The Triple Bottom Line: The Policies and Practices of Achieving Environmental Sustainability, Affordable Housing, and Exceptional Labor Standards

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According to the Environmental Protection Agency’s *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990–2014*, transportation-related emissions presently account for just over a quarter of the nation’s greenhouse gas (GHG) emissions. Reducing GHG emissions in the transportation sector must be a significant part of the solution as a growing coalition of scientists, nonprofit advocates, and the more enlightened of government and private sector industry leaders attempt to contain a growing rise in average atmospheric temperature before it is too late. Certainly research into and the growing use of alternative fuels that are less CO$_2$ intensive than the venerable internal combustion engine is an important part of the solution. However, shifting the entire system of thinking about land use from a more suburban – and sprawling – way of life made popular in the second half of the twentieth century to one that embraces more compact, typically urban, growth coupled with a car-free or car-less sustainable communities strategy is also necessary.

This, of course, is easier said than done, particularly in those of our nation’s cities that are already relatively dense and built out and are reeling from an ever-higher cost of living. I should know; I reside in the San Francisco Metropolitan Area, an area with a white-hot housing market from which increasing numbers of residents have already been displaced and many more are at risk of being priced out. As a four-year member and current chair of the Berkeley Zoning Adjustments Board, I recall approving nearly 1500 new units, only to continue witnessing a stubborn rise in median rents quarter after quarter and merely a sluggish increase in the affordable housing that was being added to the rolls. My personal experience is backed up by copious research. A newly released report from the Greenbelt Alliance is just the latest in a long line of work confirming that the Bay Area (and cities in numerous other pricey metropolitan areas) is in a housing crisis. It includes with the following cautionary note: “If affordable homes are not available close to jobs, people ‘drive ‘til they qualify’ to find a less expensive home farther away, and commute long distances—mostly in cars. The resulting costs affect all the region’s residents: worse traffic, polluted air, more carbon changing our climate, and a lower quality of life.”

A commonly proposed solution to the housing crisis is to aggressively enhance the supply of housing until it catches with demand. In 2015, Paul Krugman succinctly encapsulated this strategy in an editorial, concluding with the following: “The good news is that this is an issue over which local governments have a lot of influence. New York City can’t do much if anything about soaring inequality of incomes, but it could do a lot to increase the supply of housing, and thereby ensure that the inward migration of the elite doesn’t drive out everyone else.” Again, easier said than done. First, in built-out urban area with little infill development potential, local zoning requirements would need to be completely upended to allow single-family housing and lower-density multi-family apartments to be replaced overnight. And upended they would have to be in order for cities to accommodate the brunt of the growth that is needed just to keep housing prices stable – let alone allow them to moderate over time – at a time when the

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California Legislative Analyst’s Office estimates that between 70,000 and 110,000 additional units per year must be built statewide for this to happen (in addition to the 140,000 new units already in the pipeline). And this is assuming that the zoning revisions can be done with broad community support, the housing applications approved by-right – both truly optimistic assumptions.

But neither do we have an excuse to bury our heads in the sand and do nothing. The survey of best practices below can be used as a roadmap to solving the housing crisis in the parts of our nation where it is rampant, and therefore radically reduce GHG emissions.

**Element 1: Dense Housing, Compact Growth, and Sustainable Communities**

This element is not new; it was built upon a compilation of ten ingredients that were developed by the Smart Growth Network two decades ago. According to the Environmental Protection Agency, they include: (1) a mix of land uses; (2) compact building design; (3) a range of housing opportunities and choices; (4) walkable neighborhoods; (5) distinctive, attractive communities with a strong sense of place; (6) preserving open space, farmland, natural beauty, and critical environmental areas; (7) strengthening and directing development toward existing communities; (8) a variety of transportation choices; (9) predictable, fair, and cost effective development decisions; and (10) community and stakeholder collaboration in development decisions. Some of the elements described later build upon a few of these ingredients. The compact growth approach must, above all, facilitate density – which in a built-out city may require building up rather than horizontally. It must balance appropriately sized accommodations for various household sizes through a variety of bedroom counts and floor plans with the need to build efficiently and in a manner that reduces urban sprawl. Higher density should be concentrated along major transit corridors, with step-backs possible along to harmonize the building with adjacent lower-density residential buildings.

But it is easy to lose sight of a key aim of smart growth, which, according to the Maryland Department of Planning, is “providing people with more choices in housing, shopping, communities, and transportation.” Thus, a holistic integration of land use and transportation, enhancing the availability of high-quality, high-reliability transit service; “complete streets” which provide connectivity between pedestrian, bike, transit, and road facility traffic; and other elements of a multi-modal approach are a must.

Social equity goals undergird a needed focus on ensuring that the economically disadvantaged have the same opportunities to get around their living environs as those with greater economic advantages. An Institute for Community Economics states that “[t]here are many obvious ways in which the [regional] implementation of good, smart growth strategies will improve the lives of low-income people and reduce the disparities between the quality of life of lower-income people and those of people with more resources. It can offer more transportation choices for people

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7 Ibid.

