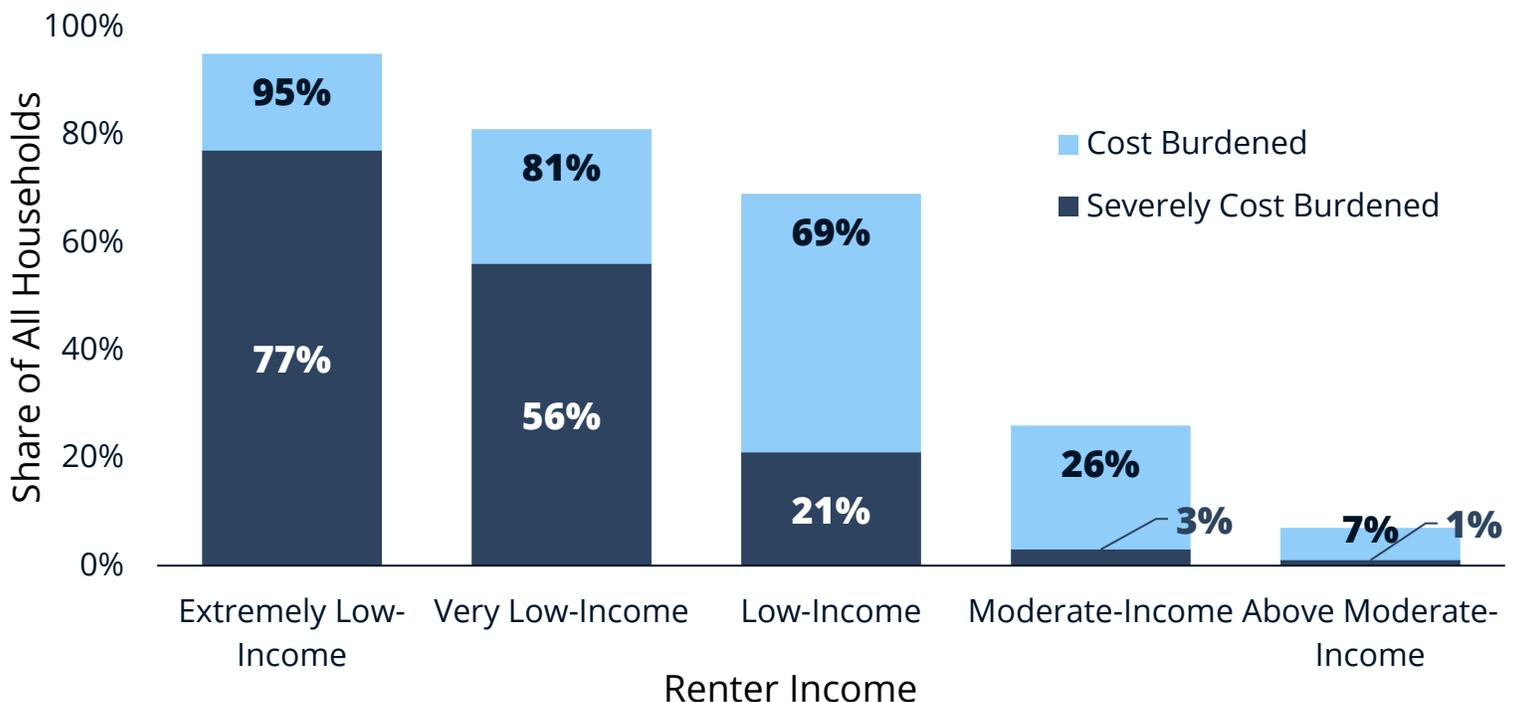
Source: 5-year Census American Community Survey 2010 and 2020. University of the Pacific, Draft San Joaquin County Spotlight: COVID-19 Resident's Journey to Work, 2022.

