



Work Session 4 / October 9, 2025

Creating Middle Income Housing

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



Today's Agenda

Defining Goals

- Middle income affordability: renters and owners
- Matching goals and program models

Strategies for Middle Income Affordability

- Maximizing regulatory levers
- Requiring (and managing) inclusionary units
- Closing the financial gap (for units or households)
- Supporting alternative models

Discussion

- Large group Q & A
- Small group conversations

Looking Ahead - Session 5 (Final Session!)



Middle Income Housing

Defining Goals

Middle Income Affordability for Renters

(80% to 120% AMI)

For middle income **renters**...

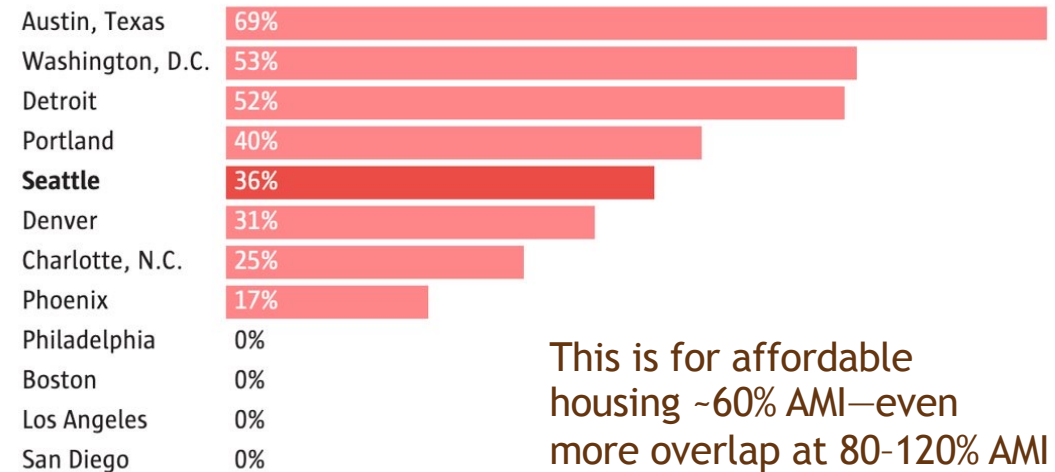
- Monthly affordable rent payment: ~\$4,350-\$6,500
- Average market rent for 3BR apartment: ~\$5k
- **Market provides affordable options**
- Households may want something different (location, unit size and amenities, purchase vs. rent)

Market affordability is a double-edged sword

- Subsidy may not be needed
- Affordability not guaranteed
- Competition between market and "affordable" units limits ability to income-qualify
- Without income qualification, challenging to target incentives

Market-rate apartments compete with affordable housing

In Seattle, 36% of market-rate apartments charge rents within 10% of the average in publicly funded affordable housing.



This is for affordable housing ~60% AMI—even more overlap at 80-120% AMI

Data analyzed in February. Percentages are rounded to the nearest whole number.

Source: Yardi Matrix (Fiona Martin / The Seattle Times)



Middle Income Affordability for Homebuyers

(80% to 120% AMI)

For middle-income homebuyers...

- Affordable home purchase price: ~\$930,000-\$1.3 million *assuming a 20% down-payment and a 6.5% interest rate mortgage*
- Very little for-sale inventory at \$1.2m or less in these counties
 - 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
- Buyers face trade-offs between unit size, housing type, location, unit age, and amenities

Defining Goals for Middle Income Housing Strategies

What are the goals for your middle-income ownership strategy?

- **Stability?**

- Predictable, stable costs
- Retaining existing residents
- Preventing displacement

- **Self-determination?**

- Greater decision-making and autonomy for residents over their housing

- **Wealth building?**

- Repairing past harms
- Pathways to intergenerational wealth

Middle Income Rental Goals vs. Ownership Goals

If your strategy is about rental housing

What specific income levels and unmet needs are you seeking to address?

