

Zoning for Affordability Introduction

April 6, 2023



COMMUNITY
PLANNING
COLLABORATIVE



Association of
Bay Area Governments



METROPOLITAN
TRANSPORTATION
COMMISSION

STREET
LEVEL

Image: Milpitas Metro

Agenda

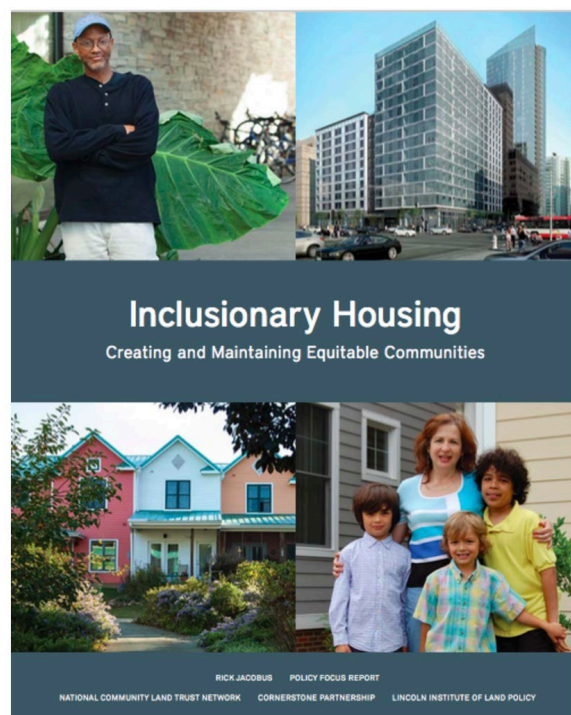
Goal: To understand how the range of affordable housing requirements that are commonly implemented as part of local land use planning.

- Introductions (5 min)
- Working Group Series
- Affordability Requirements/Policy Types
- Key Policy Choices
- Financial Feasibility/Value Recapture
- Discussion: Priorities for support
- Scheduling Future Sessions
- Closing



Rick Jacobus

Street Level Advisors



Recent Clients:

San Francisco
San Jose
Berkeley
Honolulu
Seattle
New York
Atlanta
Minneapolis
Los Angeles County

Lincoln Institute for Land Policy
Grounded Solutions Network
PolicyLink
The Ford Foundation
F. B. Heron Foundation

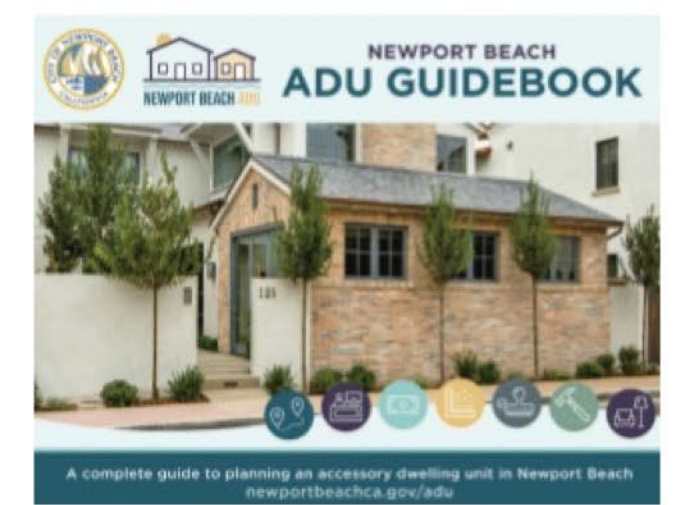
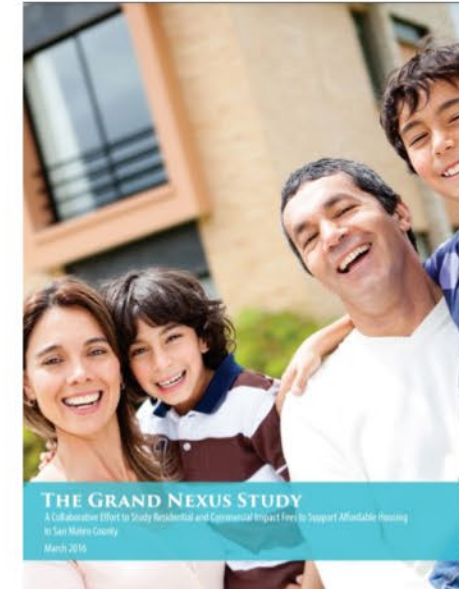


Joshua Abrams

COMMUNITY PLANNING COLLABORATIVE

RECENT CLIENTS

- San Francisco
- San Jose
- San Mateo County
- State of California
- ABAG
- Salt Lake City
- Chan Zuckerberg Initiative
- San Francisco Foundation
- Irvine Foundation



Accessory Dwelling Unit Calculator

Estimate the cost of converting part of your home or constructing a rental unit.

Save/Load My Settings English

Structure | Construction | Finances | Rents | **COSTS** | VALUE | PROJECTIONS

Physical Characteristics

Where will your second unit be built?
Sonoma

Type of Construction

- New Construction**
New construction includes both attached and detached second units.
- Conversion of Part of Garage or Pool House
Taking an existing garage or pool house, and turning it into a second unit.

Monthly Rent: **\$2,034**

Monthly Expenses: **\$1,701**

Legend:
\$1,210 Loan Payment
\$154 Taxes
\$128 Insurance
\$11 Management
\$16 Vacancy Allowance
\$19 Repairs

Napa Sonoma ADU ADU PLANS GALLERY

HOME PAGE | PLANS SEARCH | FAQS | **NAPA SONOMA ADU CENTER WEBSITE**

Welcome to the Napa Sonoma ADU Standard Plans Program

- ✓ Find an ADU design you like that works for your property.
- ✓ Connect with the designer, architect, or prefab company.
- ✓ Save time and money!

Affordable Housing Policy | ADU | Facilitation | Sustainability

Working Group Series

March 2023

December 2013

Track A: Jurisdictions adopting new policies

Zoning for
Affordability

Evaluating
inclusionary
housing
programs

Evaluating
Economic
Feasibility

Compliance
Alternatives (Fees,
off site, etc)

Working with State
Policies (Density
bonus, SB 35, Etc)

Communicating
with the public


Track B: Jurisdictions revising policies

HOMES
NOW!



The Problem



A large mural on a teal wall depicts an elephant's head and trunk. The elephant is adorned with various environmental symbols: a globe on its trunk, a water drop, a recycling symbol, a star, and a flower. The trunk is decorated with a laurel wreath. The background of the mural shows a landscape with mountains and a river. A text box is overlaid on the mural, containing the text: "Everything we all do to make places **better** also makes them more **expensive**".

Everything we all do to make places **better** also makes them more **expensive**

When prices rise, we all pay more...



Where does all of that money go?

