

SUPPORTING AFFORDABLE HOUSING

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Density Bonuses and Other Incentives

Communities can adopt zoning and subdivision regulations to allow a density bonus above what is normally permitted on the site in exchange for the provision of some below-market-rate housing units. The bonus is usually specified as a percentage of the density allowable under existing zoning regulations. California law (Gov Code §65915) requires local governments to grant a 25 percent density bonus (or provide other incentives of equal value) to a developer in exchange for an agreement that the extra units be affordable.

Gov Code §65915 provides that a local government shall provide an incentive for a development that includes at least:

- 20 percent of the units for lower-income households

OR

- 10 percent of the units for low-income households

OR

- 50 percent of the units for senior citizens.

To implement these provisions, each local government must adopt ordinances to either (1) grant a density bonus of at least 25 percent and provide an additional incentive, or (2) provide a financially equivalent incentive(s). The provisions of the State law apply to all cities and counties and to all housing developments of five or more units. Note that the density bonus units need not be in the same location as the base units.

Despite the presence of a state law, successful density bonus programs depend on local modifications and participation. Cities and counties can grant bonuses in excess of those called for by state law to encourage affordable housing or other residential development to meet a community's special housing needs. In combination with other land use concessions and/or financial subsidies, a density bonus can be a powerful tool for affordable housing. Density bonuses in exchange for affordability can also be negotiated case-by-case.

Benefits

- Makes residential development more economical, especially where land costs are high. In effect, a density bonus allows a local government to create greater land value in a project that can then be used to subsidize affordable housing.
- Integrates lower-income households into housing developments that are mostly market-rate, thereby preventing concentrations of below-market-rate units.
- Improves the economic feasibility of converting higher-cost non-residential land for new housing development.

During the Housing Element Process...

- **Identify Suitable Areas for Density Bonuses.** Review the General Plan map to identify areas that are especially suitable for the application of density bonuses.
- **Review Building and Design Standards.** Review development standards (setbacks, parking requirements, height limits, etc.) to determine if they will accommodate the additional units allowed by the density bonuses. Identify modifications that will be required, if any, so that developments that qualify for a density bonus do not need to go through a variance process.
- **Involve the Community.** Ensure that community representatives, local builders, and non-profit developers are involved in the design and implementation of density bonus incentive programs.

Potential Programs and Actions

- **Adopt a Local Density Bonus Ordinance.** Adopt a density bonus ordinance to comply with State law and consider adopting provisions that go beyond state law to meet local housing goals.
- **Revise Zoning Ordinance and Other Standards As Necessary.** The current zoning ordinance and other land development regulations may need to be revised to ensure compatibility with the intent and language of density bonus provisions.
- **Provide Other Incentives.** The density bonus alone may not be a sufficient incentive. Cities may need to offer additional inducements such as reduced parking requirements, fee waivers, and expedited development review procedures.
- **Establish a Mechanism for Tracking Success.** The local government should keep a record of all developments that use density bonuses so it can evaluate the effectiveness of its laws over time and provide examples of successful design.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

 HCD, *State Density Bonus Law*

 HCD, *Model Density Bonus Ordinance*

See Also...

- Increased Densities (*Page 3-9*)
- Inclusionary Zoning (*Page 3-35*)
- Design Guidelines and Design Review (*Page 3-82*)
- Parking Standards (*Page 3-88*)
- Zoning Standards and Building Codes (*Page 3-98*)

Success Stories

- **Floor to Area Ratio Exemption Promotes Residential Mixed-Use.** The City of **Emeryville** is considering a proposal to change regulations for multiple-use projects so that the Planning Commission may choose to exempt residential square footage from the floor to area ratio (FAR) calculations for developments requiring a Conditional Use Permit. The revised regulation would require specific findings in order to grant such exemptions, including access to transit or other mechanisms to reduce the number of automobiles per unit. This proposal, along with the City's existing affordable housing density bonus and set-aside ordinance, is designed to facilitate the development of a variety of housing types.
- **Targeted Density Bonuses Promote Affordable Housing.** The City of **San Rafael** provides density bonuses and other incentives for housing developments either for-sale or rental that provide more than 15 percent of the total units affordable to very-low, low- and moderate-income households for at least 40 years. Density Bonuses are limited to medium- and high-density land use designations. In the downtown area on sites greater than 20,000 square feet, or where other design criteria can be met, a one-story height bonus up to a maximum four-story building may be considered.



San Rafael

Kearey Smith

Energy Efficiency

State Housing Element Law requires an analysis of the opportunities for energy conservation in residential development (Gov Code §65583(a)(7)). Energy efficiency has direct application to affordable housing because the more money that is spent on energy the less available for rent or mortgage payments. Energy efficiency also has important environmental implications.

