



MEETING SUMMARY

Countywide Stakeholder Listening Session: Market-Rate and Affordable Housing Developers

5/5/2022, 11:30am-1:00 pm via Zoom

Recording: citiesassociation.org/documents/stakeholder-listening-constraints-panel-52022/

Overview

As a part of the Housing Element Update process for Santa Clara County jurisdictions, the Santa Clara County Planning Collaborative and Silicon Valley at Home hosted a listening session with developers of both affordable and market-rate housing. During the session, panelists discussed the constraints and opportunities for housing development in Santa Clara County, followed by a Q&A with jurisdiction staff.

Key themes for housing development in Santa Clara County:

- Constraints to housing development:
 - Uncertain timelines and lengthy approval processes.
 - Financing: High local impact fees, construction costs, land costs.
 - State funding eligibility for affordable housing:
 - Limited local gap funding.
 - Local zoning, site feasibility, and funding timelines don't align with state funding eligibility requirements.
 - Car dependency and limited public transit infrastructure.
- Policy and program options:
 - Prioritize early, long term area planning that facilitates density, accessibility, and sustainability.
 - Allow for creative land use and design. Multifamily infill can improve neighborhood character with flexible design standards.
 - Repurpose underutilized commercial and industrial sites, allow zoning variances.
 - Diversify unit types between low-, mid-, and high-density construction to open opportunities for accessible communities and sustainable neighborhood growth.
 - Adopt entitlement streamlining reforms to make the process transparent, predictable, and less time consuming.
 - Increase municipal staff capacity and unify departments around shared housing policies.
 - Streamline internal processes and consider outsourcing plan reviews.
 - Work with housing providers to determine barriers to farmworker and rural housing.
 - Invest in public transit infrastructure and replace parking minimums with parking maximums.
 - Partner with affordable developers to align local and state funding timelines.
 - Create permanent dedicated funding for affordable housing to replace Measure A.
 - Zone potential sites for financially feasible density, ensuring competitiveness for state funding. Usually 50-100 units minimum.

Panelists and Facilitators:

Organization	Speaker Name	Contact
SV@Home (Presenter)	Mathew Reed	mathew@siliconvalleyathome.org
B+D Community Planning (Facilitator)	Paul Peninger	peninger@bdplanning.com
MidPen Housing (Affordable)	Mollie Naber	mollie.naber@midpen-housing.org
Eden Housing (Affordable)	Dixie Baus	dixie.baus@edenhousing.org
CORE (Market-Rate & Affordable)	Rich Truempler Vince Cantore	rich@thecorecompanies.com vcantore@thecorecompanies.com
Bayview Development (Market-Rate)	Matt Conti	mattconti@bayviewdg.com
Danco Group (Affordable)	McKenzie Dibble	mdibble@danco-group.com
Miramar Capital (Market-Rate)	Kathy Thibedo Perry Hariri	phariri@miramarcapital.com

Santa Clara County Planning Collaborative Jurisdictions:

Campbell	Cupertino	Gilroy
Los Altos	Los Altos Hills	Los Gatos
Milpitas	Monte Sereno	Morgan Hill
Mountain View	Palo Alto	San Jose
Santa Clara	Saratoga	Sunnyvale
Santa Clara County		

Roundtable Discussion Questions/Answers

1. Facilitator question: What do you perceive are the primary constraints on housing development (both affordable and market-rate), specifically in Santa Clara County?
 - a. Costs of material, labor, impact and permitting fees.
 - b. Low municipal staff capacity.
 - c. Lack of coordination between city departments.
 - d. Inefficient and lengthy entitlement processes.
 - i. Entitlement process requires more effort than either developer staff or municipal staff have the capacity for. Streamlining to meeting staff capacity should be a priority.
 - ii. Timelines are extended beyond financial feasibility, even for projects eligible for streamlined processes. Create more predictable timelines with less leniency for cities to extend timeframes and repeatedly add new requirements.
 1. Example: A Santa Clara County project that is 55% affordable, complies with general plan zoning, is eligible for streamlined process, and does not require an EIR has taken more than two years to complete the entitlement and permitting process.
 - e. Declining Measure A funds. This measure was highly effective at catalyzing new housing, Santa Clara County and cities need to consider options for replacing that funding source.
 - i. Possibilities might include funding from general bonds or BAHFA ([Bay Area Housing Finance Authority](#)).
 - f. Car dependency, lack of public transit infrastructure, and local parking minimums are costly for developers and constrain financing.
2. Facilitator question: What new policies or improved policies would go furthest toward making it easier to develop housing? If you have examples from other jurisdictions, please provide.
 - a. Long term, intentional planning for high density and transit oriented development significantly improves opportunities for new housing.
 - i. Example: In Sunnyvale intentional planning in combination with state funding made it possible for MidPen to acquire two prime sites for affordable housing that otherwise would not have been economically feasible.
 - b. Enhance inclusionary requirements and allow flexibility in the options available to market rate developers to meet those requirements (example: land donation). This opens new opportunities for affordable developers.
 - c. San Jose's Downtown High Rise Incentive Program made new housing possible.
 - i. Reduction of impact fees.
 - ii. Replacing parking minimums with parking maximums.
 1. Allows developers to build parking to the market and avoid underused lots. This reform has made a significant difference in obtaining underwriting approval and financing from lenders and investors.
 - d. Allow plan checking programs run by non-city organizations.
 - e. Unify city departments around shared housing policies and goals, and improve interdepartmental communication.

