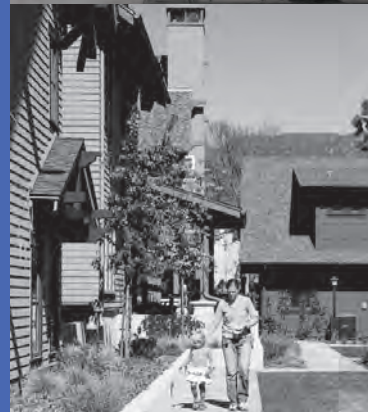
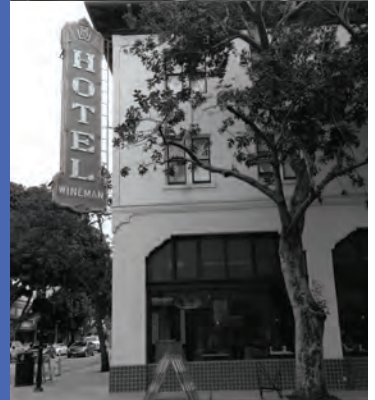


DESIGNING AFFORDABILITY

*INNOVATIVE STRATEGIES FOR MEETING THE
AFFORDABILITY GAP BETWEEN LOW INCOME
SUBSIDY AND THE MARKET IN HIGH COST AREAS*





**CALIFORNIA DEPARTMENT OF HOUSING +
COMMUNITY DEVELOPMENT**
DIVISION OF HOUSING POLICY DEVELOPMENT

CALIFORNIA POLYTECHNIC STATE UNIVERSITY,
SAN LUIS OBISPO

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AGREEMENT No. 14-96-001



California Department of Housing
and Community Development
Division of Housing Policy Development

DESIGNING AFFORDABILITY

*Innovative Strategies for Meeting the Affordability Gap between
Low Income Subsidy and the Market in High Cost Areas*

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Report Submitted to comply with the requirements as stipulated in
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December 2015



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Eighty-four housing experts responded to our on-line survey that identified the context of housing in various regions of California and potential cases for study.

Several students at Cal Poly San Luis Obispo assisted in this work as follows:

- Diane Tran and Juan Alberto Bonilla - survey design and implementation
- Twenty-three students in the City and Regional Planning (CRP) 442: Housing and Planning course (Spring 2015) taught by Dr. Hemalata Dandekar developed preliminary case studies of potential projects. Students whose case studies were further researched in this report are:
 - Paul Donegan (Sawmill Heights)
 - Nicholas Stockler (Panoramic)
 - Charles Andrews and Eric Poon (1600 Market Street)
 - Jonathan Turner (Parc on Powell)
 - Carter Sandzimier (Mosso)
 - Jenny Wiseman (Wineman Hotel)
 - Michael Gibbons (Vintage Walk)
 - Ryan Stone (Fair Oaks Court)
- Paul Donegan worked on several elements of this project including mapping, data analysis, graphics, layout and case investigation and made valuable contributions to this work.

Many individuals - developers, city and county planners, construction managers, architects, urbanists, real estate agents, executives of non-profit organizations and housing trust funds - provided the detailed information of on-the-ground realities that only those who are directly engaged with construction know intimately. The successful “demonstration projects” that are presented in this report are a tribute to their tenacity and commitment to seeing these buildings to completion and occupancy.

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Executive Summary

This report of housing development case studies in high cost California communities contains encouraging news. Private sector and non-profit developers in collaboration with city and county planning and building departments are constructing, without deep state or federal government subsidy, housing for low and moderate-income families. This housing is recent, built in the last decade, and primarily located in regions of California where housing and land prices have escalated, employment has increased, and the demand for housing is extremely high. Low and moderate-income families increasingly displaced from, or voluntarily leaving, amenity-rich high cost coastal areas for less expensive housing markets have inherited long commutes to and from job centers and assumed their related impacts. These projects offer an alternative approach, predicated upon the convergence of entrepreneurial design, responsive government and shifting housing preference. They vary greatly, responding to local needs in high cost areas, to fill the affordability gap between subsidized and market rate housing.

Designing Affordability features ten case studies that underscore the localized, context-grounded nature of housing choices low and moderate-income households are making to obtain housing close to work that is not a burden on household budgets. The housing developments featured here are tracking perceived trends in housing preference more recently attributed to young professionals - an acceptance of smaller housing, closer to amenities, with a reduced dependency on the automobile. The trade-offs in housing consumption that these preferences represent, and the ways in which some entrepreneurial developers and local governments are responding, provides useful lessons. The lessons are not by way of a blueprint for project-specific replication, but to identify opportunities for housing households not typically served by public investment yet priced out of the competitive housing market.