Benefits

- Reduces residential energy costs, making housing more affordable.
- Ensures better interior climate control for those residents that might be inclined to shut off heating and cooling systems in order to save money.
- Reduces the need for new power generation plants with their attendant air quality problems.
- Contributes to sustainability by reducing the need for materials used for larger heating and cooling systems, transmission and distribution lines, and generating plants.
- Reduces energy used for transportation, freeing up money to be used for housing.

During the Housing Element Process...

- **Develop a Comprehensive Strategy.** Develop a comprehensive energy efficiency strategy. Some local governments may want to combine this with a water efficiency strategy.
- **Review General Plan Policies.** Ensure that the local general plan provides policy guidance on energy efficiency.
- **Review Zoning, Subdivision, and Building Standards.** Evaluate existing regulations in terms of energy efficiency goals. Do they encourage use of design strategies that promote energy efficiency and use of “green” building materials and technologies?

Potential Programs and Actions

- **Make Funds Available.** Make funds available for energy efficiency improvements for affordable housing, such as more efficient lighting.
- **Promote Pool Covers.** Pool covers are a very efficient way of heating swimming pools and can also provide protection against accidental drowning. They can be encouraged or required.
- **Promote Appropriate Landscaping.** Water efficient landscaping conserves energy because considerable energy in California is used for water distribution. This type of landscaping can be encouraged or required.
- **Encourage Measures Beyond Those Required.** Many energy efficiency practices that exceed state building energy standards are cost effective in certain locations and types of buildings. The local government should encourage cost effective energy efficiency practices.
- **Establish a Technical Assistance Program.** Establish an energy technical assistance program to work with providers of affordable housing.
- **Promote Proper Siting.** Buildings can be sited to take advantage of solar energy and natural breezes. Require that buildings be sited in an energy efficient manner.
- **Initiate a Retrofit Program.** Older buildings often do not meet current energy efficiency standards. Require that certain energy efficiency features be installed when property ownership changes or major modifications are made.
- **Encourage Shade Trees.** Shade trees can provide cooling and installation can be required or encouraged. The location and type of trees are important for ensuring that solar access is not compromised.

- **Work with Local Utility Companies.** Utility companies have numerous resources to promote energy efficiency. Work with and take advantage of materials available from utility companies.
- **Look for Innovative Financing.** Various financing programs are available for energy efficiency. For example, buildings that have Energy Star compliance are eligible for favorable financing.
- **Encourage Green Energy Sources.** Work with ABAG's Power Purchasing Pool Program or directly with providers of "green energy" to ensure that affordable housing uses energy that has fewer adverse environmental impacts.
- **Locate Development to Reduce Transportation Needs.** Residential development should be sited and designed to take advantage of transit and encourage walking and bicycle use.
- **Encourage Compact Development.** More compact development encourages walking and bicycle movement, saving energy and money. Money is also saved through the more efficient use of existing roads and utility lines.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

 *Energy Aware Planning Guide*, California Energy Commission, Sacramento, 1993.

 Porter, Douglas R., *The Practice of Sustainable Development*, Urban Land Institute, Washington, DC, 2000.

 Wilson, Alex, et al, *Green Development: Integrating Ecology and Real Estate*, Rocky Mountain Institute, John Wiley & Sons, New York, 1997

 California Energy Commission

 Pacific Gas and Electric Company

Success Stories

- **Project Promotes Both Energy and Cost Efficiency for First-time Home Buyers.** The **Emeryville Resourceful Building Project** is intended to provide affordable, environmentally sound housing for first-time buyers. The goals of the project are to provide housing that is both extremely energy efficient and easy and inexpensive to operate and maintain. It also helps provide housing that has a healthy indoor environment, reduces long-term resource consumption, and employs construction materials to reduce environmental impacts. The Resourceful Building Project selects materials, construction methods, and operating systems to meet the above criteria. In addition, the products must be currently available, of proven performance, and be cost competitive. Wherever possible, environmental benefits are realized through simple design changes rather than expensive new materials and systems. An energy consultant conducts energy efficiency studies to help optimize building performance and systems, which reduces operating costs and provides long-term economic and environmental benefits.
- **Executive Order for Green Affordable Housing.** The City of **San Jose** has recently passed an executive order to create a "green" affordable housing program. The order states: "The sustainable building goal of my administration is to site, design, deconstruct, construct, renovate, operate, and maintain buildings that are models of energy, water, and materials efficiency; while providing healthy, productive and comfortable indoor environments and long-term benefits to Californians."

