



Work Session 1 / April 10, 2025

What Is the Missing Middle?

Missing Middle Housing Work Group

Santa Clara County Planning Collaborative
21 Elements



Who's in the room?

Please type your name, jurisdiction
and title in the chat



Missing Middle Work Group #1

Agenda

12:00 pm Work Group Introduction

- Why Is the Middle Missing?
- Purpose of this Work Group

12:10 pm What Is “The Missing Middle?”

- Defining “the middle”
 - By housing type; By income
- What can middle-income people afford?
- The challenges we face
- Relevant state laws

12:50 pm Breakouts

1:15 pm Report Outs

1:25 pm Work Group Look-ahead

1:30 pm Close



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Why is the middle missing?

- Historically, land use regulations allowed a wide variety of housing types in residential neighborhoods
- Over time, zoning was put in place to exclude anything but single-family homes in many areas
- Combined with racist lending practices, the outcome has been racially and economically segregated neighborhoods



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Why is the middle missing?

- With pressure to create more housing, many communities looked to create higher densities in specific areas (like along major corridors) while limiting change in single-family neighborhoods
- At the same time, overall incomes rose and more people wanted those single-family homes
- The market couldn't build more (but could make the ones we have bigger and build apartments)



Why is the middle missing?

- **Middle housing types** are “missing” because they were not allowed and because they haven’t been able to compete economically
- **Middle-income households** have been squeezed out because traditional single-family homes are in short supply and out of their price range, other ownership options are limited, and they want to own a home



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Why is the middle missing?

Key questions for our work group:

- If we zone it, will they build?
- If they build it, who will it serve?



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Why advance middle housing types and middle-income housing?

- Introduce more housing choices—including rental housing and homes at different price points—in existing neighborhoods and throughout the community
- Create more diverse, integrated neighborhoods
- Support compact, climate-friendly communities
- Help meet your RHNA...



What gets in the way?

- Fear of change
- Misunderstanding
- Regulatory obstacles
- Complex or unrealistic standards
- Market realities
- Process nightmares
- Poorly designed outcomes



Purpose of this Work Group

- Support you in strategizing for, developing, and implementing workable “middle housing” strategies
- Address both middle housing as a typology, and middle-income housing
- Learn from each other, and from what other communities have done



Purpose of this Work Group

- Understand state laws that affect this work
- Meld economic perspective with design/regulatory perspective
- Engage subject matter experts as needed
- Provide a safe space for honest conversations
- *Anything else?*



Look-Ahead

04.10 What Is “the Missing Middle”?

Core definitions, challenges, state laws, local needs

06.12 The Middle Housing Market

Market Conditions and Trends for Middle Housing (Types and Incomes)

08.14 Making Middle Housing Happen

Zoning for Middle Housing

10.09 Middle Income Affordability

Strategies for Middle Income Housing

12.11 Bringing It All Together



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What Is the Missing Middle?



Defining the middle

Middle Housing Types

Everything in between a single-family home and a 20+ unit apartment building (for sale or for rent):

- ADUs
- “Plexes” (duplexes, triplexes, etc.)
- Townhomes
- Small apartment or condo buildings
- Cottage clusters
- *and more!*



Housing Units by Type of Structure *(2023 ACS)*

In both counties, about 30 percent of housing units are in a “missing middle” type of structure, with townhomes being the most common

Housing units that are...	Santa Clara Co.	%	San Mateo Co.	%
SF detached	354,857	50%	155,956	54%
SF attached (townhomes)	75,341	11%	28,948	10%
In duplexes	9,437	1%	5,597	2%
In tri/quadplexes	37,027	5%	11,034	4%
In small multi-unit buildings (5 to 9 units)	35,605	5%	16,002	6%
In mid-size multi-unit bldgs (10 to 19 units)	34,759	5%	16,549	6%
In larger apartment buildings (20+ units)	137,967	20%	49,770	17%
TOTAL	703,922		288,325	



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Defining the middle

Middle-Income Housing

Housing that is affordable to households earning **120% to 150% of area median income** (2024)...