Featured case studies showcase rental and ownership projects located near work and public transit, student housing near educational facilities, and shared open space residential development within walking distance of jobs, recreation, shopping and services. They highlight key planning and development strategies:

Key Attributes of Identified Projects

- Changes in land use regulations that enable increased density, lot coverage, and smaller units.
- Flexible space configuration to respond to changing market demand and client preferences.
- Pragmatic attention to detail, aesthetically designed for environmental sustainability and long-term functionality.
- Cross subsidy from units sold at market rate.

Areas of Innovation in 10 Selected Projects

1. Small by Design (90%)

Smaller size units reduce the cost of entry to housing. These units have been accepted and are selling in the market which supports the building professions' sense that in high land value contexts smaller, denser, minimalist housing, shared amenities and open space with neighbors, is gaining acceptance. Young urban professionals are the demographic that is most receptive to these units.

2. Flexibility in Unit Design and Mix (70%)

Projects feature unit designs that can be easily modified by connecting adjacent units, dividing rooms to yield more bedrooms, deploying rooms and spaces so that they can be converted for multi purpose uses (bed room, study, office space, storage or workshop), or put to a different use (nursery, guest room, accessory dwelling unit). This flexibility promises to provide a hedge against obsolescence.

3. Green by Design (80%)

Projects designed to exceed California (CalGreen) building standards and/or adopt adaptive reuse strategies yield energy and cost savings that might allow units to retain greater affordability into the future. Repurposed units also restrain costs when the project is reconfigured on a smaller-by-design and/or mixed-use footprint.

4. Parking Reduction or Elimination (80%)

Projects strategically located near sites of employment, education, recreation, and services encourage residents to use alternative modes of travel including bikes, electric scooters, and public transport. Low or no parking requirements are extremely important in the success of almost all the featured projects.

5. Density Bonus (90%), Height Increases (80%), Setbacks Concessions (90%)

All projects have benefitted from one or more regulatory concessions on the maximum allowable built up area, setback requirements, density bonuses, and, allowable height. These have at times enabled a doubling or more of the total square footage built.

6. Cross Subsidy from Units Sold at Market Rate (70%)

Profits from sale of units at market rate, as well as from commercial and retail/service space sold or leased at market rate have cross-subsidized the price of units for low and moderate-income households. In one case, direct transfer of in lieu fees captured from a commercial development to land held in trust for affordable housing provided interim financing for predevelopment costs, allowing a public non-profit developer to obtain a conventional loan to construct shared-equity townhomes for local workers.

Summary

There is insufficient publicity about creative solutions, still being tested by the market. This holds true despite the fact that Moylan Terrace, Panoramic, Wineman, Fair Oaks projects and other projects described in this report have received favorable publicity and won awards. This study navigated local planning, design and building channels

in order to gain access to how creatively bundled incentives can work. For each location included in this study the project development team analyzed local risk, market, interest, and collaboration to formulate an investment strategy that has worked for specific sites under circumstances particular to local conditions and prevailing construction costs - land, labor, materials and finance. Developers did not seek tax credits and other federal or State public funds for these projects. They note the underlying costs of reporting, documentation, labor constraints, and timing when funds become available to apply to projects, as deterrents.

The ideas and innovations presented here are not radical or particularly new, but they were creatively assembled, implemented and timed well. In most cases, reduced parking requirements, zoning and building codes that supported smaller building footprint and design, set back reductions, height increases and density bonuses, allowed for more units to be constructed on expensive land so as to restrain costs and provide a cross subsidy for affordable units.

It is the manner in which the partners resolved the inevitable tensions that arise amidst planning and design, regulatory oversight, evolving and proprietary investment, escalating housing prices and broader market fluctuations that sets these projects apart. **This report describes the variety of ways in which these experts in their separate fields teamed up to identify barriers and then created strategies to navigate the local planning process, governmental regulation and economic uncertainty in order to offer market-rate affordable housing options to middle income workers.**

These examples are intended to inform and encourage local governments and housing developers interested in building to meet the housing needs of lower and middle income Californians ineligible for government subsidies but unable to afford conventional housing in high cost areas.

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Introduction

Housing which is affordable and proximate to places of employment is crucial to sustaining California's economic competitiveness. That this is particularly so in highly impacted metropolitan California communities, and in high amenity regions such as coastal and scenic recreation areas, is borne out by the high median price of housing in these areas.¹ Demand for housing is met at the higher end by conventional market driven residential development. However, this market rate housing is out of reach for or renders "housing burdened" a significant number of families. Silicon Valley's high technology industry growth and its impact on regional housing markets are widely noted in the popular media.² Ongoing academic research examines the resulting gentrification and potential for displacement on the health and economic wellbeing of communities.³

Background

This study was a pilot effort to locate innovatively designed and built housing projects in California that meet the needs of low and moderate-income families without benefit of the predominant sources of state and federal housing funding, including the California Tax Credit Allocation Committee (TCAC); the California Housing Finance Agency (CalHFA); and, the California Debt Limit Allocation Committee (CDLAC).