Inclusionary Zoning

All local jurisdictions should consider inclusionary zoning. It is a system that calls for a minimum percentage of lower and moderate income housing to be provided in new developments. Inclusionary programs are based on mandatory requirements or development incentives, such as density bonuses. Most contain the following elements:

- Income-eligibility criteria for defining affordability
- Pricing criteria for affordable units
- Restrictions on resale and re-rental of affordable units
- Provisions for in-lieu fees
- Other provisions regarding on-site or off-site construction requirements, transfer of excess affordable housing credits, etc.

Successful inclusionary zoning is usually supported by higher-density zoning and other housing programs. Downzoning will decrease the effectiveness of inclusionary zoning.

Benefits

- Establishes a local requirement under local control, without depending on state or federal subsidies or the direct involvement of outside agencies.
- Results in lower land costs over time, as affordable housing requirements are known with certainty at the earliest stages of project formulation.
- Expands the supply of affordable housing for lower- and moderate-income households by integrating such housing into the community.

During the Housing Element Process...

- **Review Data on Affordable Housing Development.** Look at the success of previous efforts to encourage affordable housing development in the local area. If an inclusionary requirement has been in place but few units have been built, identify potential refinements to the existing program that might result in more units being built. If no program has been in place, consider whether implementation of a program might promote more affordable housing development.
- **Consider the Experience of Nearby Jurisdictions.** Adjacent jurisdictions may have inclusionary programs in place. Talk to staff from these jurisdictions to understand the structure of their programs and how successful they have been.
- **Involve Developers.** Include both for-profit and non-profit developers in discussions about inclusionary zoning and defining the parameters for a local program. Collaboration between these groups can be the key to successful implementation.
- **Consider In-Lieu Fees.** The ordinance may provide for alternatives (such as in-lieu fees) for developments that cannot satisfy the inclusionary requirement due to unusually high cost of construction for a particular site. In-lieu fees should not be completely optional for the developer if the desire is to scatter low- and moderate-income units throughout the community. The fee should be sufficient to facilitate the development of the required affordable units at another location in the community.
- **Consider Land Donation.** Land donation may be considered as a preferred alternative to in-lieu fees. The developer donates (or sells at a considerably reduced price) a portion of the development site to the City or a non-profit housing developer. A non-profit developer then develops the donated land, using their expertise and resources for developing and managing affordable housing.

- **Consider Increasing Densities.** Increased densities and other land use changes to enhance residential development capacity may accompany inclusionary zoning. This will help offset the financial impact of inclusionary requirements and fees.

Potential Programs and Actions

- **Adopt an Ordinance.** Adopt an inclusionary ordinance to implement policies in the housing element. Inclusionary zoning may apply to both rental and ownership units, single and multiple family developments.
- **Set Reasonable Requirements.** Affordable housing requirements should be relatively modest (10 to 15 percent of the total number of units), if there are no development incentives such as density bonuses and fee waivers to reduce the financial impact on the developer.
- **Address Very Low Income Households.** Inclusionary policies should require some housing targeted for very low income households. Inclusionary zoning is one of the few mechanisms available to address the community's share of the need for very low income housing.
- **Establish Appropriate Fee Level.** In-lieu fees, if too low, may not generate enough funding to construct housing units. Also, low in-lieu fees are a major disincentive to construct the affordable housing on-site.
- **Vary Requirements by Area.** Inclusionary requirements may vary by district. For example, infill housing in downtown areas may have a lower inclusionary requirement because infill housing is desired and/or significant affordable housing may already exist downtown.
- **Establish Design Guidelines.** Ensure that inclusionary units are integrated within the development so as not to be distinguishable from the market-rate units.
- **Establish Criteria for Applicants.** Criteria need to be established to screen the applicants for the low-cost units because the demand from eligible buyers and renters is sure to exceed the supply.
- **Establish Resale Controls.** Set up resale controls for continuing the use of the units by eligible occupants on turnover. This requires on-going management and administration. Some cities and counties have contracted with local housing authorities to run this staff-intensive activity.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

✍ Calavita, Nico and Kenneth Grimes, "Inclusionary Housing in California," p. 150, *APA Journal*, American Planning Association, Vol. 64, No. 2, Spring 1998.

✍ Orfield, Myron, *San Francisco Bay Area Metropolitcs: A Regional Agenda for Community and Stability*, Urban Habitat Program, San Francisco, 1998.

✍ White, Mark S., *Affordable Housing: Proactive & Reactive Planning Strategies*, PAS Report 441, American Planning Association, Chicago, 1992.

See Also...