Housing Cost Burden

As rents have grown and income has not kept up, there is a very high rate of households that are housing cost burdened and severely cost burdened. Housing cost burdened is defined as a household that pays more than 30 percent of their income towards housing costs and therefore may have difficulty affording other basic needs including food, clothing, transportation and medical care. Meanwhile, severely cost burdened is households that pay more than 50 percent of their income towards housing costs. In fact, the California Housing Partnership estimates that a family in San Joaquin County needs \$50,000 per year to thrive but a household making 50 percent of AMI would have a deficit of more than \$17,000 of which is larger than their estimated housing costs, \$13,000. This is further underlined by the County's jobs-housing ratio that shows that for every affordable unit of housing there are three low-income jobs.

According to these measures of housing cost burden, many households, particularly the extremely low income, in San Joaquin County are struggling. That is, 95 percent of extremely low-income households housing are cost burdened compared to 26 percent of moderate-income households. The rate of extremely low-income households that are housing cost burdened is higher than the state average, 95 percent compared to 89 percent. Yet, the share of moderate-income households that are cost burdened is much lower than the state average, 26 percent compared to 42 percent. The implication is that there is very limited availability of heavily subsidized units in San Joaquin county. There is clearly an acute demand for support for low to extremely low-income households in San Joaquin County.

Cost Burdened Households by Renter Income, 2019*



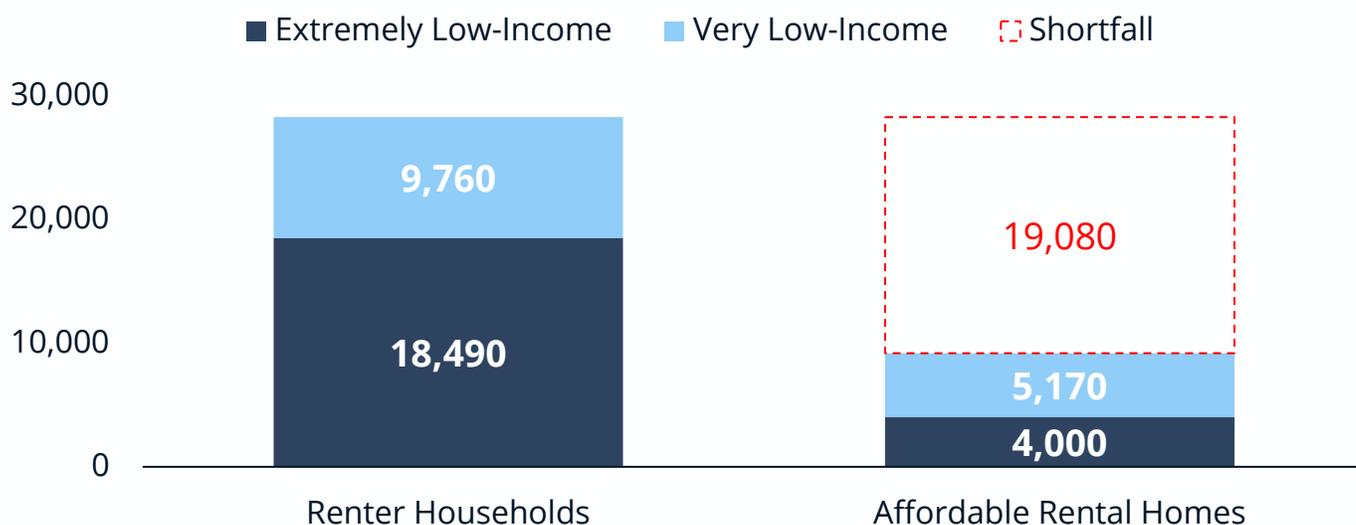
*Households are cost burdened if they spend 30% or more of household income on housing costs, and severely cost burdened if they spend more than 50%. Refer to the Appendix for more detail on AMI income limits.

Source: Analysis of 1-year ACS PUMS data (2014-2019) with HUD income levels. Note this chart was not updated in 2022 due to concerns with the US Census Bureau's ACS 2020 1-year data. Last update: August 2021. University of the Pacific, Draft San Joaquin County Spotlight: COVID-19 Resident's Journey to Work, 2022.