Land Value

When housing prices rise, **owners of land** receive much of the benefit





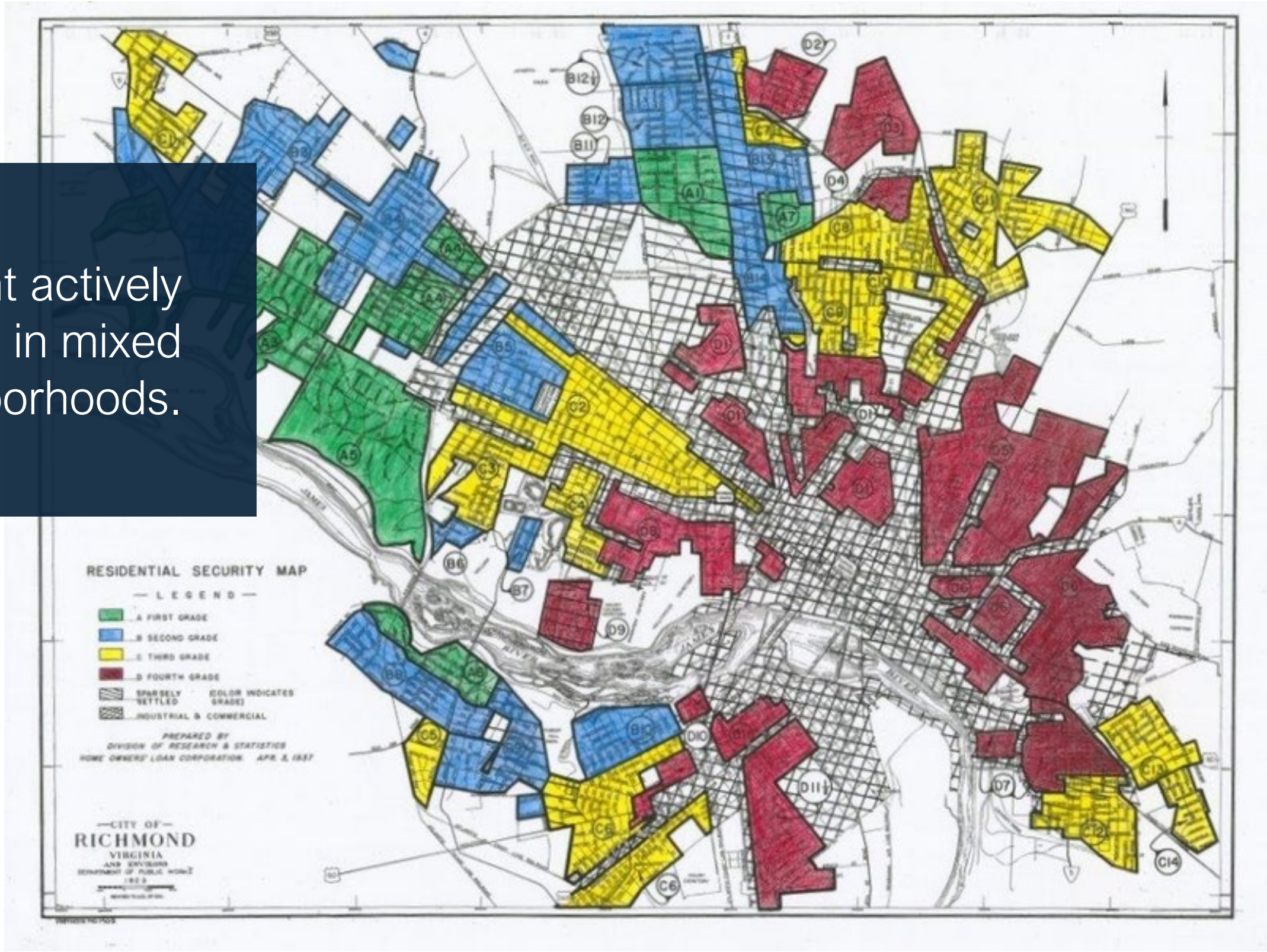
This would not be a problem if
we all owned land

A photograph of two women sitting on a brown leather sofa in a living room. The woman on the left is wearing glasses and a white patterned top, while the woman on the right is wearing a black and green striped top. They are both smiling. The room features a large mirror on the wall, a lamp, and a desk in the background.

In the United States, white families hold **13 times** more wealth than families of color

Unequal access to housing has been a primary driver of this trend.

The US Government actively discouraged lending in mixed race neighborhoods.



Fair Housing



We eventually banned racial **discrimination** in housing

But communities continued to use zoning as a tool to maintain racial and economic **exclusion**




Exclusionary Zoning



Differences in poverty rate in the **neighborhood** where kids grow up make a bigger difference to their economic future than differences in **parents** income.

SHARKEY, PATRICK. 2009. "Neighborhoods and the Black-White Mobility Gap." Economic Mobility Project: An initiative of the Pew Charitable Trust.



Moving to an economically integrated community improves the life chances for lower income kids - The earlier they move the greater the benefit.

The Equality of Opportunity Project (Chetty and Hendren, 2015)

Our affordable housing programs have not been successful in accessing higher opportunity neighborhoods.





Median quality of nearest school based on housing type

Housing Type

School Percentile

Public Housing

19th Percentile

Tax Credits

30th Percentile

Housing Choice Voucher Holders

26th Percentile



Median quality of nearest school based on housing type

Housing type	School percentile
Public Housing	19th Percentile
Tax Credits	30th Percentile
Housing Choice Voucher Holders	26th Percentile
Inclusionary Housing (on site)	40th to 60th percentile

Questions/Discussion 1



Affordable Housing Requirements

Require (or incentivize) any new multi-family housing to include a share of units that are permanently restricted to lower income residents at below market rate (BMR) rents or sales prices.

Image: Station Park Green, San Mateo

Potential Structures

- Inclusionary Zoning
- Affordable Housing Fees
- Density Bonus
- Overlay Zones
- Specific Plans
- General Plan Policies
- Commercial Linkage Fees



Image: 1925 W. Temple Street - Los Angeles

Mandatory vs. Voluntary 1

Mandatory:

Every project must include affordable units, whether or not they take advantage of available incentives (density bonuses, parking reductions)

Voluntary:

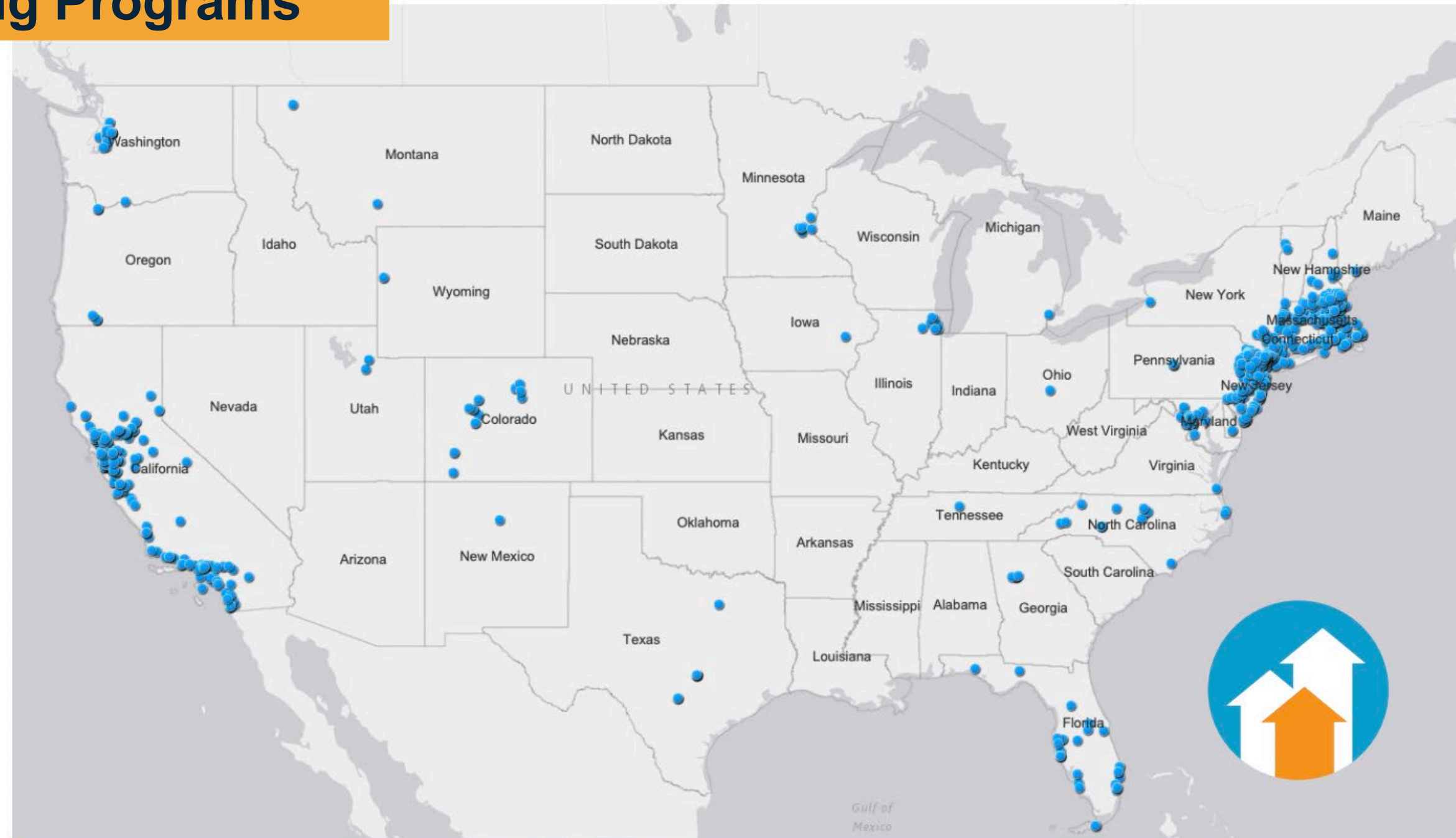
Projects only need to provide affordable units to the extent that they receive increased density of other incentives

Upzoning:

All projects are required to provide affordable units if they are located in areas where zoning was changed to allow for increased density

Inclusionary Housing Programs

Require provision of affordable units in new residential buildings



Location of inclusionary housing programs in United States

Affordable Housing Fees



Require residential developers to pay a fee (mitigation fee or impact fee) which the jurisdiction uses to fund affordable housing elsewhere.