- Increased Densities (*Page 3-9*)
- Density Bonuses and Other Incentives (*Page 3-30*)
- Jobs/Housing Linkages (*Page 3-38*)

Success Stories

- **Lowered Affordability Standards Help Very Low-Income Rental Households.** Steep increases in rental costs and increases in county median income have pushed many workers in Marin out of the rental housing market. In response, the City of **San Rafael** has lowered the affordability standard for households qualifying for rental units built through its inclusionary zoning policies. For market-rate rental developments, the qualifying level has been lowered from moderate to low-income. In affordable housing rental developments, the qualifying level has been lowered from low-and moderate-income to low income and very-low income. The City expects this policy to further augment a successful program that has produced about 2,940 below-market-rate units since its inception in 1986.
- **Land Deal Provides More Bang for the Buck.** Rather than requiring a market-rate developer to build affordable housing to meet the City's inclusionary requirements, the City of **Larkspur** opted for a form of land donation, purchasing four acres of the development site (two acres of which are restored wetlands). The developer got a valuable tax break for the land sale, and the City got the land at a bargain price. The City then leased the site to a non-profit developer, **Ecumenical Association for Housing (EAH)**, for a dollar a year (for the first five years after which a complex formula based on project returns kicks in).

EAH built 28 one-to three-bedroom units in four townhouse style apartment buildings on two acres of land, including two units for people with disabilities and a tot lot—more units and more amenities than would have been achieved through traditional application of the City's inclusionary requirements. Also, the development has been able to target more lower income households than it would otherwise, with all of the units being affordable to households earning less than 60 percent of median income.



Edgewater Place, Larkspur



Graham Photography

Jobs/Housing Linkages

Linkage programs are designed to offset the impact that employment has on housing needs within a community. The idea is that because people move to an area for jobs, the job creators should contribute to housing the people who fill the jobs.

To provide adequate housing, some communities have found it necessary to require new industrial, commercial, and office development to aid in the development of new housing. In a linkage program, the applicant must directly provide market-rate and/or affordable housing or pay in-lieu fees for housing purposes. The amount of housing or in-lieu fees provided is usually related to the size of the new non-residential development project. Linkage programs can be combined with land use incentives, such as density bonuses and reduced parking requirements.

Linkage programs can also be related to the jobs/housing balance in the community. If a community has more jobs than housing, a linkage program can be established. If a community has more housing than jobs, a linkage program may not be required. This provides an incentive for businesses to locate in communities that are short of jobs. A linkage program could also be related to the jobs/housing balance within different parts of the community; new housing would not be required in housing-rich areas of the city or county. In all cases, the jobs/housing balance should be monitored to ensure that the system remains fair and effective.

Benefits

- Mitigates the impact of new jobs on the local housing market or community as a whole. This is especially significant in communities where home prices would be unaffordable or unavailable to most of the prospective workers in the proposed development.
- Potentially provides housing on-site or near the location of jobs, resulting in reduced traffic and many benefits to the employer.
- Provides housing without depending upon state or federal subsidies or the direct involvement of outside agencies.
- Improves the efficiency of land use. Through good site design, space can be made available for housing at virtually no cost to the business owners.

During the Housing Element Process...

- **Document Relationship.** Linkage programs require the establishment of a cause-and-effect relationship between new development and the increased demand for housing. This relationship needs to be documented by a professional study before the linkage program is implemented.
- **Review Zoning Requirements.** Changes in land use and zoning standards allowing for mixed-use and infill development will complement the jobs/housing linkage program.
- **Examine Alternatives.** Alternatives to direct construction may be allowed, such as the contribution of land or payment of in-lieu fees to subsidize off-site housing.
- **Involve Business Sector.** Linkage programs should involve representatives from the business sector to ensure the program is realistic, can be implemented, and has minimal adverse impacts.

Potential Programs and Actions

- **Adopt Policies and Other Provisions.** Communities should stress the job/housing relationship in their housing element and use the development-permit approval, environmental assessment, or zoning process to implement linkage programs.
- **Encourage Job-Generating Development.** A strong program to attract industrial, office, or commercial development will give a community greater potential to provide housing through a jobs/housing linkage program.

- **Relate Requirements to Effect.** Exaction requirements or in-lieu fees should be set according to empirically based evidence of the cause-and-effect relationship.
- **Comply with State Statutes.** The community should set a timetable for getting the “committed units” constructed and should comply with all other legal requirements.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

- ✍ Andrew, Christine I. And Dwight H. Merriam, “Defensible Linkage,” p 199, *APA Journal*, American Planning Association, Vol. 54, No. 2, Spring 1988.
- ✍ Goetz, Edward, “Office–Housing Linkage in San Francisco,” p 66, *APA Journal*, American Planning Association, Vol. 55, No. 1, Winter 1989.
- ✍ Huffman, Forrest E. Jr., and Marc T. Smith, “Market Effects of Office Development Linkage Fees,” p 217, *APA Journal*, American Planning Association, Vol. 54, No. 2, Spring 1988.