- 80% to 100% of AMI?
- Larger, family-sized units?
- More diverse rental options in every neighborhood?
- Units with built-in equity sharing?

Middle Income Rental Goals vs. Ownership Goals

If your strategy is about ownership housing

What specific income levels and unmet needs are you seeking to address?

- Up to 100% of AMI? 120%? 150%?
- What level of subsidy per unit or household is realistic?
- What types of units, and how many, can you realistically achieve?
- Are concepts of attainability or relative affordability relevant or useful?

Defining Goals for Middle Income Ownership

Different ownership models achieve different goals

Deed Restriction

A deed restriction limits the sale of the home to income-eligible borrowers or at a maximum appreciated price. There may be no other limit on the equity gain for sellers.

Community Land Trust (CLT)

A nonprofit organization that obtains land (through purchase or grant) that they then manage as affordable or middle-income housing in perpetuity (can be rental or ownership).

Limited Equity Cooperative (LEC)

Residents purchase a share in a cooperative corporation that owns the property. Shares appreciate at a low rate set by the cooperative. Residents realize at time of sale but units remain affordable.

Defining Goals for Middle Income Ownership

Different ownership models achieve different goals

	Conventional (deed restriction)	Community land trust	Cooperative
Self-determination	High	High	Medium
Affordability	Medium	High	Medium/High
Lasting affordability	Medium	High	High
Wealth building potential	Medium	Medium	Medium
Stability/anti- displacement	Medium	High	High

Middle Income per RHNA

Preservation and Production

Preservation can count toward 25% of RHNA, under specific conditions

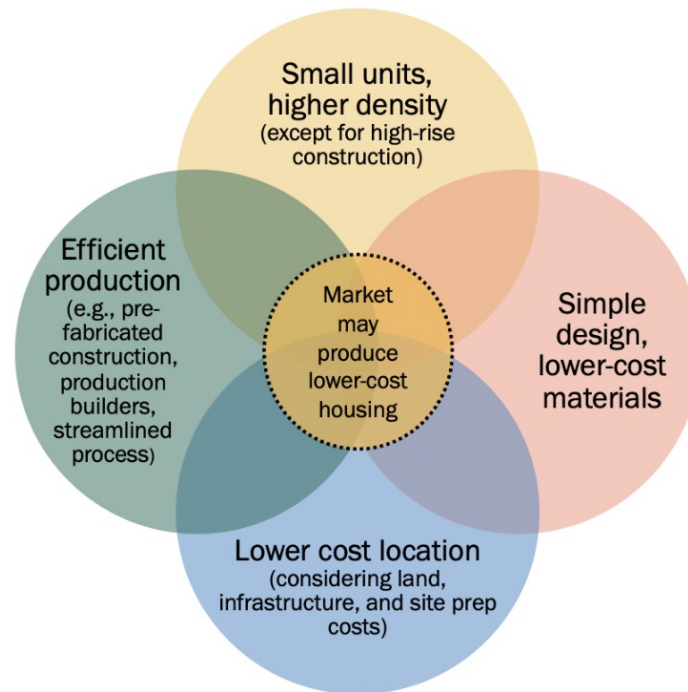
Middle income preservation strategies require different levels and kinds of investment than production strategies.