Affordable Units Shortfall

There are approximately 29,000 very low-income and extremely low-income rental households in San Joaquin County. Yet, there are just over 9,000 existing rental units affordable to these households, using state-defined rent/income thresholds, which leaves a sizeable gap of over 19,000 affordable rental units. This reflects the level of housing cost burden experienced by low-income households as discussed earlier. Meeting this gap would reduce those that are housing cost burdened in the County.

Affordable Homes Shortfall, 2019*



The reality of this shortfall is reflected in San Joaquin County's limited progress towards meeting the 5th Cycle Regional Housing Needs Allocation (RHNA) production goals. The County had a 20,000 unit shortfall across all income groups with the biggest gaps at the lowest and highest income brackets. About half the shortfall was in Stockton. The size of the affordable unit shortfall and lack of progress towards the RHNA goals reflects many things including limited tools for financing affordable housing in the County.

RHNA Shortfall

Segment	Stockton	Lathrop	Unincorp.	Total
Very Low Income	-3,800	-1,000	-2,400	-6,600
Low-Income	-1,500	-800	-1,300	-3,200
Moderate-Income	-2,000	-800	-900	-4,100
Above Moderate-Income	-2,800	-200	-2,600	-6,200
Total	-10,100	-2,800	-7,200	-20,100

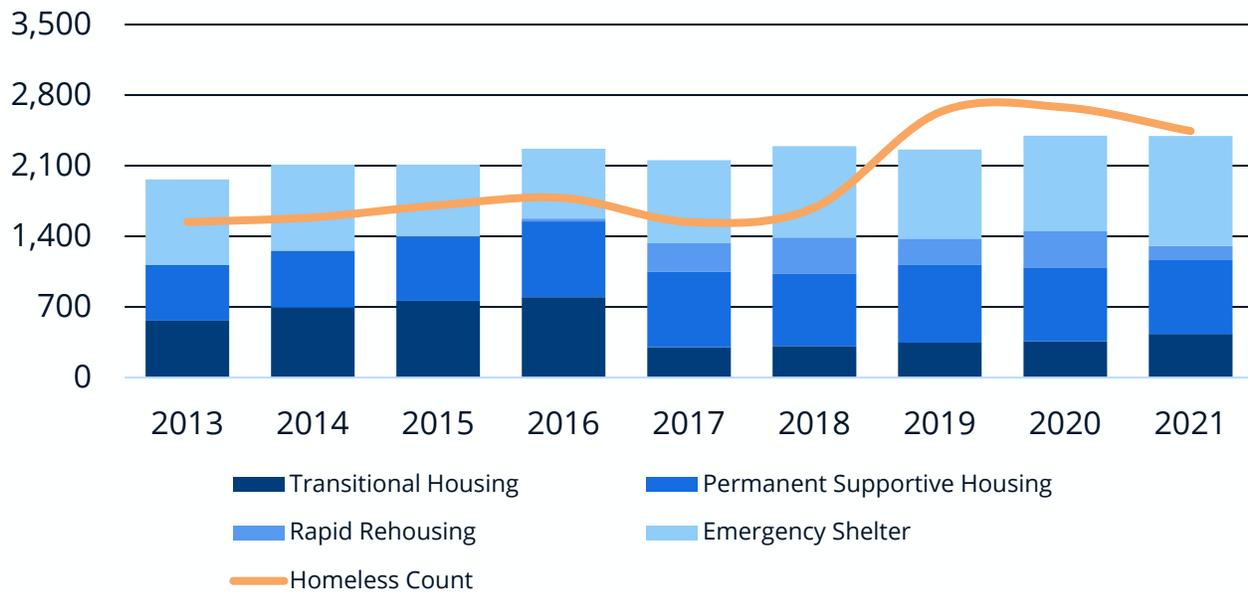
*Extremely low-income households are those that earn 0%-30% of Area Median Income (AMI) and very low-income households are those that earn up to 50% of AMI. The Area Median Income for a four-person household in San Joaquin County was \$85,000 in 2022. Refer to the Appendix for more detail on AMI income limits.