See Also...

- Mixed-Use (*Page 3-15*)
- Inclusionary Zoning (*Page 3-35*)
- Working from Home (*Page 3-45*)
- Growth Management Systems (*Page 3-85*)

Success Stories

- **Office Developments Help Replace Lost Housing.** In Walnut Creek’s Golden Triangle area, adjacent to the BART station, older housing was removed in the late 1970s to make way for new office buildings. At that time, the City established the policy to replace lost units based on the square footage of office space added, requiring one dwelling unit per 7,000 square feet of commercial development.

Office developers were given three alternatives: 1) buy a site in the Golden Triangle Mixed-Use Area and deed restrict the property for the required number of units to be replaced; 2) provide a designated area on the office building site where the replacement residential units could be constructed; or 3) deposit with the City either money (one dollar per square foot of office development) or a financial guarantee that the City could invest for up to ten years and then use for housing purposes.

One office complex generated \$110,000 under Alternative 3, which was used to acquire land and construct two affordable units within a new eight unit townhouse complex. Upon completion, the City rolled over the construction loan into First-Time Home Buyer loans for two lower income buyers.

Another office development resulted in a housing complex to be developed under Alternative 1 on a parcel in the Golden Triangle Mixed-Use Area. It is anticipated that this complex will provide approximately 27 apartment units with at least four units for lower income households.

- **Jobs/Housing Linkage Program Funds Affordable Housing.** San Francisco’s jobs/housing linkage program started in 1981 and requires office developers to help provide housing in one of three ways: 1) build units themselves, 2) contribute to a partnership or joint venture or 3) pay into an in-lieu fee fund. New developments must provide one unit per 259 square feet of office space or pay in-lieu fees of \$7.05 per square foot. Sixty-two percent of units provided must be affordable to low-income and moderate-income households. Since its inception, most developers have opted to pay in-lieu fees that have helped fund the City’s affordable housing programs. The linkage program will soon be expanded to include the current surge in developments that serve multimedia and other high tech information services, hotels, big box retail, and other business services not currently considered classified as “office developments.”

Manufactured Housing

A manufactured house is a factory-built, single-family structure that is built on a permanent chassis and transportable in one or more sections. It is perhaps the most affordable house on the market today, as it is the least expensive to construct. Also, once built, it may be difficult to distinguish from a site-built house.

California law (Gov Code §65852.3) permits all manufactured homes built under HUD guidelines and on a foundation to be placed on lots zoned for conventional single-family residential dwellings. The homes must conform to the same development standards applied to a conventional single-family residence (building setbacks, parking, design review, etc.) on the same lot, but may also be subject to three additional architectural requirements: roof overhang, roofing material, and siding material. Regulations on roof overhangs are subject to the provisions of Gov Code §65852.5 and any architectural requirements for roofing and siding material may not exceed those that would be required of conventional single-family dwelling construction on the same site. In any case, no city or county can apply any development standards that have the effect of precluding manufactured housing.

Gov Code §65852.4 provides that all manufactured homes built under HUD guidelines and on a foundation must be subject to the exact same permit approval process and criteria as a conventional dwelling on the same lot. Other State laws that also apply to manufactured housing include the California Factory-Built Housing Law (Health & Safety Code §§19960-19997), which deals with “modular homes” built to State (not federal) codes; the Manufactured Housing Community Act (Health and Safety Code §§18800-18821); and Section 714.5 of the California Civil Code, which makes unenforceable any deed restrictions (Conventants, Creeds and Restrictions - CC&Rs or similar) recorded after 1987 that bar manufactured homes.

Benefits

- Provides a high quality housing product that is less expensive than traditional site-built homes.
- Appears increasingly similar to (even indistinguishable from) site-built housing thanks to ongoing design improvements.
- Shortens the interim financing period necessary for the unit, the land, and the site improvements thanks to the ability to very quickly set up and finish the unit after it arrives at the site.
- Provides an option for infill development of small, odd-shaped parcels, including surplus rights-of-way.
- Provides a potential option for development of second units where backyards are large enough to accommodate a small manufactured home and the primary unit is unsuitable for remodeling or expansion to add a second unit.
- Offers a lower cost construction option for conventional subdivisions and planned unit developments since factory built parts will be less expensive. However, on difficult terrain or locations where transportation access is limited, the costs of moving the parts may offset the benefits.

During the Housing Element Process...