8 Ibid.
who often cannot afford to own cars, reducing isolation and opening up new job possibilities. It can reduce the number of vehicle miles traveled per person and hence reduce air pollution and related public health problems like asthma, which often disproportionately affect low-income people. It can create more parks and open spaces in neighborhoods, thus improving the quality of life for all people in those neighborhoods. It can refocus public and private investment toward existing communities, bringing new capital, amenities, housing, and jobs to areas with long histories of disinvestment. But the key that is integral to the achievement of these goals from a social equity lens is to involve in a meaningful way in the planning process the communities who have the most to gain from the goals’ being achieved.

**Element 2: Affordable Housing, Anti-Displacement Strategies, and Land Value Recapture**

Neither sustainable communities nor transit-oriented developments are able to achieve their goals of reductions in greenhouse gases and vehicle miles traveled unless they benefit residents at a mix of incomes, including those whose household incomes are significantly below the poverty line. Much has been written about affordable housing and anti-displacement strategies, and particularly in cities with the highest cost of living not a day seemingly goes by that these issues are not hotly debated. A major portion of the debate can be summed up as whether the production of market-rate housing – which are generally unaffordable to those earning below-median household incomes – is a net positive or net negative, particularly in high-rent metropolitan areas such as New York, Washington, D.C., and San Francisco and its immediate surroundings. Does the production of new market-rate housing drive down rents in the aggregate due to heightened supply, or does this development in the short term create its own displacement (as longtime renters earning below-median income, in the absence of rent control, are gradually unable to afford rent that dramatically rises in tune with increasing property values)? The result is murky. For instance research conducted by UC Berkeley’s Anti-Displacement Project “shows that while market-rate housing produced in the 1990s can lower median rents in 2013, it was also related to higher levels of housing cost burden for low income households. In terms of … displacement measures, production seems to be related to a reduction in displacement, but the effect from production in the 1990s disappears when you add production in the 2000s. How could this be? [I]t could mean that … really market-rate housing is not relieving displacement pressures in and of itself.”

Land-value recapture is a contemporary way to deal with this problem. Five core principles of the land-value recapture model that are being proposed or, to varying extents, utilized in Berkeley, California are as follows:

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1) A city should accommodate its “Regional Fair Share”\textsuperscript{13} of housing;

2) To maintain the existing quality of life in the city, development should pay for all the impacts it generates whenever feasible (including those of any potential of displacement created by the production of new market-rate development);

3) It is landowners who benefit from the general growth of the region and the city – and especially from plan or rezoning changes that increase the value of their properties;

4) It is only fair that the city recapture a portion of those increases in land value for community benefits; and

5) It should be the city’s goal to seek the highest possible level of community benefits without making the proposed development financially infeasible.\textsuperscript{14}

Some of the best practices involved in optimizing the efficiency of land-value recapture are as follows:

1. **Market expectations and land values.** The value of the land potentially underlying the market-rate development generally increases based on the expectation that a local plan that would improve development potential of the land will pass through a city council or by voter ballot measure. Thus, to lower the land value increases and increase land value recapture, landowners and developers should be warned by cities that land value recapture will be in effect once a plan is implemented.\textsuperscript{15}

2. **Economic cycles and impact fee levels.** As a Berkeley white paper on land value recapture states, “The real estate market, following the up and downs of the economy, is of a cyclical nature. Fees adopted at a particular point of the real estate cycle might become too burdensome during a recession and inadequate during a boom.”\textsuperscript{16} Tying all fees to an economic index (such as the Construction Cost Index or the retrospective price index for private fixed investment in new structures that is issued by the U.S. Department of Commerce’s Bureau of Economic Analysis) will ensure for posterity that the fee level at any given time is a sound economic decision and not a political one.

3. **Inclusionary housing, plan changes, and land value recapture.** Inclusionary housing refers to housing that is included “on site” as part of the market rate development. Usually, this is required by a city ordinance (as it is economically disadvantageous for market-rate developers to voluntarily rent out a unit at less than the market will bear, which, in high-cost areas, can be quite a bit). In 2017, recognizing that lower-income housing was not keeping pace with its Rental Housing Needs Assessment goals, the City of Berkeley increased its inclusionary housing requirement to 20% of the total units on

\textsuperscript{13} “Regional fair share” refers to these are numbers proposed by regional agencies such as the Association of Bay Area Governments. Not all municipal or regional entities will have similar voluntary or required targets. Final Regional Housing Need Allocation Adopted. 2014-2016. Accessed April 8, 2017. http://abag.ca.gov/planning/housingneeds/.


site in market-rate developments of 5 units or more\(^{17}\) (although a 2009 California Superior Court decision has also been interpreted to require that municipalities can give developers the option to pay an affordable housing mitigation fee in lieu of building the inclusionary units).\(^{18}\)

Ideally, in order to promote equity and “socioeconomic mixing,” the creation of new inclusionary housing units should be provided with a mix of different income levels. The maximum amount of on-site affordable units should be provided as what is allowable by a nexus study (which most cities have either completed or are in the process of conducting now). These units should be at a mix of various levels of affordability, including extremely low income (30\% of Area Median Income (AMI) or below), very low income (50\% AMI or below), low income (51\%-80\% AMI), and moderate income, or “workforce housing” (81-120\% AMI).\(^{19}\) The affordable units should be interspersed throughout the building, including some on the upper floors.