Source: Analysis of 1-year ACS PUMS data (2014-2019) with HUD income levels. Note this chart was not updated in 2022 due to concerns with the US Census Bureau's ACS 2020 1-year data. Last update: August 2021, HCD Housing Element Implementation and APR Dashboard, June 2022.

Homeless Population

The homeless population in San Joaquin County increased rapidly in 2018 and has a downward trend in 2017. The trend in the homeless population seems to reflect increased support for providing housing solutions for the homeless. Between 2017 and 2021, an additional 239 beds or units were provided. There was a shift from transitional housing to emergency shelter beds. That is between 2017 and 2021 the number of emergency shelter beds increased from 834 to 1,089.

Housing for Persons Experiencing Homelessness, 2013-2021



In response to the growing issue San Joaquin increased support for sustaining the stock of housing and subsidies targeted towards the homeless. For instance, between 2013 and 2021 the number of permanent supportive housing units increased from 555 units to 732. San Joaquin disbursed \$7.1 million in Homeless Emergency Aid Program (HEAP) funding to a variety of projects. The Housing Authority of San Joaquin is building a 49-unit permanent supportive housing project for veterans using state funding and Low-Income Housing Tax Credits. Another project supported by the states' Project Room Key renovated a 40-unit hotel to increase the stock of transitional housing. Another development provides small homes on one site. Many of these new projects reflect partnerships between several local organizations. These exciting developments will require continued support and scaling what is working through additional funding support from regional and state resources.





03

Committee
Feedback

Advisory Committee

SJCOG formed an interdisciplinary group of local stakeholders to serve as an Advisory Committee for exploring the potential of a Regional Housing Trust Fund. During the Committee's first meeting, they were asked to prioritize investments. Several committee members also participated in individual interviews with the HR&A study team.

Many members expressed concerns related to difficulties related to producing more affordable units in the region. One important issue is that the incomes are low in San Joaquin making it difficult to achieve rents that can support new construction. Much like rest of the country, development and materials costs have increased significantly, while lower-than-average rents have required the need for additional soft financing.

However, members noted that the lack of funding and increasing inflation have made large-scale development for affordable housing less feasible. One critical issue is that San Joaquin receives less LIHTC than other counties in the state. This also reflects that municipalities in the County do not have specific affordable housing programs that developers can leverage to overcome financing gaps. These observations seem to point towards a need to examine a more robust preservation program.

Several members mentioned the need for a new program or intervention, such as housing trust fund, to help address the region's growing affordability crisis. The effort to launch a housing trust fund in Stockton provides a set of engaged stakeholders but it also reflects the difficulty of taking action at the local level. As a result of these conditions it seems that San Joaquin has not leveraged all the potential funding sources for housing from the State and there is a need to act collectively to advocate for more resources directed at addressing the county wide issue of affordable housing.

Name	Organization
John R. Della Monica, Jr	City of Lodi
Jeffery 'JD' Hightower	City of Manteca
Ken Zuidervaart	City of Ripon
Sol Jobrack	San Joaquin County
Carol Ornelas	Visionary Home Builders
Peter W. Ragsdale	San Joaquin Housing Authority
Darryl Rutherford	Reinvent South Stockton Coalition
Kristine Williams	Enterprise
John Beckman	BIA of the Greater Valley

Housing Investment Priorities

The Advisory Committee members ranked permanent supportive housing as the highest priority investment area for increased funding followed by other very-low and low-income housing. Follow up interviews with stakeholders confirmed that there were very few financing instruments for these types of investments in the County. The Housing Authority of the County of San Joaquin does offer several examples of projects that came together through partnerships and leveraging state programs. They also highlighted that operating low-income properties was also difficult because the incomes were so low that affordable rents make it difficult to maintain properties.