- **Review Local Ordinances and Regulations.** Because certified manufactured homes on a foundation may not be restricted from locating in a residential district, they are a viable option for affordable housing under existing residential development regulations. Local ordinances and regulations must not contain language or requirements that counters State provisions for manufactured homes.

Potential Programs and Actions

- **Provide Incentives.** Communities can adopt zoning and other incentives for manufactured housing development.
- **Educate the Public with Good Models.** Manufactured housing continues to face citizen resistance due to negative, often inaccurate perceptions. Local officials can dispel such negative attitudes with help from the manufactured housing industry. Working together, public officials and industry representatives could develop a model site to showcase the product.
- **Consider Contextual Guidelines.** Some communities have enacted architectural compatibility guidelines to ensure that these developments will blend into existing neighborhoods and to alleviate public concern over design compatibility. Rooflines are an important consideration, as is compatibility with the architecture of adjacent homes.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

 Carroll, Jeff, "Manufactured Housing Update," p 43, *Urban Land*, Urban Land Institute, March 1997.

 HCD, *Manufactured Housing for Families: Innovative Land Use and Design*, State of California, Sacramento, 1990.

 Sanders, Welford, *Manufactured Housing: Regulations, Design Innovations, and Development Options*, PAS Report 478, American Planning Association, Chicago, 1998.

 Sanders, Welford, *Manufactured Housing Site Development Guide*, PAS Report 445, American Planning Association, Chicago, 1993.

Success Stories

- **Using Manufactured Housing as Urban Infill to Solve the Housing Crisis in Declining Neighborhoods.** Elmhurst is an inner-city neighborhood in Oakland that contains a number of vacant lots and run-down, empty houses. The Elmhurst Initiative was an effort to help raise property values, provide affordable homeownership, and prevent further decline in the neighborhood. The City of **Oakland** used CDBG funds to acquire six vacant, tax-delinquent properties and accepted architect **Paul Wang's** proposal to use factory/HUD code-manufactured housing on the lots, some of which were as narrow as 25 feet. Wang worked closely with the manufacturers, Silvercrest Western Homes to modify designs. High-pitched roofs, redesigned windows and sliding doors to the patio as well as site-built single car garages and porches provide a high level of livability and help the houses blend in with neighboring World War II-era homes. Using manufactured homes helped reduce overall construction costs by about 10 to 15 percent.

While City loans were used for the first two units, subsequent private financing was secured for the remaining four. A City program provided 2 percent down-payment assistance to help all six of the low and moderate-income first-time homebuyers. The Elmhurst development exemplifies the use of good-quality manufactured homes in urban infill to help provide affordable housing as well as support the process of rehabilitation in troubled neighborhoods.

- **Affordable Manufactured Housing Provides Home Ownership Opportunities for Families.** Wisteria Homes is a single family, detached housing subdivision offering 28 affordable three-bedroom homes for first-time low and moderate-income homebuyers. The homes are manufactured off-site to the highest federal and state standards for manufactured homes and are then transported and assembled on-site for about an approximate 20 percent savings in housing costs. Each home has cathedral ceilings, an attached two-car garage as well as private landscaped front and rear yards. Three of the units have unfinished, roughed-in 400 square feet "granny units" built over the garage. Non-profit developers **Burbank Housing Development Corporation** worked with the City of **Petaluma** to obtain state subsidies of about \$10,000 per unit and also obtained access to a 3-percent down payment state program for all eligible participants. Mortgage Credit Certificates were also made available to all qualified buyers.



Wisteria Homes, Petaluma

Burbank Housing

Self-Help and Community-Help Housing

Self-help, or sweat equity housing enables potential homeowners to build up credit for a down payment on a home by contributing their labor to the construction or renovation. It can be a means for the low-income household to enter the housing market. Community-help housing expands the labor pool to include the neighborhood or a broader group of volunteers, such as houses built by Habitat for Humanity. Programs can be utilized by individuals or groups, usually with subsidies and public support. California Housing Finance Agency (CHFA) finances self-help housing by providing below-market bond financing for mortgages on homes in urban areas and the Farmers Home Administration Mutual Self-Help Housing program has sponsored many rural development projects.

Benefits

- Allows individuals and families to obtain a home for which they could not otherwise qualify.
- Saves money both for participants and funding sources because of the labor provided.
- Helps develop valuable skills for the participants through the on-site home building or renovating experience.
- In programs that involve rehabilitation of neglected homes, improves the housing stock and returns properties to the tax rolls.
- Can result in higher quality housing, because owners are responsible for completing detail work.

During the Housing Element Process...

- **Involve Community Groups.** Community non-profit organizations tend to organize most self-help development projects. Local governments can contact non-profits to provide information on the existing local opportunities and/or assist interested players.
- **Review Existing Ordinances and Regulations.** Consider whether there are any existing ordinances or regulatory mechanisms that encourage self-help housing developments.