Middle Income Housing Strategies

Regulatory Strategies to Support Market-Affordable Middle Income Housing

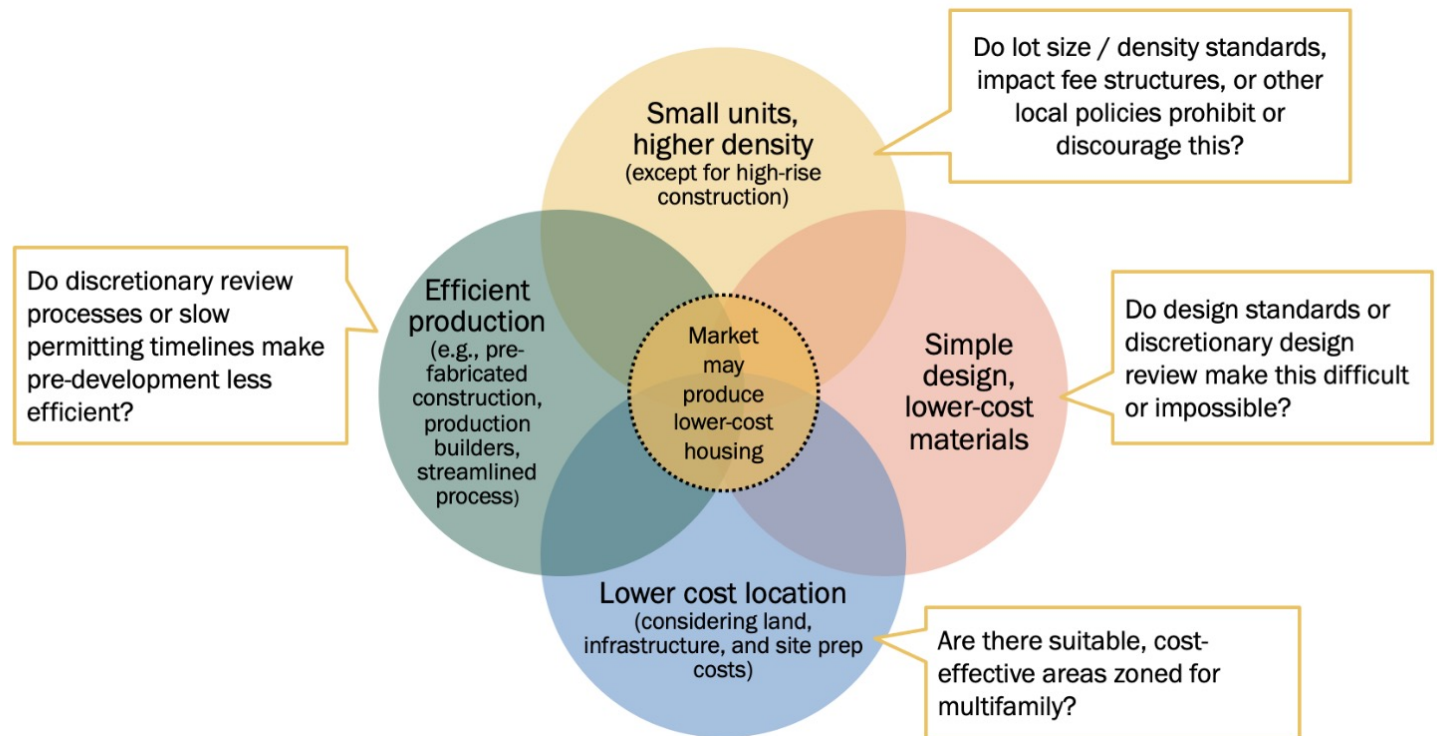
What makes it possible for the market to produce lower-cost housing?



Source: ECONorthwest

Regulatory Strategies to Support Market-Affordable Middle Income Housing

It takes a confluence of factors for the market to produce lower-cost housing. Local regulations and fees can impact those factors.



Source: ECONorthwest

Regulatory Levers

Designing for Affordability

- Objective design standards
- Ministerial approvals and streamlined processes
- Increased density limits and reduced parking requirements
- Zoning vacant land for multifamily housing
- Aligning infrastructure investments with land for multifamily housing
- Adjusting impact fee policies or rate structures to reduce costs for smaller units

Regulatory Levers

Other regulatory levers: easier ownership for low-cost housing types

ADU Condoization

- Assembly Bill 1033 (AB 1033) allows local agencies to permit accessory dwelling units (ADUs) to be separately sold
- San José implemented in July 2024, San Francisco implemented in July 2025
- Washington state requires certain cities and counties to accommodate at least two ADUs on residential lots that can be independently sold
 - City survey of units showed 1,000 sf detached ADUs sold for about \$750,000 compared to \$2+ million for a 2,800 sf single-family home