The Advisory Committee ranked middle-income housing investment as the lowest priority. In follow up interviews, several stakeholders noted that rising rents and increasing construction costs have made it more and more difficult to serve such households, defined at between 80 and 100 percent of Area Median Income, or between \$66,000 and \$83,000 in San Joaquin County.

Housing Investment by Priority - Committee Ranking

1. Permanent Supportive Housing
2. Very Low-Income Housing
3. Low-Income Housing
4. Homeownership Assistance
5. Homeless Shelters
6. Middle-Income Housing

Funding Type Priorities

The Advisory Committee also ranked the type of funding that is most needed to support affordable housing. The highest rank was for grants for new construction. Grant funding serves a critical role in filling financing gaps by leveraging other sources of funding without a need for repayment. But as a result, it is not a renewable use of regional housing trust fund resources.

The second highest priority was forgivable loans. This is one of the most common forms of housing trust fund financing across the U.S. Although structured as a loan, repayment is waived if specified objectives are achieved. But once again, it may not be a renewable use of funds.

The lowest priority was grants for operations, which likely reflects that acute need to fund annual operation of new housing units. San Joaquin County has 4,578 housing choice vouchers, including recertifications and new vouchers. They also spend about \$40 million annually on tenant assistance programs. These expenditures likely explain the lower ranking of grants for operations.

These priorities clearly reflect that there are very limited sources of flexible funding the San Joaquin County for affordable housing. Outside of the statewide Low Income Housing Tax Credit (LIHTC) program, there are no annually recurring affordable housing investment vehicles in the County. There are several dedicated affordable housing developers and the housing authority working to add stock and creatively leverage existing sources but there is clearly a need to increase sources.