Potential Programs and Actions

- **Consider Reduction or Elimination of Fees.** Offsets or forgiveness of development and impact fees—park development fees for example—can help lower the overall costs for self-help developments.
- **Consider Modified Standards.** Relaxed design standards and expedited processing can provide added incentive to self-help. However, care must be taken to ensure that the self-help housing fits in with the character of the neighborhood.
- **Seek Donations.** Financial support can be provided through donated labor, materials, and land, or through free technical advice from the city or county. Such donations can be leveraged from the for-profit sector or provided in coordination from non-profits.
- **Seek Financial Assistance.** Grants and loans from local governments can help fill financing gaps.
- **Train and Equip Participants.** Programs can be provided to help recruit and counsel potential participants and assist them with acquiring the land and/or buildings. Participants will also require tools, materials, and training in using these tools and materials.
- **Set Up Management Structure.** Skilled organizers and supervisors will be needed to manage the development and oversee day-to-day aspects of construction.
- **Encourage Sharing of Labor.** If prospective tenants work together on each other's houses, developments will be finished sooner and cost effectively.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.



Habitat for Humanity



Rural Community Assistance Corporation

See Also...

- Infill Development (*Page 3-12*)
- Zoning Standards and Building Codes (*Page 3-98*)

Success Stories

- **Former Renters become Owners by Building Homes in a Mixed Income Development.** The Gloria Way Development in East Palo Alto consists of 38 units of affordable rental housing at the Bay Oak Apartments developed by EPA Can Do and Mid-Peninsula Housing Coalition and 24 units of community-built ownership housing developed by EPA Can Do and Habitat for Humanity. Neighborhood and community input into the design process was a crucial factor in the decision to include the ownership component. Designed by a single architect to ensure a cohesive appearance, the units are linked by walkways and constructed around courtyards with two play areas for children. The development is located near public transit and provides a transition from adjacent commercial uses on one side and a single-family residential neighborhood on the other.

The City worked with San Mateo County to make the site available at a below-market price, and also made CDBG and HOME funds available in order to make the development affordable to extremely low, very low, and low income residents. The 24 new homebuyers—all of whom were already community residents often living in overcrowded or sub-standard conditions—were provided zero-interest mortgages made possible by community donations. In addition, Habitat for Humanity raised \$1.8 million locally and brought together 6,000 individuals (including the future homeowners) who volunteered 80,000 hours to build the new homes. The development, thus, provided affordable rental housing, created opportunities for first-time homebuyers, and promoted positive relations between participants from different communities.

- **Neighbors Welcome Owner-Built Transformation of Vacant Lots.** Mercy Housing California assisted 18 homeowners to construct single-family detached homes on parcels in Fairfield left vacant by a bankrupt housing developer. Though roads and all improvements were already in place, a downturn in the housing market halted completion of a small market-rate subdivision, raising concerns from neighborhood residents who found themselves living across from weedy, unkempt lots. The City of Fairfield used Redevelopment Tax Increment funds to help Mercy Housing acquire the land.

Given low initial interest in the development, a decision was made to start construction after identification of the first eight participants with the hope that their experience and possible changes in the housing market would stimulate greater interest for a second phase. In the interim, Fairfield housing prices escalated making the financial advantages of owner-built homes more apparent. The second phase subscribed quickly. All the homes served households at or below 80 percent of Fairfield median income by combining HOME funds for development costs with HCD administrative funds for technical assistance to homeowners, and a 5 percent down payment CHAFA Self Help Housing Program. The success of this development is evident in the City's interest in replicating the model in other neighborhoods.



Working at Home

Working at home is linked to the affordability of housing because a home office may reduce the need to rent office space elsewhere. It can also save considerable time and expense associated with commuting and it allows people who must be at home to supplement their income through home-based work. The reduction or elimination of automobile commutes also has potential environmental benefits and having more people at home during the day can enhance neighborhood safety, contribute to the sense of community, and support nearby retail businesses.

Home occupation regulations have been an integral part of development regulations for many years. Recently, the concept of live-work units has become common. These topics are often treated separately in policies and ordinances, but are really two segments along a broad continuum. They are likely to merge because new housing is increasingly being designed to accommodate workspace.

Benefits

- Negates the need to rent office space elsewhere and the savings can be applied to the home purchase or rental.
- Allows people who have difficulty being away from the house for long periods to have some income that they can use for buying or renting a home.
- Increases efficiencies, thereby producing more income that can be used to buy or rent a home.
- Reduces the expenses associated with commuting. Money saved can be applied to mortgage or rental payments.
- Produces more eyes on the street in residential areas during normal work hours and, therefore, may reduce crime.
- Contributes to neighborhood cohesion by allowing people to live and work in the same neighborhood.
- Supports rehabilitation of under-utilized commercial and industrial areas through development of live-work units.
- Plays a major role in the incubation of new businesses that provide community-based jobs.