Density Bonus

Allow developers to build taller or more dense buildings if they agree to include affordable units





Specific Plan

Require affordable housing in a targeted area as part of a broader update to the land use rules (generally an up zoning)

Overlay Zones

- *Adopted in 2018*
- *Provides flexible development standards for 100% affordable housing (up to 120% of AMI) on commercially zoned sites*
- *Relaxes standards related to lot coverage, open space, parking, height limits and density.*
- *Expanded in 2022 to include streamlined approval process - elimination of hearings shortens development timeline by up to 1 year.*

Affordable Housing Combining District
Palo Alto

Image: Wilton Court, Alta Housing

Menu CoTour LoopNet Help Share Print Advertise

Urban Village Zoned or Value add retail | 1910-1920 Camden Ave

19,184 SF | 100% Leased | Retail Building | San Jose, CA | For Sale

Retail Space / California / San Jose / 1910-1920 Camden Ave, San Jose, CA 95124

INVESTMENT HIGHLIGHTS

- *100% Affordable Housing Under Policy IP- 5.12
- *A Signature Project that would allow market-rate/mixed-use is Allowed
- *0.7 Miles from Proposed Cambrian Park Plaza "Signature Project"
- *Rare 1.58 AC Infill Corner Parcel | \$145 SF/Land
- *Core Silicon Valley location only 0.2 Miles to many large retailers on Hillsdale Avenue

EXECUTIVE SUMMARY

1910-1920 Camden Avenue is an opportunity to purchase a critical 19,184 SF shopping center on 1.58 Acres situated on the corner of Camden Avenue and New Jersey Avenue. Core Silicon Valley location only 0.2 Miles to many large retailers on Hillsdale Avenue such as The Home Depot, 24 Hour Fitness, Smart & Final Extra, Target, TJ Maxx & HomeGoods, and Big Lots.

Redevelopment Opportunity: 100% affordable housing under Policy IP- 5.12 that would require replacing 50% of the existing commercial space in the new project. A Signature Project, that would allow market-rate mixed-use, could also be possible, but would require a higher amount of replacement commercial and a minimum number of residential units.

Value-Add Opportunity: Value add opportunity, tenants are on short term leases, with average lease expiration date of 2021-2022. This allows for an opportunity to sign NNN leases rather than the current gross leases and as well lease up the vacant 3,120 SF with an average current gross rent of \$2.87 SF.

POWER BROKER
David Taxin

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MEACHAM OPPENHEIMER

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Suite 300
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General Plan Policies

- Facilitates 100% affordable housing projects on commercial sites subject to certain criteria
- Incomes tied to LIHTC income limits
- General Plan designation creates an opportunity for an affordable housing developer to use SB 35 on sites that are zoned commercial

General Plan Implementing Policy 5.12

San Jose

Commercial Linkage Fees

Require commercial property developers to pay a fee which the jurisdiction uses to fund affordable housing elsewhere.



Mandatory vs. Voluntary 2

Mandatory:


Every project must include affordable units, whether or not they take advantage of available incentives (density bonuses, parking reductions)

Voluntary:

Projects only need to provide affordable units to the extent that they receive increased density of other incentives

Upzoning:

All projects are required to provide affordable units if they are located in areas where zoning was changed to allow for increased density




Los Angeles voters approved a law allowing projects near transit to build up to **80% more density** if they include 10-25% affordable housing.

In the first year they received applications for 112 projects with 5,571 units (1,145 affordable units)

Transit Oriented Communities Policy

Los Angeles



Because they had already dramatically increased allowable zoning and eliminated parking requirements, Minneapolis chose a **mandatory policy**

Inclusionary Zoning Policy

Minneapolis, MN

In its first 3 years, the program created 226 units in 16 buildings and collected an additional \$6.68 Million in In Lieu fee payments.



Mandatory Inclusionary Housing (MIH)

New York, NY

New York imposes mandatory inclusionary housing only in areas where the city completes a **community plan** calling for higher density development.

Questions/Discussion 2

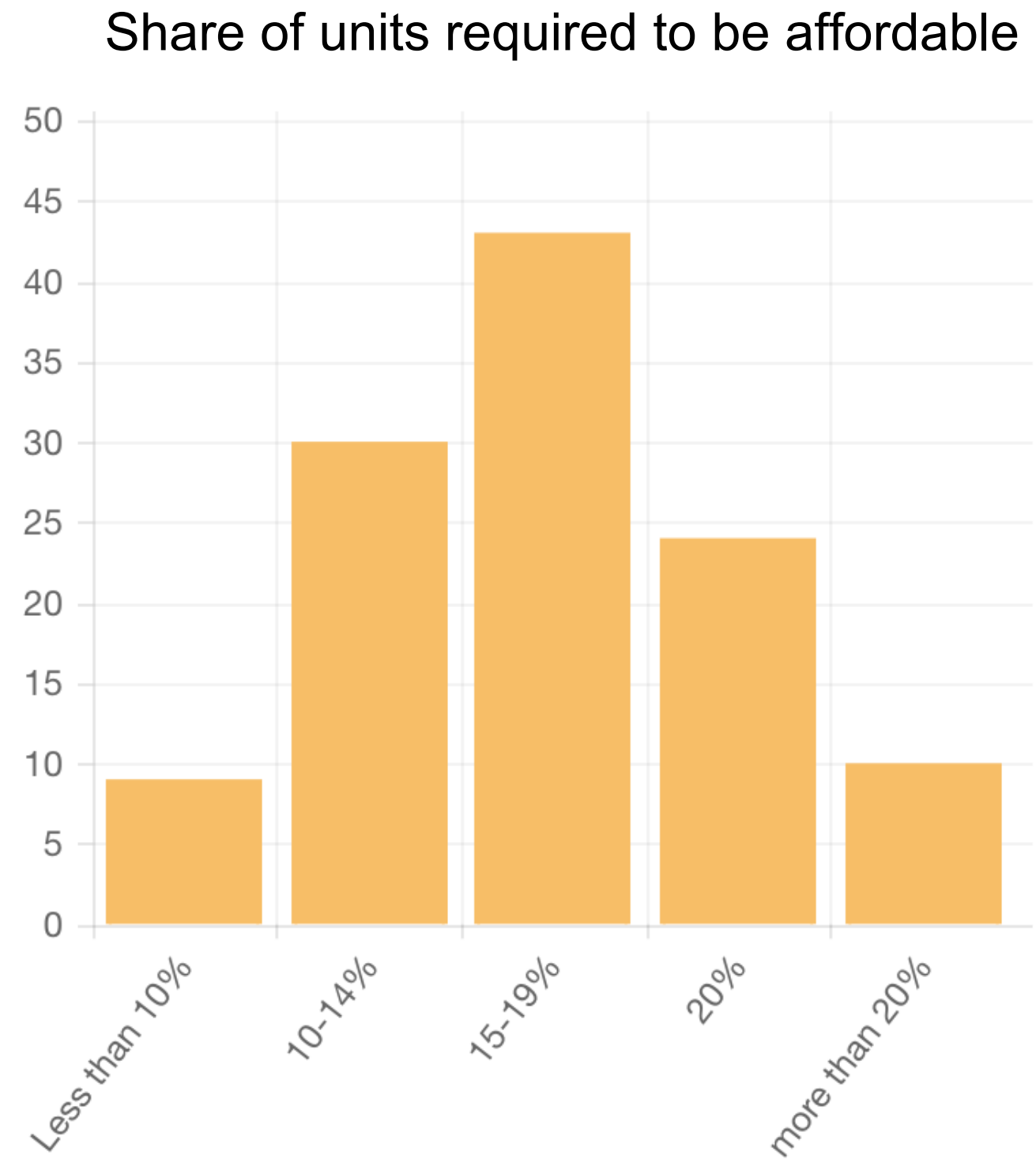


Key Policy Choices

- Set Aside Requirement (% of units)
- Income Targets (% of AMI)
- Compliance Alternatives
- Incentives
- Geographic Coverage
- Exemptions/threshold size
- Design Standards
- Affordability Period