- f. Create clarity and predictability in the entitlement and approval process.
 - g. Streamline the entitlement process to avoid delays that push the project into a different economic or interest-rate cycle.
 - h. Build on SB 35, AB 2162, and SB 330 at the local level.
 - i. Streamlining should apply to all housing types.
 - ii. Example: In Sacramento this streamlined process has been effective in accelerating construction.
3. Facilitator question: What should jurisdictions be aware of as they designate sites for multifamily housing? What advice do you have for ensuring higher density and proximity to transit and other public amenities?
- a. Be creative, and modify policies and area plans to improve feasibility. Many sites that seem infeasible can be made into good options with creative area development plans.
 - i. Example: Design long term plans for declining industrial areas to encourage reuse for residential development, including transit planning.
 - ii. Allow for creative design in predominantly single family areas. Multifamily infill that aligns with and/or improves neighborhood context can be achieved with flexible design standards.
 - b. For affordable housing, align site designations with state funding priorities. HCD prioritizes funding for high opportunity locations. Cities should check potential sites against state data.
 - i. Opportunity Area Maps from the CA Tax Credit Allocation Committee: <https://www.treasurer.ca.gov/ctcac/opportunity.asp>
4. Facilitator question: What are your views on certainty versus flexibility in the planning, entitlement, and design process?
- a. Clearly outlining steps for development approval allows for better capacity planning.
 - b. Municipalities need flexibility in site and housing type options to respond to market trends.
 - c. Eliminating parking minimums or creating more flexible parking requirements improves sustainable design.
5. Audience question: “What is the suitable range of unit count and/or density for a viable affordable project?”
- a. Push for the highest density possible to ensure feasibility.
 - b. Alignment with state tax credit programs can determine feasibility, partner with affordable developers to identify specific opportunities.
6. Audience question: “How much is density bonus a consideration in your developments? If it is not a consideration, why?”
- a. Density bonuses are always a primary consideration, developers determine feasibility by modeling different density bonus options and accounting for implications on financing, parking reductions, potential savings, etc.
7. Audience question: “What about the use of SB 35 for 100% affordable projects? Is there reluctance to use this provision of the law?”

- a. Developers actively look to use SB 35, but always prefer to partner with local municipalities and communities to determine appropriate use.
8. Audience question: “Do any of the panelists have experience building affordable housing for rural and/or farmworker communities? How should cities approach rural affordable housing from a policy perspective?”
- a. Eden Housing has significant experience in the rural communities in Southern Santa Clara County, with several projects actively in progress for affordable farmworker housing.
 - b. Challenges include:
 - i. Lack of available funding, need to explore new funding options and open criteria for existing funding options.
 - 1. State funding requires building in areas specified as rural.
 - 2. Despite relatively low incomes, farmworker wages often sit above the income limits required for state tax credits, making these projects difficult to finance.
 - ii. Unincorporated areas lack infrastructure like basic water and sewer capacity, municipalities will need to work with housing providers to determine needs.
9. Audience question: “Could density bonuses help build multifamily housing in lower-rise neighborhoods? What would the density in the area need to be for that to work?”
- a. State density bonus law for affordable housing often allows unlimited density and up to 33 additional feet of height.
 - i. Example: A MidPen affordable project in San Mateo had a zoned height limit of 5 stories, state density bonus allowed for 2 additional floors, raising the unit count from 164 to 225. State legislation allowed for City Council and staff to be supportive despite political opposition.
 - b. Allow for a minimum of 50 units to make financing feasible in low density areas.