During the Housing Element Process...

- **Review General Plan Policies.** The general plan should be reviewed to ensure that it provides policy guidance for home occupations and live-work units.
- **Review Home Occupation Ordinances.** Existing home occupation ordinances should be reviewed to ensure they do not present unreasonable obstacles to working at home.

Potential Programs and Actions

- **Ensure Zoning Allows Live-Work Units.** The zoning ordinance should be revised to allow live-work units to be built as part of a new building or as existing building rehabilitation.
- **Tailor Regulations to Area.** Home-work regulations may vary within different parts of a city or county. Some communities use three categories of home-work: home occupation, live-work, and work-live. The latter category emphasizes the work aspects of the unit and allows activities with more noise, smell, vibration, etc.
- **Clarify Sale of Merchandise.** Most home-work regulations prohibit the sale of merchandise, although some ordinances allow art and handicrafts to be sold in areas where consumer shopping might normally occur.

- **Clarify Use of Employees.** Most home occupation and some live-work regulations prohibit employees except for those residing on the premises. Communities that want to realize the benefits of increased home-based occupations (decreased commute traffic, more people at home during the day, etc.) may want to allow limited use of employees.
- **Consider Limits on Work Area.** Some home occupation regulations place a maximum floor area limit, usually a percentage, on the space that can be occupied by the area used for work. This percentage may vary by residential district or location.
- **Liberalize Deliveries.** Some home occupation regulations prohibit deliveries. This type of restriction, however, appears discriminatory at a time when home deliveries of consumer goods purchased on the Internet appear to be rapidly increasing.
- **Focus on Impacts, Not Use.** Some home occupation regulations specify what businesses can be conducted from the home. This approach does not appear to be useful and often discriminates against non-professional jobs.
- **Incorporate Into Mixed-Use Development.** Areas with a significant number of live-work units can support other types of uses—copy shops, office supply stores, daycare, etc. Live-work units lend themselves to being a part of a mixed-use development or area.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

 *Reconciling the Separation Between Home and Work*, Urban Ecology's "Realize the Vision" Series, No. 4, Oakland, 1998.

 Bennett, Julie, "Home Bodies," p 10, *Planning*, American Planning Association, May 1999.

 The Live/Work Institute

See Also...

- Mixed-Use (*Page 3-15*)
- Jobs/Housing Linkages (*Page 3-38*)
- Parking Standards (*Page 3-88*)
- Zoning Standards and Building Codes (*Page 3-98*)

Success Stories

- **Live/Work Development Helps in Downtown Revitalization.** A five unit live/work development in a renovated building in the heart of **Pittsburg's** downtown is contributing to the revitalization of the area. The bottom level of each two-level unit is dedicated to commercial use and has street access. The development was built through a conditional use permit since Pittsburg does not have a live/work zoning district. In addition, the City provided a parking variance to allow for the provision of only five spaces, about a third of the spaces required by zoning requirements.
- **Mixed Income Live/Work Adds to Diverse Community.** The for-profit developer Holliday Rose MacKenzie joint ventured with non-profit **Arts Development Company (ArtsDeco)** to create a development that mixes 29 units of low-income artist live/work space with 11 market-rate live/work units, in a development that also includes 59 conventional condominiums. Designed as an integrated development on a sloping site in **San Francisco's** Potrero Hill neighborhood, the project brought together the financial resources and live/work development expertise of principal Rick Holliday with the public financing secured by the ArtsDeco group, which was charged with re-housing artists displaced by an earlier eviction. The development involved reclassification of a formerly industrial vacant, steep triangular site through the conditional use process, and utilized planned unit development zoning that allowed a density bonus. Three story housing stepping down the street along the residential frontage and four-story live/work units plus a community theater and gallery space were built.

The cost effectiveness of developing the entire site at one time with the same architect and contractors plus the density bonus allowed the sponsor to set aside 10 percent of the condominiums at moderate income levels and to also provide "at-cost" construction for the low income for-sale live-work units. Taking advantage of the slope of the site, an exterior amphitheater space adjoins the common galleries off of which the low-income live/work units are arranged. In addition, at community request, a landscaped "mews" walk allows public access through the development. The development is adjacent to a middle school, one block from a neighborhood commercial area, and within three blocks of two 24-hour transit lines.



ArtsDeco, San Francisco

Tom Rider