Housing Funding Types by Priority - Committee Ranking

1. Grants for New Construction
2. Forgivable Loans
3. Low Interest Loans
4. Grants for Operations
5. Other



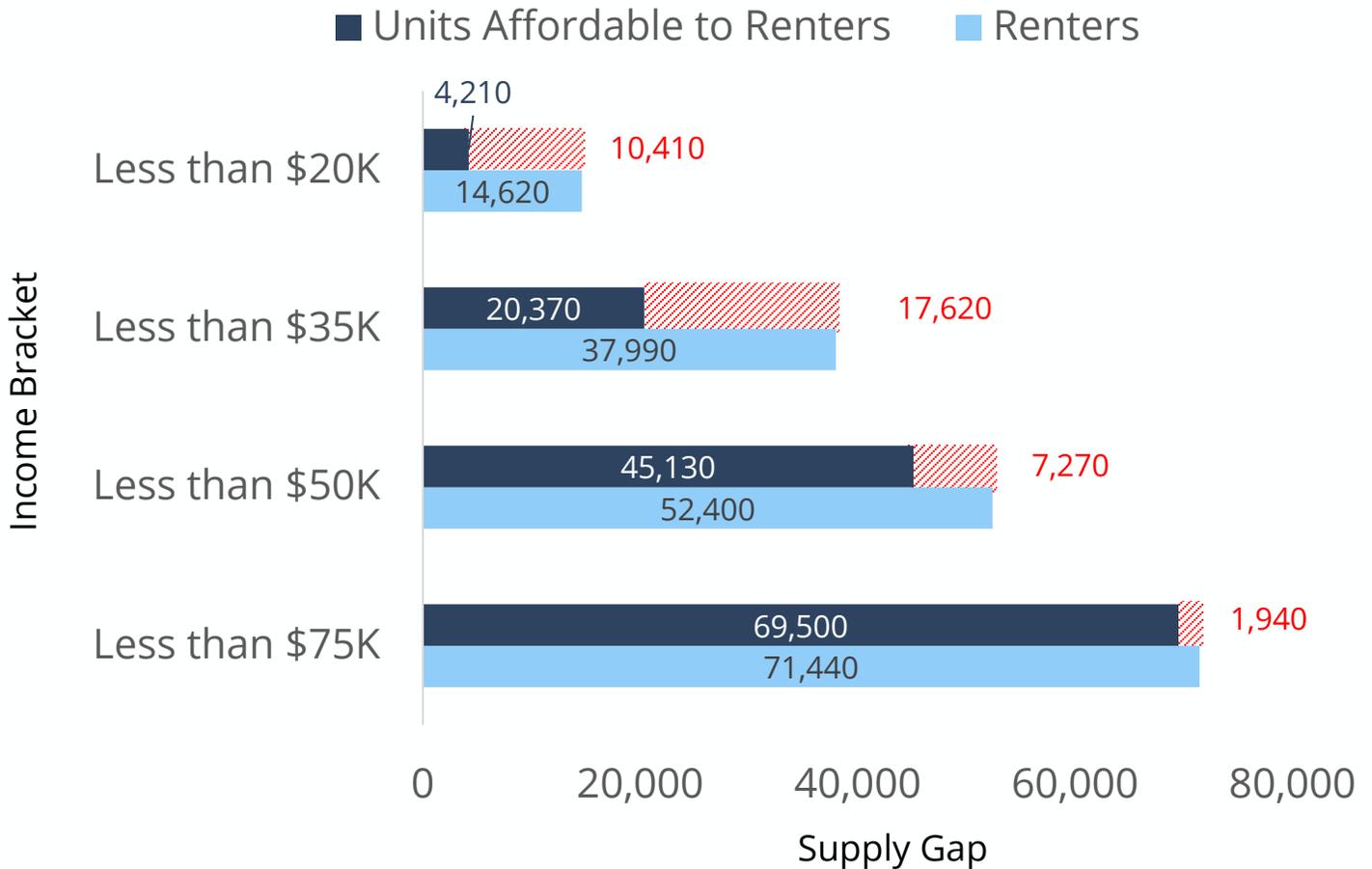
04

Gap Financing

New Housing Supply Gap

Low- and moderate-income renter households in San Joaquin County are competing for a very limited supply of rental housing units that are affordable to them.