Regulatory Levers

Other regulatory levers: easier ownership for low-cost housing types

Fee simple land division options

- Expand lot split options for middle housing beyond SB9 requirements
 - Oregon & Washington require cities/counties to allow middle housing land division (aka unit lot subdivision) for middle housing
 - Units must not be stacked
 - Generally requires separate utility hook ups for each unit

Regulatory Levers' Limitations

Regulatory levers help narrow the feasibility gap for middle income ownership, but do not close it.

- They **do not guarantee** that the housing produced will actually be middle-income affordable (but they might be relatively affordable or attainable to middle income homebuyers).
- Market will gravitate toward the highest return possible within the menu of marketable options
- Market will tend to deliver higher cost condos because of the building type and need to mitigate construction defect liability insurance

Middle Income in Inclusionary Zoning / BMR Programs

Inclusionary zoning can require inclusion of below market rate ownership units that are affordable to middle income households

Issues to consider include:

- How many units are likely to be created?
- Are they aligned with what households want?
- Will there be a large enough pool of buyers?
- Do you have staff capacity to administer and monitor compliance over time (including at time of resale)?

Closing the Gap

Subsidizing units

- Capital investments in development
 - Grants of local, state, or federal dollars
 - Loans, especially low-interest
 - Land donations or leasing
- Incentives
 - Impact fee waivers or deferrals
 - *Tax waivers*

Subsidizing households

- Down payment assistance

Closing the Gap

Capital investments in development

- Permanent Local Housing Allocation (PLHA)
 - Entitlement program through HCD
 - Can be used for new construction and preservation, including ADUs and ownership
 - Can serve moderate income households
- CA has a new goal for 20% of PLHA funds to support ownership
 - Not a requirement for each jurisdiction (yet)

Closing the Gap

PLHA for ownership

- Sonoma County
 - County has set aside 20% of PLHA funding for the development and/or acquisition of affordable owner-occupied workforce housing
 - As of 2023, no applications for ownership projects
- City of Carson
 - Will use \$350,000 in PLHA funding to provide zero-interest loans (up to \$50,000) for low-to-moderate income homeowners for rehabilitation
 - Minimum of **7 homes** preserved

Closing the Gap

Impact fee waivers or deferrals

- City of Fresno
 - Waived for affordable rental for 80% of AMI or below
 - Fees can be reimbursed for homes purchased through city's First Time Homebuyer Program
- City of Folsom
 - Interest-free deferrals available for projects with 10% of units affordable at 50% of AMI or 30% of units affordable at 80% of AMI
 - Up to 75% of the City's impact fees, up to a cap of \$1 million, can be deferred for up to 15 months

Closing the Gap

Down payment assistance (recycled)

- Empower Homebuyers SCC provides loans for first-time homebuyers in Santa Clara County
 - Funded through a 2016 County bond measure
 - Covers up to 17% of the purchase price
 - **52 homes** purchased as of spring 2023
- Emeryville has a First-Time Homebuyer Loan Program, a low-interest deferred payment loan
 - Funded by 2018 City bond measure, program launched in 2022
 - Open to first-time homebuyers, employees of the city and school district
 - Interest is set at 75% of the first mortgage rate or 5%, whichever is less

Closing the Gap

Down payment assistance (forgivable)

- Eugene, OR Homebuyer Assistance Program provides forgivable loans for buyers earning 100% of AMI or less
 - \$281,000 from Affordable Housing Trust Fund
 - Forgivable loans capped at \$40,000, forgiven in 5-10 years (or repaid if home is sold before that period)
 - **4 participating households** as of spring 2023

Alternative Ownership Models

Public agencies can support alternative ownership

Invest in organizations

- Provide technical assistance to support new organizations and capacity building

Level the playing field

- Evaluate funding processes for access barriers for innovative models and new organizations