Both rental and ownership projects are included. Given that housing development is market driven and federal and state subsidy for affordable housing in the State of California is limited, these innovations might have broad utility for city planners, bankers/financiers, designers and developers. The good news is that these scattered approaches appear to be succeeding and the report describes the design, financing and regulatory elements that made those approaches possible.

Need

The urgency to seek housing solutions for low and moderate-income households in California through private sector initiatives is reflected in data on housing prices. For example the Center for Housing Policy's first quarter report for 2014 lists 13 California metros in the 15 highest metro median home prices in the US. The top four California metros (San Francisco, San Jose, Santa Anna and Santa Cruz) outrank Hawaii and New York.

A recent study⁴ supported by four key state agencies analyzed the cost of building multifamily housing in California listed as its first conclusion (pg. 5) that:

"Local factors have an impact on costs. Specifically, projects with more community opposition, significant changes imposed by local design-review requirements, or that received funding from a redevelopment agency cost more, adding 5 percent, 7 percent, and 7 percent, respectively, to the cost per unit, on average."

The above observation that housing is quintessentially defined and enabled by local realities is the underlying premise of the exploration in this study.

Purpose

This work contributes to the California Department of Housing and Community Development (HCD) efforts to formulate the 2015-2025 Statewide Housing Plan to address the range and variation in California's housing need. The recommendations of this study are based on the analysis of projects made possible primarily through public and private sector collaboration and through innovations in design and finance that could be adapted for other contexts.

Report Structure

The study findings from an in depth investigation of ten projects are organized into the following chapters:

Chapter One: A project for service workers in Nevada County that succeeded due to the collaborative financial participation of a ski resort owner/employer and the city of Truckee, which floated bonds for construction.

Chapter Two: A cluster of four projects in the San Francisco Bay Area: small by design, micro units in the heart of San Francisco; off-site low and moderate income inclusionary units; inclusionary units with density bonuses and other regulatory concessions; and inclusionary units provided by cross subsidy from market rate units.

Chapter Three: A cluster of four projects on the Central Coast that demonstrate how adaptive reuse, mixed use, and small by design paired with regulatory flexibility and responsiveness have facilitated their design and made them economically viable.

Chapter Four: A project featuring adaptive reuse and renovation of traditional craftsman style bungalows and dense small by design townhomes in Pasadena.

Chapter Five: A summary and conclusions

An overview of the process and research methods, including a survey, used to identify 38 potential projects is described in [Appendix 1](#). A matrix of 38 projects and their innovations is presented in a matrix in [Appendix 2](#). This matrix was a key tool that provided the preliminary comparative data that enabled the selection of 10 projects. These 10 projects demonstrate innovations in development of low and moderate-income housing that might inform and stimulate replication. They are analyzed in detail in a matrix presented in [Appendix 3](#).

Notes

¹ See “Driving Home Economic Recovery: how Workforce Housing Boosts Jobs and Revenues in Marine”

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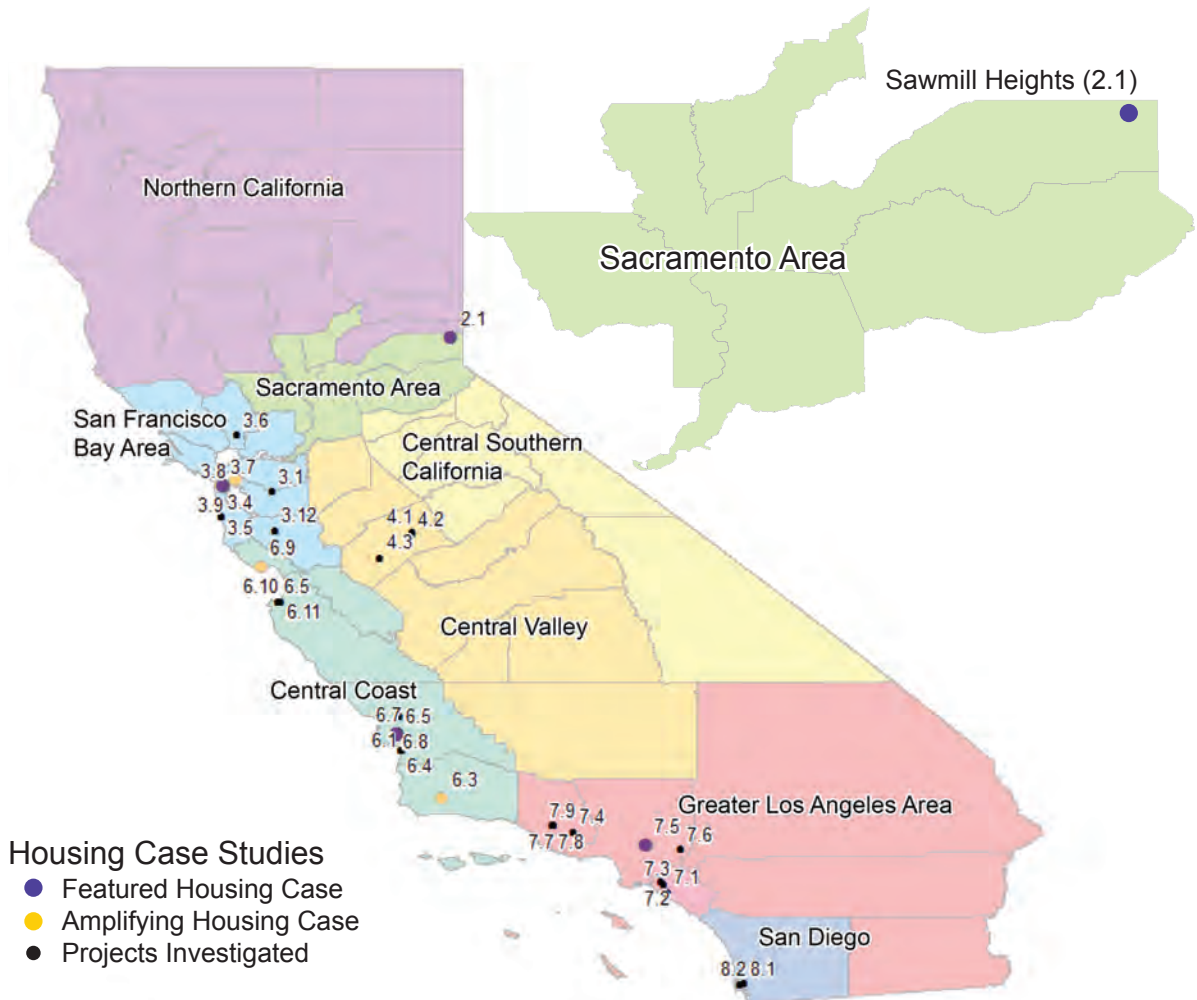
⁴ Affordable Housing Cost Study: Analysis of the Factors that Influence the Cost of Building Multi- Family Affordable Housing in California, October 2014.