San Joaquin Rental Housing Gap by Income Group, 2019



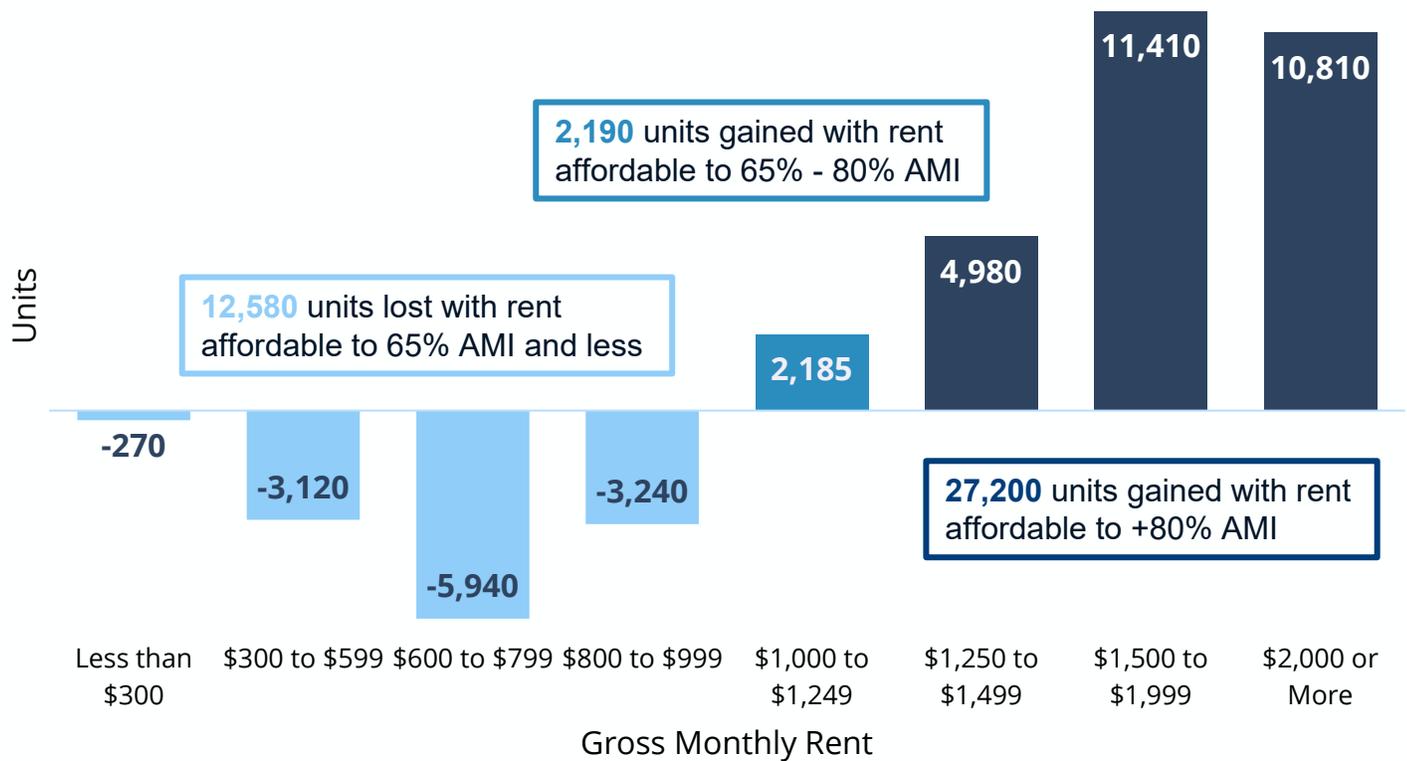
There are approximately 176,000 rental households earning \$75,000 or less but only about 140,000 affordable rental units. This leaves an existing gap of approximately 36,000 affordable rental units. Nearly 80% of the supply gap corresponds to households that make below \$35,000 annually.

*The rental gap is calculated by comparing the number of existing renter households at each income level to the number of existing rental units affordable at those income levels.

Affordable Rental Units

San Joaquin County has fewer units that are affordable to low-income households in 2020 than 2010. Over this period San Joaquin added approximately 17,000 new units, but there are 12,000 fewer units affordable to households making less than \$53,000, which is 65 percent of AMI for a four-person household. In contrast, the availability of units for high-income households increased by more than 27,000 units implying that a majority of the new construction was aimed at higher income households and many existing units increased rents.

San Joaquin Rental Change in Unit Rent, 2010-2020



*The rental gap is calculated by comparing the number of existing renter households at each income level to the number of existing rental units affordable at those income levels.

Source: American Community Survey (ACS) 5-Year 2019, HCD Income and Rent Limits 2022

Filling the Gap

There are three main funding approaches that can be used to help fill San Joaquin County's affordable housing supply gap.



Naturally Occurring Affordable Housing (NOAH)

NOAH refers to residential rental properties that are affordable but are unrestricted and unsubsidized by any local or state program. NOAH rents are relatively low compared to the regional housing market. These unassisted rental buildings offer an opportunity to preserve units as low-income with subsidized loans.



New Construction

New construction of low-income rent restricted units. This will require a subsidized source for construction and often vouchers for renters to incentivize private developers and investors to provide more low-income housing.



Permanent Supportive Housing (PSH)

Permanent Supportive Housing combines affordable housing with supportive services that help those exiting homelessness and institutions to obtain and maintain housing, as well as improve health and connect with the community. It is targeted to individuals and families with high-acuity needs.

Gap Financing Cost Estimate

There are many ways that the gap could be filled but we estimated below based on recent LIHTC applications, market data on property transfers, and interviews with local stakeholders.