Prioritize resources

- Target gap funding and down payment assistance programs to these models
- Donate or lease land for these models

Alternative Ownership Examples



Source: schemataworkshop.com/paho

Community Land Trust Condos

New Construction

Phinney Ridge — Seattle, WA

- **Developer:** Homestead CLT
- **Form:** 55 units across two buildings
- **Affordability:** 17 market-rate units with the remaining units at less than 80% AMI; 2 condo commercial spaces
 - \$260,000-\$320,000 per unit
 - Neighborhood average home ~\$1 million
- **Long-term financing:** mortgages, low-cost loans, and recoverable grants
- **Wealth-building:** fixed 1.5% annual price appreciation to seller

City role: Land donation of surplus property and low-cost development loan

Alternative Ownership Examples



Source: SKL Architects

Cooperative

New Construction

U-lex Housing Co-op, Seattle

- **Developer:** Homesight WA
- **Form:** One 68-unit building with 1-3 bedroom units for ownership
- **Affordability:** 80% AMI or less
 - Share price: \$61,700-\$91,400 (share loans available through CU)
 - Monthly cost: \$1,890-\$2,860
- **Long-term financing:** Blanket mortgage, shares (down payments)
- **Wealth-building:** 2% annual share price appreciation to seller

City role: grant to study cooperative models and feasibility, low-interest loan

Alternative Ownership Examples



Source: Square One Villages

Cooperative + Community Land Trust

New Construction

C Street Co-op — Springfield, OR

- **Developer:** Cultivate (B-Corp) and Square One Villages (Nonprofit, CLT)
- **Form:** Existing home + ADU set up as 6 1-bedroom suites
- **Affordability:** 60% of AMI
- **Long-term financing:** Blanket mortgage, down payments (\$10,000 per unit), low-interest impact investment

City role: \$60,000 in downpayment assistance from CDBG funds

Alternative Ownership Examples



Source: California Center for Cooperative Development

Resident-Owned Communities

Preservation

Comunidad Nuevo Lago — Fresno County

- **Form:** 60 manufactured homes
- **Financing:** State grants, bridge loan from ROC USA
- **Structure:** Immediate conversion to cooperative

Sonora Estates — Tuolumne County

- **Developer:** Integrity Community Solutions (for-profit subsidiary of ROC USA)
- **Form:** 84 manufactured home sites
- **Financing:** CDFI loan, loans from impact investors, ICS equity
- **Structure:** 10-year timeline to convert to cooperative

Alternative Ownership Examples



Source: Atlanta Land Trust

Rental to Ownership Conversion

Preservation

Homes for the Future — Atlanta

- **Developer:** Grounded Solutions Network
- **Form:** 75 scattered site acquisitions
- **Financing:** City loan, CDFI loans, private investment
- **Structure:** Rent for 10 years to repay debt, then sell to low- and moderate-income qualified buyers and/or land trusts

City role: \$2 million in bond-funded loans

Discussion Questions

1. Do you have clarity on local policy goals? Rate yourself 1 - 10
2. Where are you on the policy + program process spectrum?
3. Does your jurisdiction/council have interest in innovative/alternative models?
4. What do you most need to move things forward?



Discussion

Policy + Program Process

1. Implement Regulatory Levers
(Zoning)



2. Create Subsidies
(Buildings, People)



3. Invest in Innovative/
Alternative Models

Policy Goals

☐ Stability

☐ Choice & Diversity

☐ Self-Determination

☐ Wealth Building



Looking Ahead

- Homework:
 - Review your local policy goals and commitments
 - Identify your existing policies + programs
 - Where does your jurisdiction fall on the policy + program process spectrum?
 - Do you have clarity on your local policy goals?
 - What do you most need to help move things forward?
- Session 5 - Final Session
Thursday, December 11, 12 pm - 1:30 pm
 - Discussion based on policy goals and process placement
 - Finding colleagues with a similar local context