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CHAPTER ONE

SACRAMENTO AREA



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SAWMILL HEIGHTS (2.1)

7646 Highlands View Road, Truckee, CA 96161

Innovative Financing Partnerships/Small by Design

Problem to be Solved

No affordable housing for workers at “Destination” location with high vacancy rates due to vacation homes but dependent upon ski resort economy.

The Solution

Employer investment in housing near resorts to increase affordability and reduce employee commute time.

City Innovation

Recognize potential for meeting regional housing needs with local funding tools. Partner across jurisdictions – City and adjacent County

County Incentives

Rezone from forest-related workforce to multifamily residential to allow for higher densities and increased height.

Developer Innovation

Small by design with flexible floor plans

Financing Innovation

Bond financing issued by Town of Truckee for project located in neighboring Placer County and waived tax increment loan issued by Placer County enable housing with mandated affordability levels for regional workers.

Design Elements

Cluster of chalet-style buildings with energy efficient appliances. Mix of unit types for families and single workers.

Partnership Outcomes

Regional collaboration. Developer and County are considering replicating the collaboration for other locations.

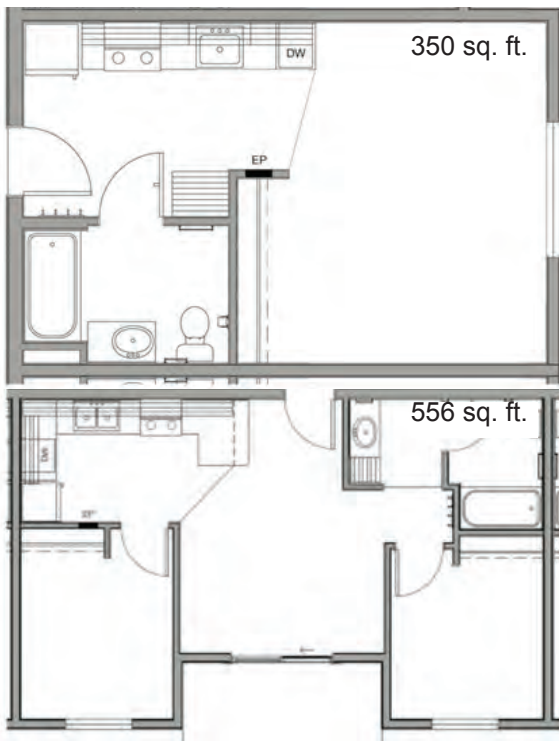
SAWMILL HEIGHTS (2.1)



1. Sawmill Heights Vicinity Map (Google)



2. Sawmill Heights Site Map (Google)



3. Unit Floor Plans (Clockwise from top left: Studio, Three-bedroom, Four-bedroom, Two-bedroom)



4. Sawmill Heights Architecture and Design (Source: Sawmill Heights Apartments)

Case 1: Sawmill Heights Apartments, Truckee (2.1)

7646 Highlands View Road, Truckee, CA 96161

Innovative Financing Partnerships/Small by Design

Developer: East-West Partners, 10164 Donner Pass Road, #3, Truckee, CA, 96161, tel: 530-587-2222

Architects: Don Mackey Architect, 875 Roberta Lane, Suite 101, Sparks, Nevada 89431, tel: 775-356-1317

Financing Partnerships: City of Truckee, Placer County, Placer County Redevelopment Agency, Northstar (Northstar Mountain Properties, LLC; Booth Creek Ski Holdings, Inc.; East West Partners-Tahoe, Inc.; Trimont Land Company; and Corum Real Estate Group), Northstar Community Housing Corporation, U.S. Bank, NMP, Polar Star Development, LLC.