Set Aside Requirement

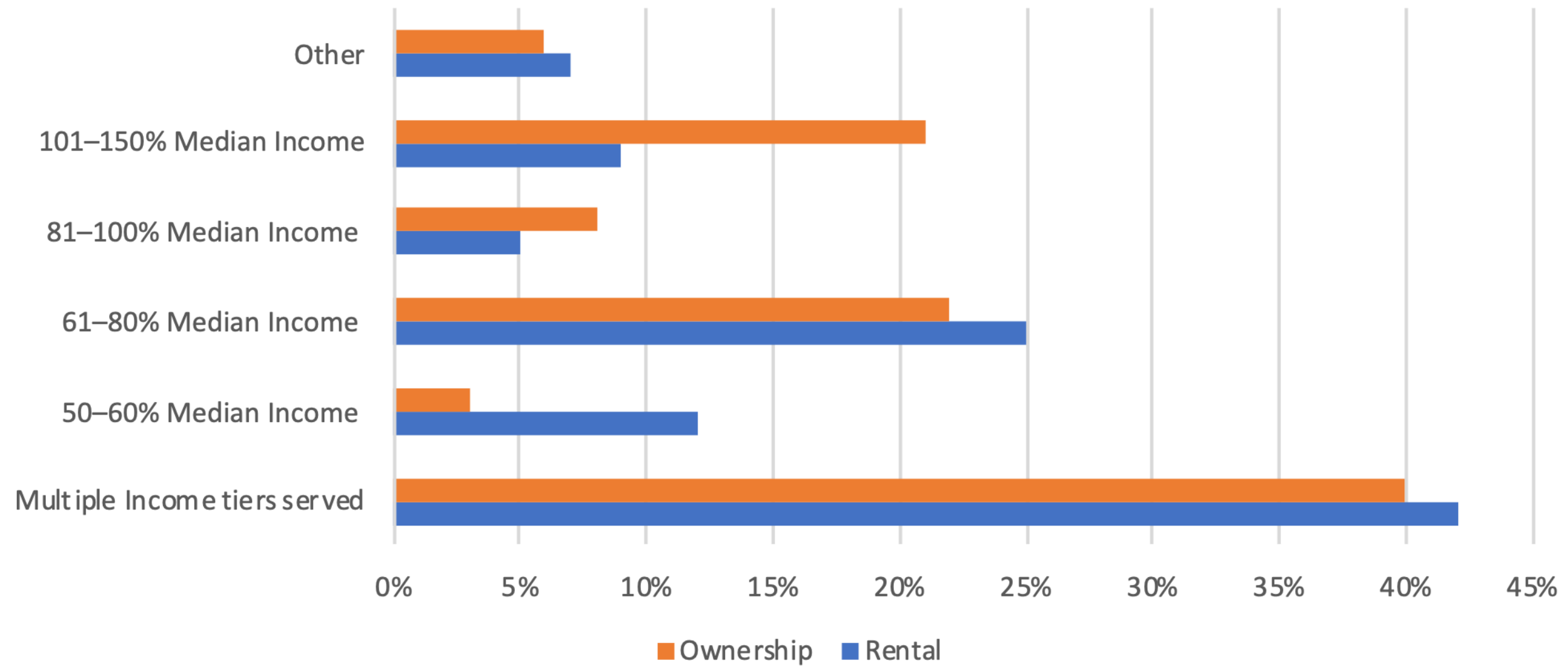
Most communities require between 10 and 20% affordable units



Source: Hickey, Sturtevant, and Thaden (2014)

Income Targets

Inclusionary Housing Program Income Targets



Alternative Compliance Options

- In lieu Fee
- Off Site Development
- Nonprofit Partnerships/Clustered Development
- Land Dedication
- Preservation Project



Fees

When should a program allow a builder to pay a fee rather than include affordable units in their project?


*Seattle was able to leverage 'fee in lieu' funds to produce **three times more** affordable units than would have been built onsite.*

And they were built in the same neighborhoods

Incentive Zoning Policy

Seattle, WA





Somerville's initial ordinance encouraged on-site. As local nonprofit capacity grew, they switched to encouraging fees. Later, as it became harder to secure sites, Somerville switched back to encouraging on-site.

Inclusionary Zoning
Somerville, MA

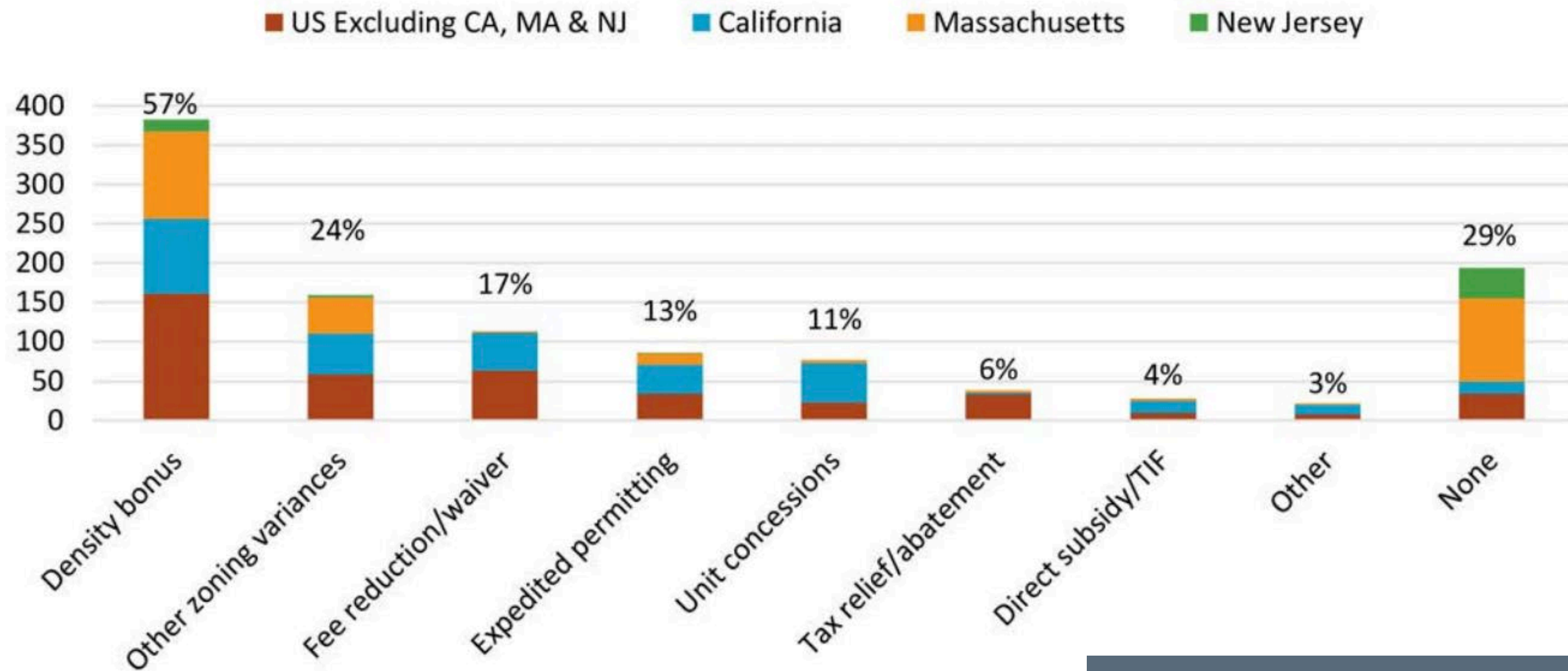
Off Site/Partnerships

San Francisco encourages builders of expensive for sale projects to partner with local nonprofit organizations to build offsite 100% affordable projects instead of including onsite units.