Affordable Development Questions/Answers

1. Facilitator question: Do you have a "rule of thumb" for how much local subsidy you are looking for in order to make an affordable housing development "pencil"?
 - a. Amount of local subsidy required to pencil varies by development type, resident income range, and tax credit eligibility.
 - b. A project eligible for a 9% tax credit deal might be able to access 60% of needed funding from the state. The remaining 40% will have to be obtained through both permanent financing from an institutional lender (like a major banking institution), and local subsidies.
 - c. Affordable developers look for local subsidies that guarantee eligibility for state/federal funding. Doesn't necessarily have to be a loan or a direct financial subsidy, local jurisdictions can also offer fee waivers or other savings opportunities.

2. Facilitator question: Do you have any advice as jurisdictions release NOFAs/prioritize their affordable housing trust funds?
 - a. Prioritize partnership with affordable developers to track deadlines and tailor project funding to community context.
 - b. Rolling deadlines for local applications allow affordable developers more flexibility in long term financing, making fast construction more feasible.
 - c. Prioritize first tier funding; affordable projects are eligible for state tax credits through local funding and subsidies, so jurisdictions should aim to meet initial financing needs.

3. Audience question: “Are micro-units (~500 square feet) more or less feasible than larger units? Does mixed-use vs. stand-alone residential make a difference?”
 - a. Micro-units are less likely to meet the needs of target populations for affordable housing than studios or 1-bedroom units. Affordable projects that provide primarily studios have trouble retaining tenants and long term leases, and are challenging to finance.
 - i. Affordable developers aim to contribute to long term community stability, micro-units are generally not suited for this.
 - b. Micro-unit projects are most feasible as affordable by design buildings (rather than designated affordable), and need to be located in amenity rich neighborhoods.

Market-Rate Development Questions/Answers

1. Facilitator question: Aside from vacant lots, what underutilized infill sites provide the best opportunities to redevelop with market rate housing?
 - a. Consider failing or defunct shopping centers and underutilized parking structures.

2. Audience question: “What does it take to make mixed-use feasible right now, and is there a certain amount of space that's helpful or not helpful to pro forma?”
 - a. Financing mixed-use buildings for affordable housing is challenging, and requires complex structuring for lenders and investors.
 - b. Many communities would benefit from reduced commercial requirements where there is already an oversaturation of vacant commercial space.

3. Facilitator question: What makes a good mixed-use project, and what can local jurisdictions do to facilitate community serving development?
 - a. Designing and financing mixed-use buildings is often outside the expertise of both affordable and market-rate developers.
 - b. For affordable developers, state funding can not be applied to commercial space requirements, municipalities should be prepared to cover that gap.
 - c. Currently mixed-use development is most successful on sites that can hold two separate buildings, so that housing and commercial developers can collaborate on an integrated streetscape but develop the buildings separately.

General Q&A

1. Facilitator question: What advantages or barriers do you see in mixed-use zoning districts? How can cities identify sites that might be suitable for a continuum of housing types?
 - a. Zoning for mixed-use corridors allows for faster housing development.
 - i. When cities intentionally plan for these neighborhoods, developers can lay the groundwork to acquire sites on an earlier timeline, with the expectation that community amenities will grow over time. This allows neighborhoods to change alongside housing growth.
 - b. Allow for both horizontal and vertical mixed-use (as opposed to only requiring vertical mixed-use).
2. Facilitator question: What programs or policies would encourage opportunities for moderate or “missing middle” income housing?
 - a. Allow for diversity in housing types to increase options and opportunities for development. Neighborhoods benefit from a continuum of housing types that are thoughtfully integrated.
3. Audience question: “Do you see developer interest in building 6-, 8-, and 10- plexes? Economic analyses indicate these housing types are often the most accessible for middle-income households.”
 - a. These housing types are more feasible for smaller and community-based developers.
 - b. These developers often have less access to capital, municipalities hoping to encourage more diversity in housing types should create partnerships with smaller developers.
4. Audience question: “How do we promote mid-level density and support community developers and smaller developers? Do they not exist yet or are they just not at the table?”
 - a. In the current economic climate smaller developers simply can’t compete for the price of land. Land price dictates the number of units that must be built to make a project feasible.
5. Audience question: “How do you come up with the programming for an affordable housing project? I.e. the mix of units.”
 - a. Affordable developers consider the needs of the target population first. This determines unit size, and with given financing and zoning constraints, unit size determines unit count.
 - i. Example: State financing for low-income families requires 2-3 bedrooms per unit, so developers aim for sites that can maximize density for that unit type.
 - ii. State requires low-income units to meet a minimum square footage of living space for financing eligibility:
 1. 1-bedrooms - minimum 450 square feet of living space.
 2. 2-bedrooms - minimum 700 square feet.
 3. 3-bedrooms - minimum 900 square feet.