Sawmill Heights apartments are located on a forested hillside in Placer County near the main entrance to the Northstar Ski Resort on land owned by the resort. Originally designed as employee housing for Northstar Ski Resort, Sawmill Heights is now one-third seasonal housing for resort employees and two-thirds long-term lease apartments. High regional demand for affordable and workforce housing has resulted in high occupancy. The 6.6 acre parcel is zoned for Residential Multifamily (RM) as part of a Planned Residential Development (PD) district where the maximum density allowed is 15 dwelling units per acre, under current Tahoe Regional Planning Agency (TRPA) regulations for the Tahoe Basin.

Project Composition

96 dorm-style units with up to 380 beds

Studio units, and 2-, 3-, and 4-bedroom units

Includes parking, landscaping, common spaces, and many services

Unit Price (2015)

- studio units (350 square feet) rent for \$950
- two-bedroom units (556 square feet) rent for \$1,225
- three-bedroom units (969 square feet, 2 bathrooms) rent for \$1,400, and,
- four bedroom units (969 square feet, 2 bathrooms) rent for \$1,500

Unit Affordability Mix

- All units are offered at below market rate.
- Twelve units are reserved for residents with incomes below 80 percent AMI

Financing

1. Donation of land by major employer
2. Subordinate debt loan from Placer County
3. Bond sponsorship by Town of Truckee
4. Small-by-design accommodations

Need for Low and Moderate Income Housing

Like many resort communities, the Lake Tahoe region, Placer County, and Truckee are growing. Placer County had the second highest population growth rate for all California counties (growing from January 2003 to January 2013 at about 26% with some cities in the county at 31%).¹ Population projections from the Center for Strategic Economic Research for Placer County predict over 9% growth by 2018 and 17.5% growth by 2023 – a significantly faster growth rate than has been projected for the Sacramento Region, Bay Area, and State of California.² Unincorporated Placer County has an affordable housing need of 3,258 new low and moderate-income units for the next eight years, of which 328 units are for the Tahoe Basin subarea. High vacancies and high rents impact the entire Truckee-Tahoe area.³

While working to maintain its mountain community character, the Truckee-Tahoe area has been seriously challenged to provide affordable housing options for its residents and local workforce.⁴ Approximately half (47%) of all housing units in Truckee are kept off the market for seasonal, recreation, or occasional use as second homes by households who are not residents or members of the local workforce, but these units contribute to the demand for housing and influence housing prices. Workforce communities like Truckee in Nevada County and Kings Beach in Placer County also experience a surge of resort workers during the winter season, spiking housing demand for below market rentals.

When compared to California and the nation, Truckee residents average higher per capita and median household income and higher educational attainment. However, nearly two-thirds of residents are actually of low and moderate income. The cost of living is also higher in Truckee. Approximately 52% of Truckee’s resident workforce drives out of town for work – largely to high wage sector jobs – while a similarly large influx of workers commute in to Truckee for lower wage jobs, many of them from nearby Kings Beach where the occupancy rate is 100%. According to the 2008-2012 American Community Survey, over 72% of Truckee renters spend 30% or more of their household income on rent, while almost 58% spend 35% or more of their income on rent.

Located halfway between the towns of Truckee in Nevada County and Kings Beach in Placer County along Highway 267 (Figure 1) the Sawmill Heights project presented the region with an opportunity to secure much needed local workforce housing.

Project and Building Layout

The project consists of four separate buildings, the three large buildings contain all the residential units and surround a smaller central building which contains community spaces, common facilities like a laundry room, and the apartment offices (Figure 2). The three residential buildings are three stories and the community building is single story. The apartments are accessed through interior double-loaded corridors and typically three entrances to each apartment building provide access to all units.

Parking and Transit

Approximately 120 parking spaces serve 96 units and up to 380 residents. A regional, year-round, bus service ceases to serve Sawmill Heights and Northstar Village in the spring (May and June) and fall (September and October) during the “off-season”. Such seasonal service is common in many ski resort communities. During the winter, in addition to the regular bus service, residents of Sawmill Heights have free, regular shuttle service to Northstar Village and employees of Northstar Resort who are residents of Sawmill Heights are required to use this service instead of driving personal automobiles to work.

Key Partners

Northstar Mountain Properties, LLC.