Inclusionary Housing Program
San Francisco



Incentives



Most programs provide incentives that offset some of the cost

Source: Wang, R., and S. Balachandran. "Inclusionary housing in the United States: Prevalence, practices, and production in local jurisdictions as of 2019." *Lincoln Institute of Land Policy Working Paper*. Lincoln Institute of Land Policy (2019).

In **Seattle** Mandatory Inclusionary Housing only applies in certain areas which have been zoned for dense multi-family residential development.

New areas are added as they are rezoned.

Mandatory Housing Affordability (MHA)

Seattle, WA

Geographic Coverage 1

Housing Affordability & Livability Agenda (HALA)

Proposed Areas With New,
Mandatory Affordable Housing

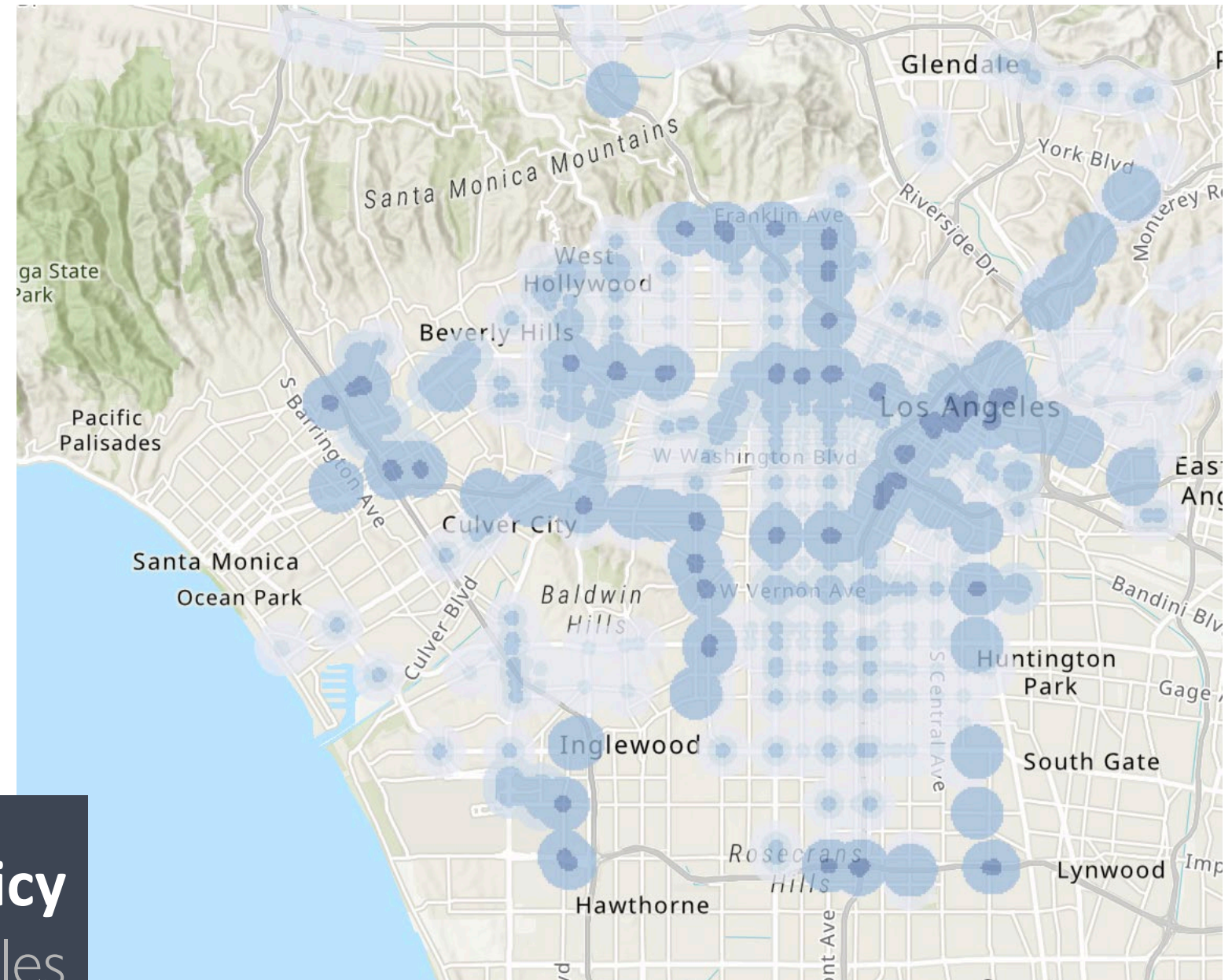
-
- Green: Proposed zoning change. 16% of citywide land*
 - Urban Villages
 - Downtown, Commercial, Seattle Mixed, and Multifamily zoned areas
 - Areas along major arterials
 - Blue: No proposed upzones. 83% of citywide land*
 - Most Single Family areas
 - Major Institutions
 - Industrial areas
 - Parks and open space
 - Hatch: Possible Urban Village expansion. 1% of citywide land*

* Parcel areas not including right of ways. Planning level estimations based on available information.

0 0.5 1 2 Miles

Geographic Coverage 2

In Los Angeles, the TOC program provides density bonuses for projects that include affordable units but only in locations adjacent to transit stops



Transit Oriented Communities Policy
Los Angeles



Exemptions/Threshold Size

Many programs exempt small projects. Some allow small projects to pay a reduced fee.

Design Standards

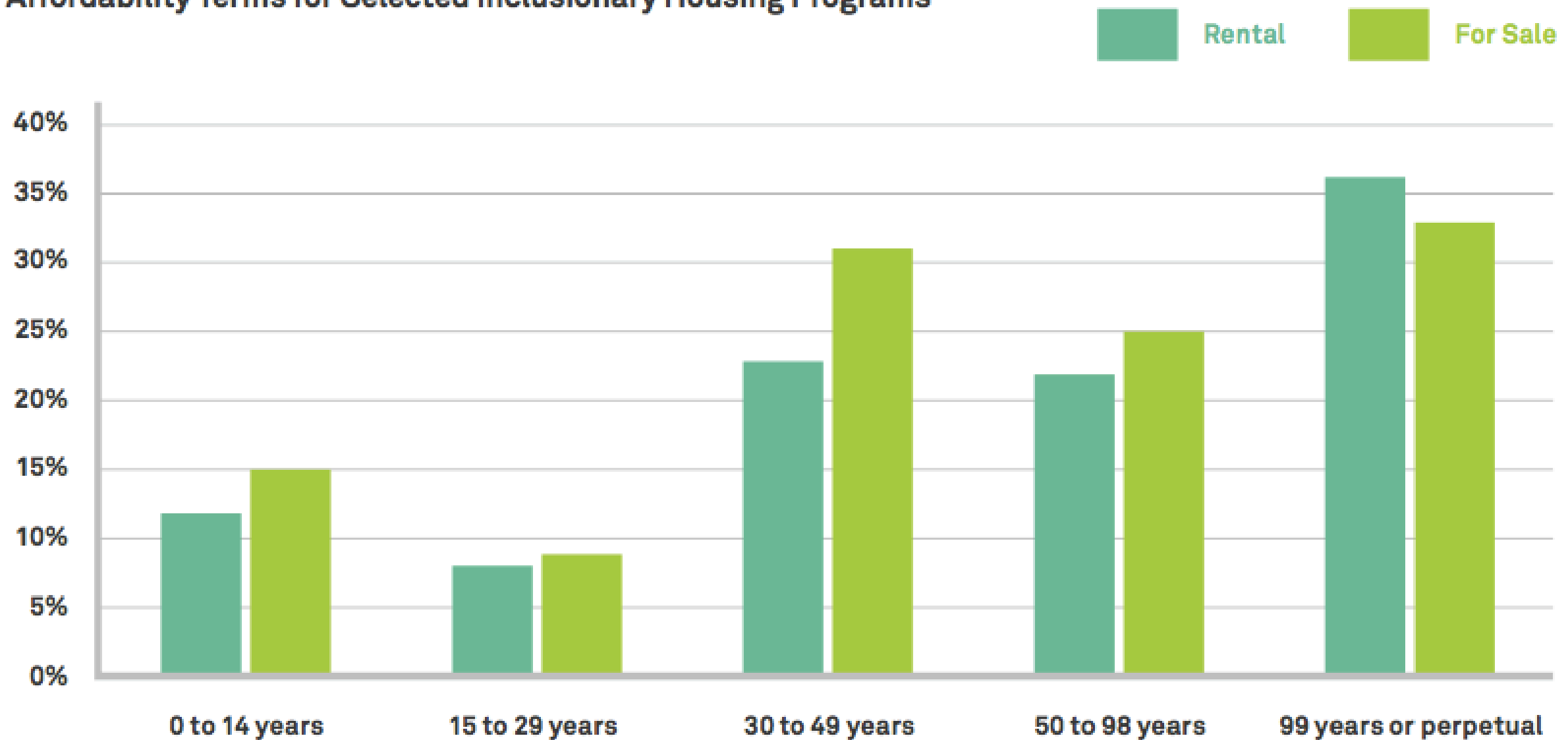
Most programs impose a requirement that affordable units either be identical to market rate units or functionally equivalent