When a municipality up-zones a property or zones a parcel for greater height or density, the associated land value increases. The land value recapture white paper argues that part of that value can be recaptured for affordable housing or other community benefits either through negotiation on a project-by-project basis or a holistic planning area approach.\(^{20}\) The latter approach is recommended as it ensures certainty for both the developer and the community, reduces staff time, and can remove possible vitriol from a public process.

4. Development Fees for Other Community Benefits and Public Infrastructure. Many California cities have adopted Development Impact Fees (DIFs) that compensate for some or all of the costs of growth. According to the aforementioned white paper, “the City of San Diego adopted DIFs in 1979. In the “urbanizing” areas developers pay for all costs of growth - including freeway interchanges - based on the plan for a specific community. These cost are based on Planning Standards (number of acres of parkland for 1000 new residents, for example)…” The white paper goes on to suggest this as a best practice in Berkeley, which does not currently have one, positing that “More development without concurrent building of infrastructure and public facilities can only lead to a lowering of the quality of life in [the city].”\(^{21}\)

In addition to these principles of land value recapture, anti-displacement tools such as rent stabilization, just cause eviction protections, tenant protection ordinances, and regulations on short-term rental platforms such as Airbnb have been found to have various degrees of


effectiveness in keeping the rents in high-cost areas from skyrocketing even more than they have. For brevity, they are not discussed further in this paper.

**Element 3: Project Labor Agreements Coupled with Local Hire**

For years, the concerns of labor, which wish to be employed in construction jobs that pay a decent, middle-class wage, hire from union halls, and have a local hire provision, were considered separate from those of affordable housing advocates and developers, who wish to maximize the production of lower-income units in a manner that controls the costs to the developer (particularly if it is an affordable housing developer not motivated by profit). In the last few years, however, their concerns have been merged together in several jurisdictions (including my own). There is a broadening recognition that a promotion of project labor agreements (PLAs) with skilled craft unions such as the Building Trades, when coupled with a local hire provision, is and of itself a highly effective way to prevent displacement and promote the ability of skilled labor to earn a middle-class income that allows them to afford rent or homeownership in areas near where they work. Hence, such an arrangement also supports the greenhouse gas and vehicle miles traveled reduction goals discussed at the beginning of this paper.

Different models are in place to achieve this end result. One possibility, which is based on a concession in wages to guarantee the production of affordable housing and enhanced local hire standards, can be found in Philadelphia. There, the Philadelphia Housing Authority negotiated a PLA with the local building trades that provided for “affordable housing rates” that resulted in a 20% reduction in construction wages and benefits. In return, the agreement requires 25% of the employees on the project to be PHA residents (who tend to be lower-income), a further 20% of employees to be women, and another 20% to be minorities.

A Community Workforce Agreement between the Seattle Housing Authority and local building trades offers another model. On construction projects valued at more than $500,000, the agreement provides for a goal of 21% of work performed by minorities, 20% by women, 4.5% by minority women, and 15% by apprentices, in order to provide them with valuable on-the-job experience. In addition, as part of the agreement, 14% of work performed on the project is to be done by women- and minority-owned businesses, with another 10% done by Section 3 businesses (owned or predominantly staffed by people with low incomes).

**Conclusion**

The threat of a climate change catastrophe globally, an equally existential threat of displacement of low-income and even middle-income families in many locales of the United States, and a seeming race to the bottom as middle-class and blue-collar construction jobs – once sufficient to afford a family to live comfortably – seem to be evaporating in favor of low-wage,

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nonunionized, out-of-town labor: these are today’s realities which reinforce the need for us to support the efforts to combat these environmental, housing, and job crises head-on.

If it is politically infeasible to enact all of the above elements, a recommended start is with land value recapture which, in turn, can accelerate the production of new affordable housing within communities that are sustainable and attractive to lower-income residents. But the strategies provided above are most successful if launched concurrently. At all times, they should be assessed and, once implemented, continuously monitored to ensure that they harmoniously interface with (or, as in the current era, compensate for) federal and state laws and funding rules governing housing affordability.

As localities are often incentivized to maintain exclusionary zoning policies that discourage the production of affordable housing, 25 these strategies are also most successful when they are adopted on a regional – not a city-by-city – basis. 26 We can no longer afford to fight the same battle separately. As we join hands in the worthy effort of environmental, housing, and workforce equity, the quote from Sierra Club’s founder John Muir rings even truer today than it was then: “When we try to pick out anything by itself, we find it hitched to everything else in the universe.”