Northstar Mountain Properties, LLC, the master developer of the project, **provided the original equity for the Sawmill Heights development.** After the LLC filed bankruptcy during the recession, a nonprofit entity was set up to own the housing project, which then issued 501(c)3 bonds to finance the construction.

Don Mackey Architect

Don Makcey Architect, based in Sparks, Nevada, design apartments, residential retirement centers, sporting and event facilities, residential subdivisions and private residences. They claim to “prioritizes design aesthetics within strict adherence to project cost control.”

CNL Income Properties, Inc.

CNL is a real estate investment trust (REIT) based in Orlando Florida and focused on lifestyle properties, including residential and retail properties at ski resorts.

Placer County

Placer County in the greater Sacramento region stretches from the Roseville area to the Lake Tahoe Region and the Nevada border.

Town of Truckee

The Town of Truckee is an incorporated community in eastern Nevada County, located in the Truckee and Tahoe Basin. It provides housing for numerous Tahoe Region recreational and ski areas such as the Northstar Ski Resort.

Project Innovations

Design

Nestled in the forested landscape of the Sierra Mountains, Sawmill Heights incorporates design elements common to mountain region ski resorts. Sloping, gabled rooflines, wide eaves, faux-exposed beams, horizontal siding, natural building materials like stone and wood, hallmarks of chalet architecture, are present in the four buildings (see Figure 4). The apartment buildings are partially visible from Northstar Drive but the horizontal massing, relatively low height, setbacks and material color palette that reflects the surrounding landscape and forest understory render Sawmill Heights less conspicuous to those driving to the Northstar Ski Resort.

The four separated buildings encourage the development of smaller social communities of residents.

Small and Flexible Units: Apartment units are relatively small (see Figure 3). Studio units are 350 square feet and in 2015 rent for \$950, two bedroom units are 556 square feet and rent for \$1,225, three bedroom units are 969 square feet, have 2 bathrooms and rent for \$1,400, and four bedroom units are the same size and rent for \$1,500 (Sawmill Heights, 2015). The only difference between the three-and four-bedroom units is that **the master bedroom of the 3-bedroom unit is divided into two smaller bedrooms in the 4-bedroom unit to allow residence for four unrelated single adults.** The ability to convert from a three bedroom to a four bedroom unit allows easy modification of apartments to respond to shifts in resident demand.

Energy Efficiency: Utility costs are included in the rent. Although research indicates mixed results as to whether this pricing method encourages more or less energy use (Maruejols & Young, 2011), it benefits tenants by eliminating month-to-month variability of housing costs. Large, operable windows increase natural lighting and allow external air circulation so residents can regulate the interior temperature without needing air conditioning (HVAC) in the summer months.

All units in Sawmill Heights were built with state-of-the-art insulation and windows. All units are installed with Energy Star appliances. Reduced parking, access to seasonal transit service, and the free employee shuttle service to and from Northstar Village reduce transportation emissions that might normally be associated with an apartment complex of this size.

Landscaping at Sawmill Heights uses primarily drought resistant native plants. The non-hardscape areas of the site include mulch, river stone, and natural vegetation.

Financing

Sawmill Heights was funded with 63-20 bond financing that allowed the developer to acquire and develop the property with financing that was exempt from federal income tax. **The Town of Truckee, which has no jurisdiction over the project, as it is located outside of town limits, in an adjacent county, agreed to act as the tax-exempt bond sponsor.** This despite the fact that Sawmill Apartments are located in Placer County and the Town of Truckee in Nevada County. Truckee served as the bond sponsor as Placer County was unable to act in that capacity as a result of a lawsuit brought against it related to the adoption of the Martis Valley Plan.⁵ The 63-20 bond financed public private partnership (PPP) required a minimum of 51 percent units be deed restricted to serve households earning less than 80 percent AMI. **By providing a property tax savings of \$90,000 to the developer, the Town of Truckee and the Placer County Assessor modified the agreement to restrict 98 percent of the units to serve families at 80 percent AMI.** Sawmill Heights development helps address some of the need for seasonal employee housing, a responsibility that has often fallen on Truckee because the town is centrally located to the numerous ski resorts that provide employment to lower wage service workers who need affordable housing. These get built in Truckee because the surrounding

areas are amenity laden and housing is exclusive and high cost. **Truckee (Nevada County) and Placer County are pursuing partnering opportunities on additional affordable housing efforts to help them reach their housing goals.**

The Sawmill Heights apartments were in high demand in their first winter of occupancy but fell below 50 percent during the rest of the year. High vacancies coupled with the economic recession drove the initial owners into default, KG Sawmill Investors purchased Sawmill Heights in December 2010. The conditions governing the three apartment blocks were reconfigured so only one was designated for seasonal resort employees and the other two for longer-term year-long leases.