Given the cost of new construction, we assumed that more of the gap could be covered through preservation. We also assumed that 10% of the new construction units would be permanent supportive housing with additional operating costs capitalized up front. As a result of these assumptions, we estimate that almost \$3 billion would be needed in gap financing.

Using Census data, HR&A was able to estimate the number of units affordable to renter households by income level. HR&A determined the existing supply gap by finding the shortfall of affordable units at each income level (i.e., the number of units not affordable to households within each income bracket). Using its own analysis and industry standard figures, HR&A estimated the per unit cost of preservation and new construction of units within the County. We multiplied the total unit shortfall (17,600) by these per unit estimates to get the total amount of gap financing needed.

Estimated Gap Financing Need

Program	Total Units	30% AMI*	60% AMI*	Total by Program
Naturally Occurring Affordable Housing	10,560	-	\$1,251M <i>\$118,000 per unit</i>	\$1,251M
New Construction (4% LIHT)	6,340	\$891M <i>\$258,000 per unit</i>	\$591M <i>\$205,000 per unit</i>	\$1,482M
Permanent Supportive Housing	700	\$192M <i>\$273,000 per unit</i>	-	\$192M
Total by AMI	17,600	\$1,083M	\$1,842M	\$2,925M

*The Area Median Income (AMI) for San Joaquin County was \$85,000 in 2022.

Source: US Department of Housing and Urban Development (2021); HR&A Analysis



05

Next Steps

Next Steps

There is a clear demand for increased supply of affordable housing in San Joaquin County. It is also clear that there are currently limited sources of flexible funding to help developers provide new affordable units, ranging from permanent supportive housing for the homeless and lowest income population to middle-income housing.

This initial assessment indicates that there is clear demand for more flexible funding in San Joaquin County. A flexible regional housing trust fund could be a useful instrument to provide that funding. The next step in exploring this process is identifying sources of funding for this type of trust fund, outlining how it could be administered, and beginning to gauge wider support for a regional funding effort.



06

Appendix

County Area Median Income Limits

To qualify for housing programs households or individuals must meet the U.S. Department of Housing and Urban Development's (HUD) Income Limits. The income limits, expressed as a percentage of the County's area median income (AMI), are used in calculating the rents and sales prices of affordable housing. The income limits are a widely accepted national standard for professionals working with fair and affordable housing issues.

The 2022 AMI for San Joaquin County is \$85,000 for a four-person family (100% AMI).

Area Median Income (AMI) Income Limits for San Joaquin County, 2022*

Income Limit Category	Income Limits for a Four Person Household	Area Median Income
Extremely Low Income (30% AMI)	\$27,800	
Very Low Income (50% AMI)	\$41,400	
Low Income (80% AMI)	\$66,200	\$85,000
Moderate Income (120% AMI)	\$99,300	
Above Moderate Income (>120% AMI)	\$99,300+	

*Area median income limits are defined by HUD at the county and metropolitan statistical area (MSA) level. The above table illustrates the most recent estimates available for San Joaquin County.

Source: US Department of Housing and Urban Development (2021); HR&A Analysis

Interviewees

In preparing this report, HR&A conducted a series of one-on-one and group interviews with regional stakeholders. Interviewees are listed below by organization.

- **John Della Monica**, Community Development Director, Lodi
- **Jeffery Hightower**, Deputy Director of Development Services, Manteca
- **Ken Zuidervaart**, Director of Planning, Building and Economic Development, Ripon
- **Carol Ornelas**, Chief Executive Officer, Visionary Home Builders
- **Peter Ragdsdale**, Executive Director, San Joaquin Housing Authority
- **Darryl Rutherford**, Executive Director, Reinvent South Stockton Coalition
- **Kristine Williams**, Program Director, Enterprise
- **John Beckman**, Chief Executive Officer, Building Industry Association of the Greater Valley
- **Fritz Huber**, Vice President, Grupe Huber