Image: La Placita Cinco, Santa Ana

Affordability Period

Figure 9

Affordability Terms for Selected Inclusionary Housing Programs



Includes 330 inclusionary housing programs for which affordability term data is available. Source: Hickey, Sturtevant, and Thaden (2014).

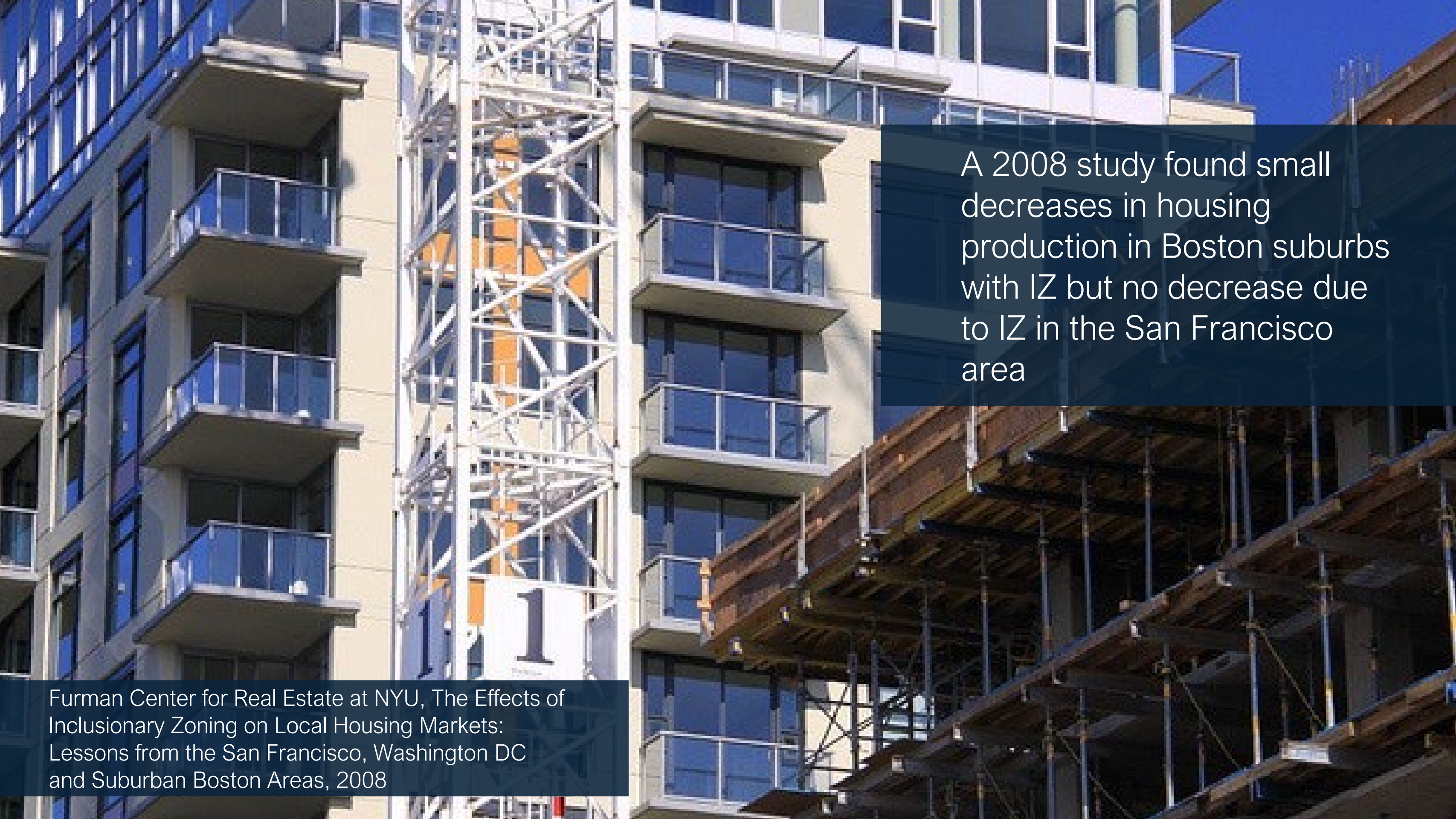
Questions/Discussion 3



Financial Feasibility



Image: Tasman East, Santa Clara, CA



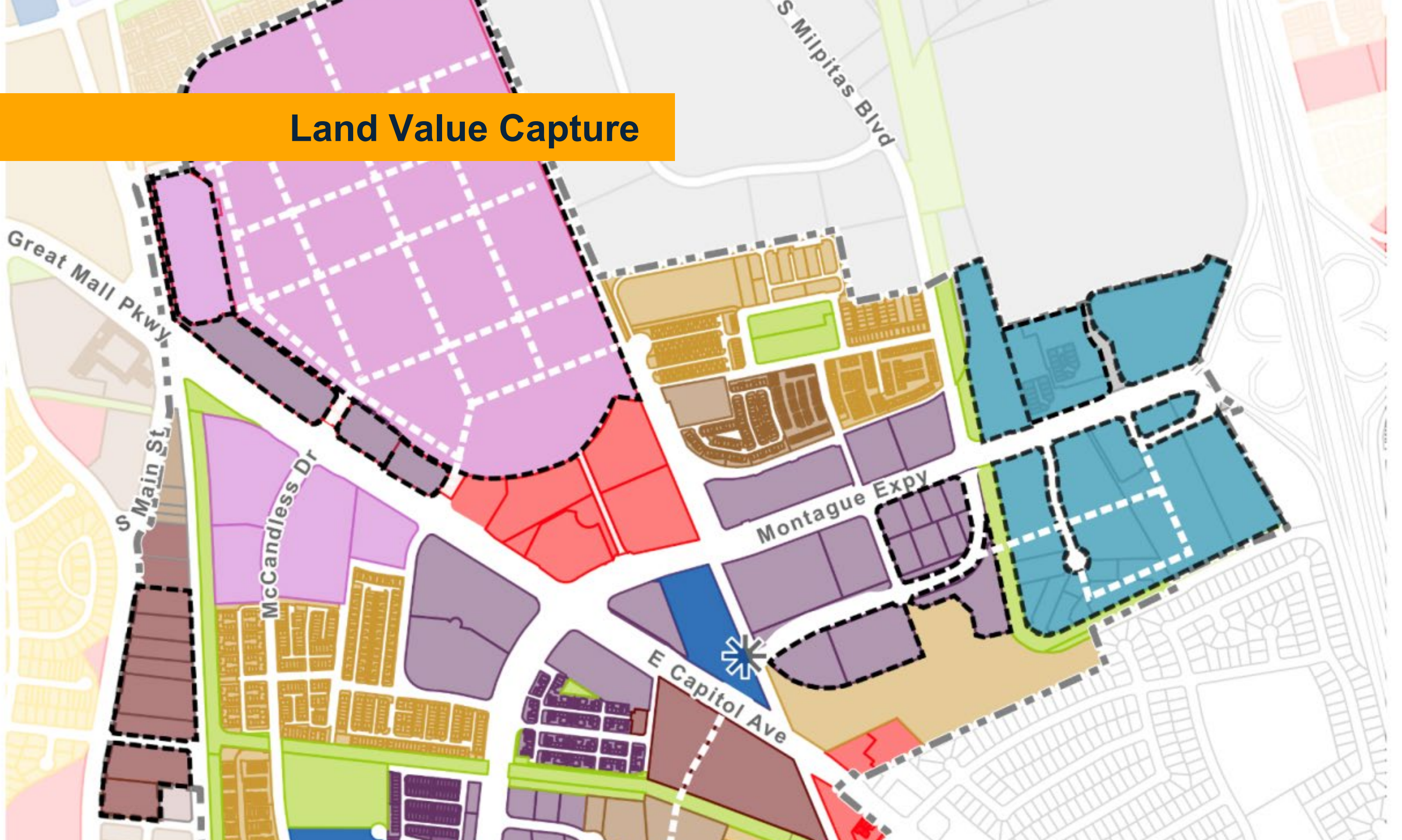
A 2008 study found small decreases in housing production in Boston suburbs with IZ but no decrease due to IZ in the San Francisco area