Regulatory/Governmental

Rezoning to accommodate employee housing in multifamily residential structures on the Sawmill Heights site required: **a general plan amendment which changed the land use from forestry to multifamily residential; a variance from the applicable maximum building height restrictions; a parcel map to create a new 6.3 acre parcel for the project; and a conditional use permit for the 500,000-gallon water tank** (Association for Sensible Development at Northstar, Inc. et al. v. Placer County et al., 2004).

Truckee is a member of Workforce Housing Association of Truckee/Tahoe (WHATT), which is dedicated to addressing housing needs of employees within the Tahoe Region. The Town of Truckee adopted an inclusionary workforce housing ordinance in 2007 to require commercial, industrial, institutional, recreational and residential resort projects that create jobs to provide affordable housing for a portion of their projected workforce or to pay an in-lieu fee. It requires affordable housing developed to remain deed restricted to that income range for a minimum of 30 years.

In addition to the rent restrictions applied by the bonding authority, repayment of a \$350,000 tax increment loan from Placer County's North Tahoe Redevelopment Agency to the developer was waived in exchange for setting aside 12 of the 96 units for low-income households with the remaining 84 units to remain reserved for tenants with incomes at or below 120 percent AMI for 35 years. The rent limitation agreement also restricts the units from being rented on a daily or weekly basis or as vacation or ski rentals.

Lessons Learned

- Workforce housing need crosses government borders and regional commute sheds.
- Local housing challenges can be addressed through regional collaboration.
- Large employers, especially those that need many lower income employees, may partner with local government to help meet their workers housing needs.
- Costs can be reduced by identifying parcels for development that do not require purchase and can be rezoned.

- Innovative designs that use less space more efficiently and provide flexibility for adaptive reused can help keep projects viable.
- Parking requirements may be reduced where transit is provided.
- Height variance can provide flexibility with the building layout so as to maximize the number of units built and mitigate negative impacts on view sheds.

Sawmill Heights provides an example of how partnerships between local jurisdictions and a major employer can create and maintain workforce housing close to job centers. This can be done considering the regional economic and commuter sheds rather than only within the boundaries of administrative jurisdictions. The lessons are particularly relevant for rural, amenity-laden destination areas where housing costs are prohibitively high.

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Notes

¹ Based on California Department of Finance (DOF) estimates the bulk of this growth occurred before 2008, but continued throughout the decade despite the economic downturn. By January 2013, the population of the county was over 355,000 people, encompassing about 35 percent of the population of the greater Sacramento Region (Placer County, 2014b, p. 4-5). Adjacent Nevada County grew at a more modest seven percent from 2000 to 2010 (Nevada County, 2012-2013), while the City of Truckee grew by a rapid 16 percent between 2001 and 2011.

² Although much of this growth is focused on the west-end of the county, there is need for quality, affordable housing throughout the county and the Lake Tahoe Region. Residential permits dropped from over 7,000 in 2002 (with over 1,700 for multi-family units), to only 812 in 2011, none of which were for multi-family residential development.

³ In 2010, 62.2 percent of vacant housing units in the unincorporated county were for seasonal, recreational, or occasional use and only 6.7 were classified as for rent, for sale, or already rented or sold but not occupied. By contrast, in 2011 the vacancy rate for rental units was 1.7 percent. Per-capita income dropped by 2.4 percent between 2000 and 2010, from \$48,162 in 2000 (2010 dollars) to \$47,012 in 2010.

⁴ Nearly one quarter of all households in the unincorporated county earned under \$35,000 in 2009 while just under 30% of households in the unincorporated county earned more than \$100,000.

⁵ With the 63-20 Nonprofit Public Benefit Corporation a public sector agency can help finance “capital projects by issuing tax-exempt debt ... making it more cost-effective for public project sponsors to issue debt.” Interest costs are kept low and attract investors. A nonprofit corporation is able to issue tax-exempt debt on behalf of private project developers. Of the roughly \$25 million bonds issued, approximately \$21 million (Series A Bonds) were sold to U.S. Bank with \$1.5 million (Series B Bonds) and \$2-2.5 million (Series C Bonds) were to sold to NMP and Polar Star Development, LLC.

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CHAPTER TWO

SAN FRANCISCO BAY AREA



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THE PANORAMIC RESIDENCES (3.10)

1321 Mission Street (at 9th Street), San Francisco, CA 94103

Small by Design/ Innovative Financing

Problem to be Solved

The City of San Francisco population growth has outpaced housing supply. Factors contributing to the lack of affordable housing in the city include students competing with families for housing.

The Solution

The city has leveraged private sector real estate development. The Panoramic serves those who accept living in micro-units for proximity to jobs, education and services. Units are affordable to moderate-income households.

City Innovation

A student-housing ordinance allows high unit density. No automobile-parking requirement enables increase in residential units and density. Currently fully leased as student housing the project can be converted to market residential (12 % units to be affordable to meet city inclusionary requirement). Variance on rear yard requirements with alternative open, common spaces.