In Santa Clara County:

\$221,160 to \$276,450 for a family of four

In San Mateo County:

\$223,900 to \$279,900 for a family of four



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Defining the middle

Middle-Income Housing

120% to 150% AMI translates to...

A monthly affordable rent payment
of approximately \$5,500 to 7,000

Or an affordable home purchase
price of roughly \$1 million to \$1.2
million *assuming a 20% down-
payment and a 6.5% interest rate
mortgage*



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Defining the middle

For middle income renters...

The average rent for a three-bedroom apartment in SCC is about \$5k (slightly higher in SMC)

Which means most middle-income households have a fairly good selection of affordable apartments to choose from (though finding one they like in the right location might be hard)



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Examples of apartments for rent (3 bedrooms for around \$6k/month)



Defining the middle

However, for middle-income homebuyers...

- The current inventory (on Zillow.com) of three-bedroom homes for sale at an asking price of \$1.2m or less is:
- **67 homes in San Mateo County**
(of 200,000+ homes in the county)
- **219 homes in Santa Clara County**
(of 700,000+ homes in the county)
- Nearly all new construction in that price range is a condo or townhome
- Vast majority are over 10 years old and under 1,700 square feet



\$900k, 3 BR, built 2004, 1620 sf, San Jose



Examples of homes for sale
(3 bedrooms, < \$1.2m)



\$1.2m, 3 BR, built 1951, 1240 sf, Brisbane



\$1m, 3 BR, built 1984, 1300 sf, Mtn View

The Challenges We Face

Some reality checks...

- Creating middle-income affordable rental housing is easy (it's happening!)
- Creating it with the amenities that middle-income folks want and in the locations they want is harder
- But when you are earning over \$250k a year, you kinda wanna buy, not rent
- **Middle-income housing affordability is a for-sale housing challenge, not a rental housing challenge**

The Challenges We Face

Middle-income households have choices

They typically have to trade off between:

- Being closer to their job or other “high opportunity” areas and buying something smaller and older, or
- Moving further away, driving more, but being able to buy a newer, larger home that might better meet their needs and expectations



The Challenges We Face

We need to create:

- More housing options that are not just single-family homes and big apartment buildings
- More rental housing overall, but also more diverse types in more diverse locations
- More and more diverse for-sale housing at price points that middle-income households can afford

that's the hardest one of all



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The Challenges We Face

But there are some core questions...

- You have limited resources
 - *How much are you willing to devote to helping households making over \$250k a year to become homeowners?*
- Middle-income households have options
 - *How many people making \$250k+ are going to choose the housing option you can help make happen (i.e., small condos and townhomes) over their other options?*



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This Work Group Will Help You To:

- **Better understand the economics** of middle housing types as well as middle-income housing
- **Better understand state laws** and how they can help you achieve middle housing and middle-income goals
- **Craft regulations and incentives to:**
 - Facilitate more diverse housing options in existing neighborhoods that “fit” better with their context
 - Encourage more small, for-sale condos and townhomes that are middle income-*attainable* (and maybe affordable)
- **Facilitate better community conversations** about the missing middle





Ken Lund

State Laws Affecting Middle Housing



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Relevant State Laws

- SB6
- SB9
- SB10
- SB684
- ADU Laws
- Density Bonus Law



Relevant State Laws

SB 6: Middle Class Housing Act of 2022

Facilitates residential development on properties zoned for office, retail, or parking uses without the need for rezoning.

- **Project Eligibility:** Applies to housing developments and mixed-use projects where at least 50% of the square footage is dedicated to residential use. Projects must be located on parcels zoned for office, retail, or parking uses and comply with local zoning and design standards.
- **Labor Requirements:** Developers must adhere to prevailing wage standards and utilize a "skilled and trained workforce" for construction. However, if fewer than two qualified contractors bid for the project, this requirement may be waived.
- **Affordable Housing Component:** Does not mandate inclusion of affordable housing units in the development
- **Local Government Role:** Local governments retain authority over design standards and can exempt specific parcels from SB 6 provisions under certain conditions.



Relevant State Laws

SB 9: Housing Opportunity and More Efficiency Act

Increases housing supply and density within single-family residential zones.