Furman Center for Real Estate at NYU, The Effects of Inclusionary Zoning on Local Housing Markets: Lessons from the San Francisco, Washington DC and Suburban Boston Areas, 2008

Research

- *Why wouldn't Affordable Housing Requirements result in less market rate housing being built?*
 - *Land prices adjust to accommodate cost of compliance*
 - *Incentives offset costs in many cases*
 - *Flexibility/ alternatives allow projects to move forward*

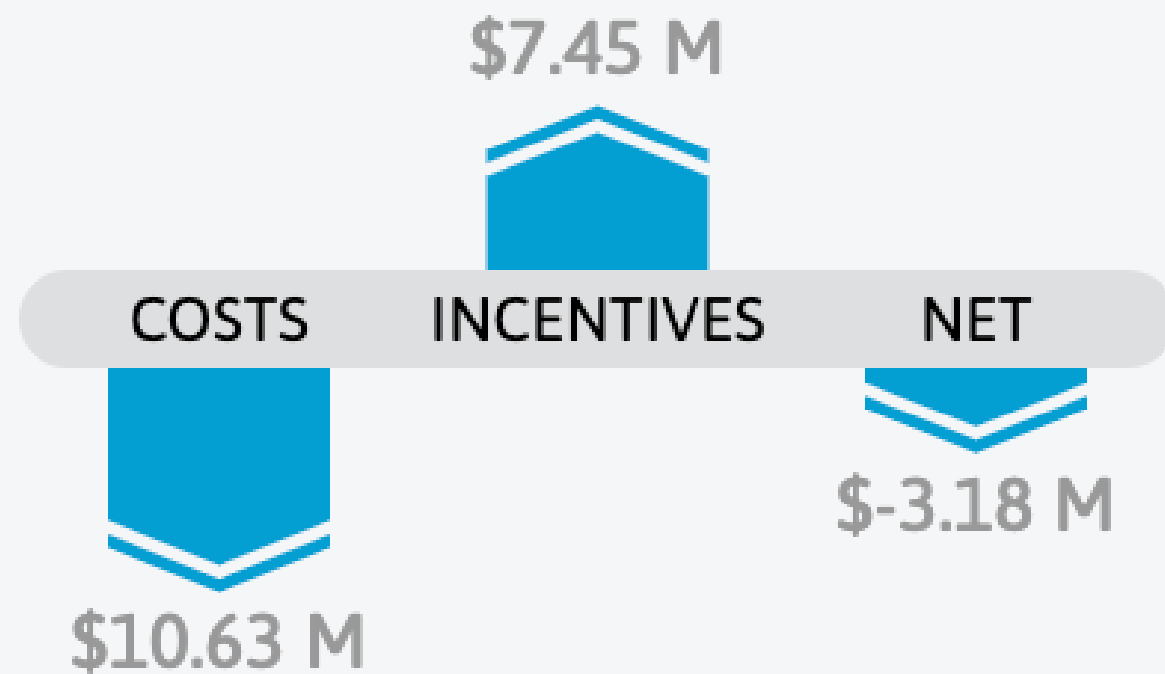
Land Value Capture



Understanding 'Net' Impact

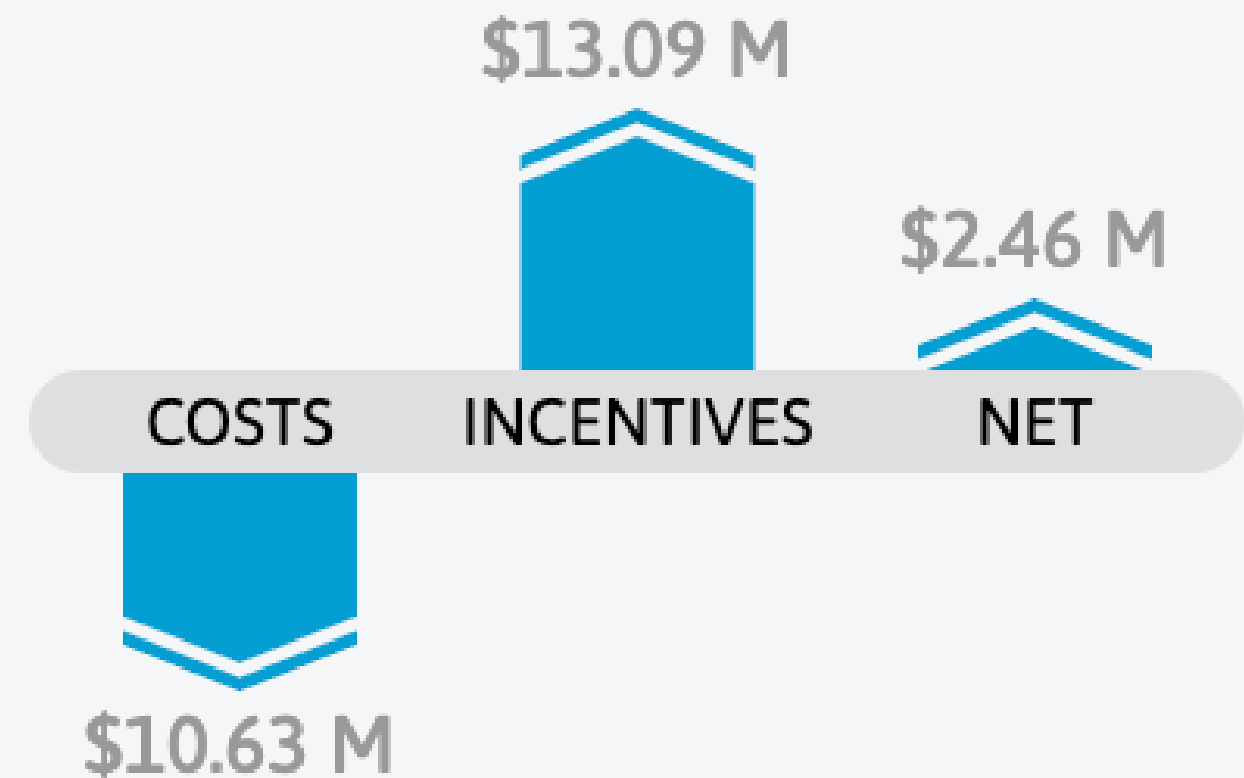
Example A: Net Cost

15% affordable, 20% density bonus



Example B: Net Benefit

15% affordable, 35% density bonus





Home



Report



Help

Print...

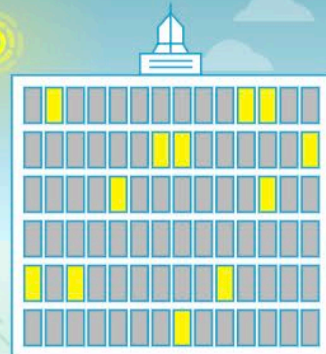
Share...

Tour

AFFORDABLE UNITS

AS % OF TOTAL UNITS

20%

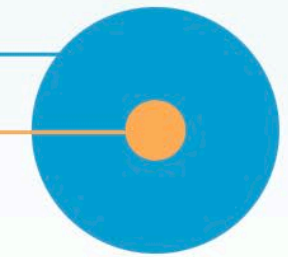


FEASIBLE

COST \$41.12 M

YIELD ON COST 5.8%

PROJECT VALUE \$48.17 M



PROJECT

Units per acre: 81.00

Total square feet: 85,884

Total parking spaces: 41

DESCRIPTION ?

My Strong Market - Mid Rise Rental

BASE UNITS ?

60



SITE AREA acres ?

1.00



PARKING RATIO (spaces per unit) ?

0.50



\$5.07 M

\$986.7 K

COSTS

INCENTIVES

NET

\$4.08 M

AFFORDABILITY

Total affordable units: 12

Total affordable housing fee: \$0.00

AFFORDABLE UNITS AS % OF TOTAL UNITS ?

20%



AFFORDABLE HOUSING FEE ?

\$0.00



IZ calculator helps **evaluate feasibility** of different combinations of requirements and incentives



Feasibility Study 1

Key Points:

- ✓ *Compile data on multiple project types*
- ✓ *Identify minimum profitability requirement*
- ✓ *Compare profitability with and without affordability requirements (and incentives)*

Feasibility Study 2

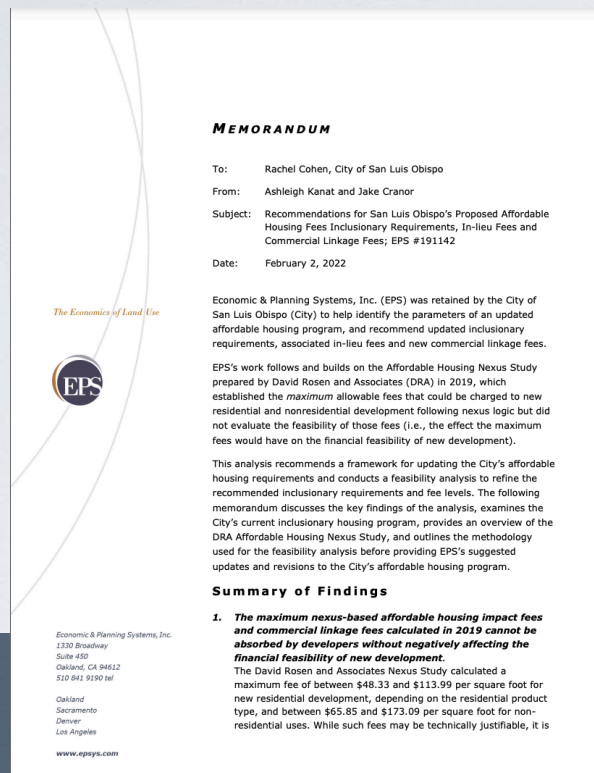
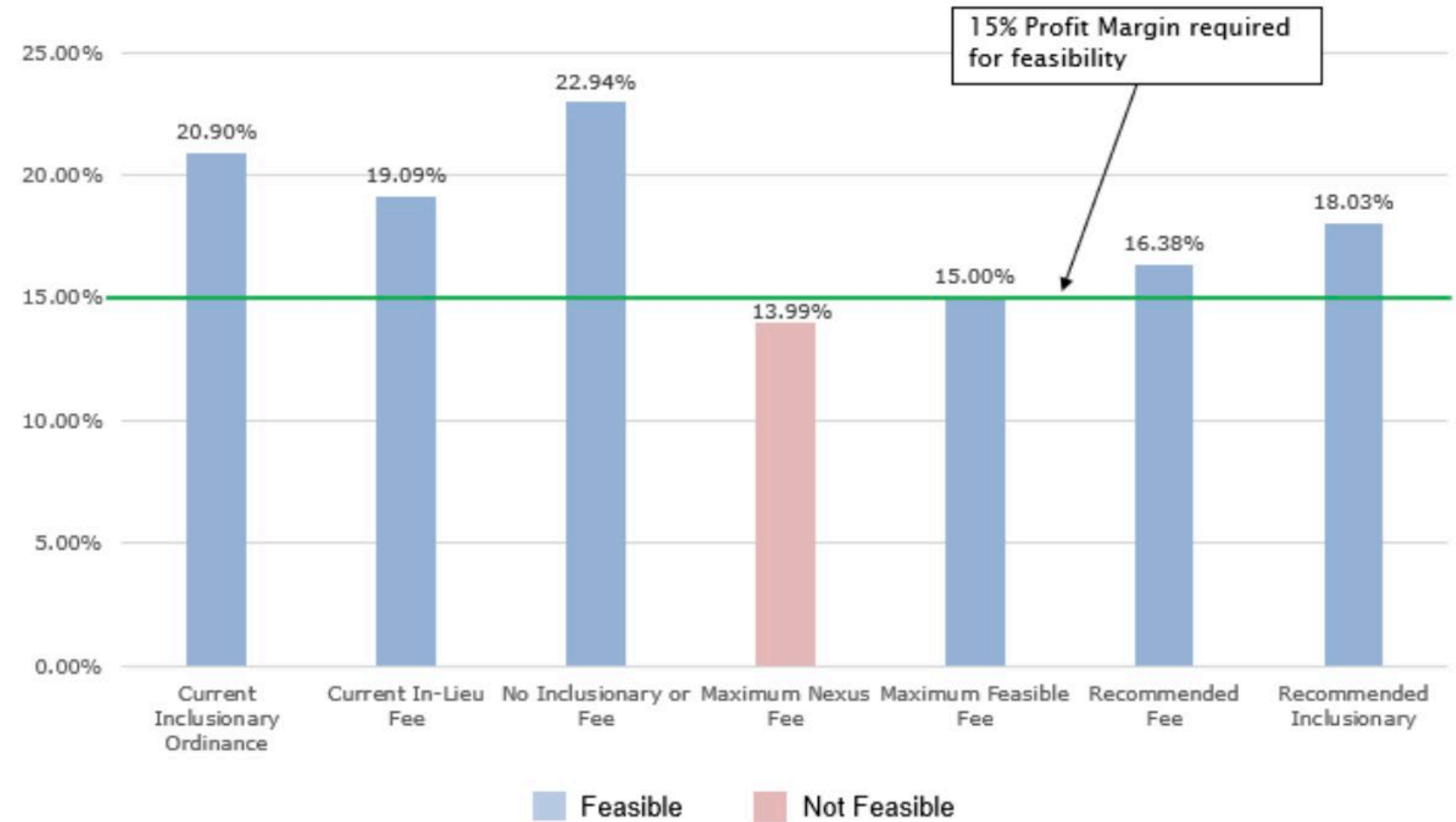


Figure 4 For-Sale Feasibility Results by Scenario



San Luis Obispo commissioned a 2022 study of the feasibility of their affordable housing requirements. The report estimated the profitability of hypothetical projects under several scenarios including their current policy and proposed alternatives.

Feasibility Study
 San Luis Obispo

Questions/Discussion 4



Activity

What kind of support would be most helpful as your jurisdiction moves forward to adopt this policy?

Scheduling

- *Can we meet through the summer?*
- *Would longer sessions be preferable?*
- *Office hours 1-1 or small group?*

Image: Mill District, Healdsburg

Office Hours

- *Use Calendly Link to reserve a time for 1-1 consultation*
- <https://calendly.com/joshabrams/zoning-for-affordability>

Image: Mayfair Station, El Cerrito



Thank You



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Image: Milpitas Metro