- **Development Potential:** Enables development of up to four housing units on a lot previously zoned for single-family use.
- **Ministerial Approval:** Mandates approval through a ministerial process for developments that involve constructing no more than two primary units on single-family zoned parcels.
- **Parcel Subdivision:** Allows for the subdivision of single-family zoned parcels into two separate parcels, facilitating the creation of additional housing units.
- **Owner-Occupancy Requirement:** Homeowners must occupy one of the units as their primary residence for at least three years after the approval of a lot split.
- **Environmental and Site Constraints:** Includes eligibility criteria addressing environmental site constraints, such as wetlands and wildfire risk areas.
- **Historic Preservation:** Provides protections for historic structures and districts.



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Relevant State Laws

SB 10: Local Control for Increased Density

Makes it easier to upzone parcels for up to 10 housing units in transit-rich and urban infill areas.

- **Upzoning Authority:** Empowers local agencies to adopt ordinances allowing up to 10 housing units per parcel in designated transit-rich areas or urban infill sites, based on proximity to public transportation with frequent service.
- **Streamlined Process:** Provides a streamlined pathway to implement such upzonings.
- **Voluntary Participation:** Participation in SB 10 is optional.



Relevant State Laws

SB 684: Streamlined Approval for Small Subdivisions

Streamlines approvals for projects that subdivide multifamily and single-family-zoned urban lots to accommodate up to 10 homes.

- **Ministerial Approval:** Local agencies are mandated to grant ministerial approval for qualifying projects, eliminating the need for discretionary reviews and providing CEQA exemptions.
- **Site Eligibility:** Eligible projects must be surrounded predominantly by urban uses and either be located on multifamily-zoned lots not exceeding 5 acres or (starting 7/1/25) located on vacant single-family-zoned lots not exceeding 1.5 acres.
- **Development Standards:** The law imposes specific criteria, including a minimum parcel sizes and a cap on the average floor area of new homes to no more than 1,750 s.f. It also limits setbacks and restricts local agencies from enforcing standards that could hinder development density.
- **Affordable Housing Protections:** Projects must preserve existing housing that is designated for low-income tenants, rent-controlled, or has been occupied by renters in the last 5 years.



Relevant State Laws

ADU Laws

Creates potential for homeowners to add one or more accessory homes on their property, including potential to condo-ize them.

- **Ministerial Approval:** ADU permits must be approved ministerially if basic standards are met.
- **Streamlined Review:** Most ADU applications must be reviewed within a 60-day period (or the applicant can be deemed automatically approved).
- **Development Standards:** State laws limit the constraints that local jurisdictions can place on ADUs (e.g., no minimum lot size requirements, minimal setbacks, etc.).
- **Housing Element Programs:** Many jurisdictions have committed to multiple actions to facilitate more ADUs, lower costs, and support ADU affordability.
- **Optional Condoization (AB 1033):** Cities and counties can adopt a local ordinance to allow ADU condo conversions.



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Relevant State Laws

State Density Bonus

Incentivizes affordability by providing up to 50% or even 80% more density for qualifying projects.

- **More Units:** Application of density bonus law can facilitate additional units on lower density parcels.
- **Waivers and Concessions:** Developers can propose waivers or reductions of development standards that constrain development at the increased density and can also request concessions to support the project's feasibility. These could help support desired middle housing outcomes.
- **Lower Parking Requirements:** Eligible projects can have their parking requirements reduced, which can also support the feasibility (physical and financial) for middle housing.
- **Complications:** Density Bonus law can make it difficult to fine-tune local regulations to achieve specific outcomes and can contribute to neighborhood concern about changes to zoned densities (since the actual built density could be higher).



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Relevant State Laws

- Are there other state laws you have looked to or want to learn about in relation to middle housing?





Small Groups!



Key Questions

- Where are you/your jurisdiction at in your work on the missing middle (and is it about middle-income, middle housing, or both)?
- Reflections / questions from the intro presentation?
- What three things could we provide through this work group that would be most helpful?



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Report Outs



Look-Ahead

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