Developer Innovation

The Panoramic offers 160 small-by-design apartments affordable to moderate-income families. It is the largest micro-housing project in San Francisco. Currently houses students. Not yet tested as housing for diverse groups. Bike parking greatly exceeds code-required minimum. Exceeds Title 24 requirements for sustainable green construction and materials by 15%. Units would currently sell at market rate to those in the 90% AMI.

Financing Innovation

Use of mezzanine financing based on shared calculation of risk. Panoramic Interests leveraged the company against the success of the Panoramic Residences.

Design Elements

Space in units can be used flexibly with two twin beds in efficiency units and four twin beds in three room suites. Adaptable and plentiful built in storage. Open terrace, roof garden, common spaces on each floor.

Partnership Outcomes

High density yielding 761 units per acre. Double the FAR. Micro-units presently leased to students but affordable to moderate-income families.

FEATURED HOUSING CASE

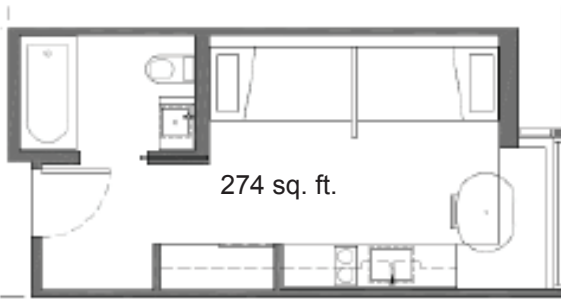
THE PANORAMIC RESIDENCES (3.10)



1. Panormic Residences



2. Roof Top Terrace

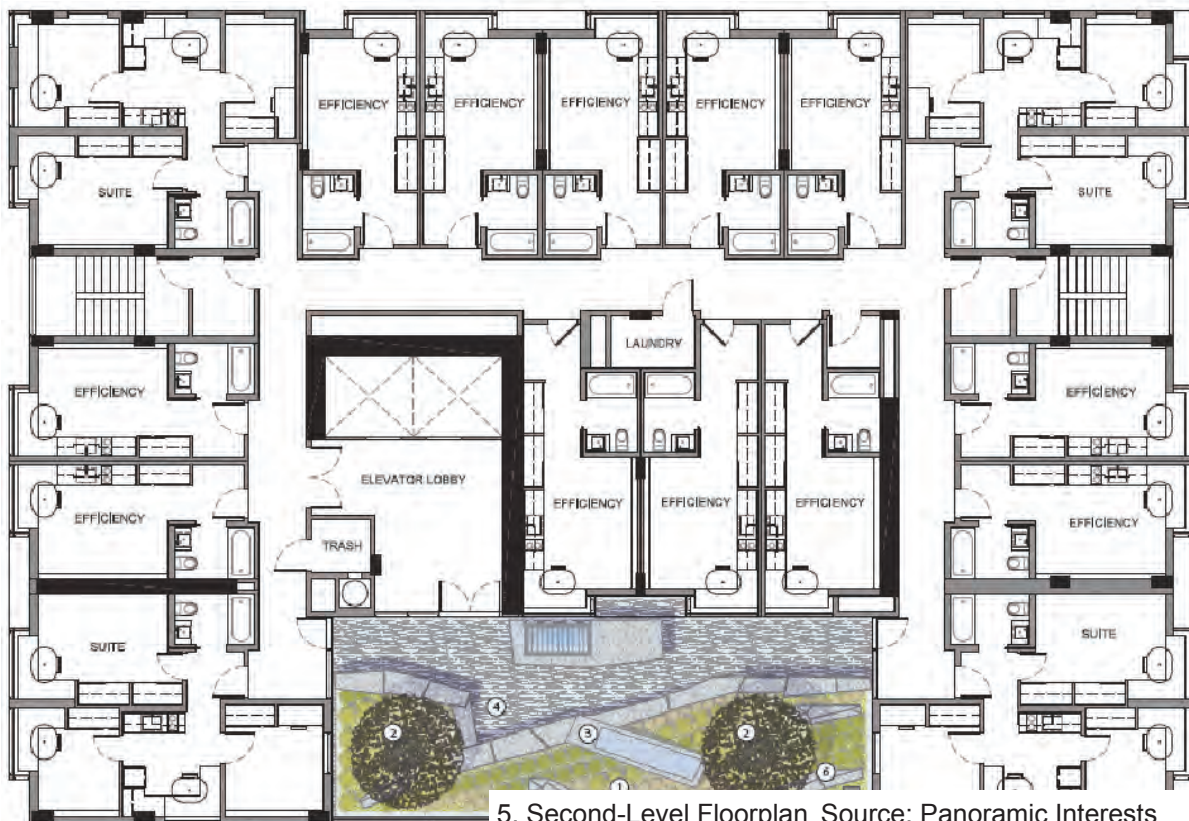


274 sq. ft.

3. Efficiency Unit Floorplan



4. Suite Unit Floorplan



5. Second-Level Floorplan Source: Panoramic Interests

Case 2: The Panoramic Residences, San Francisco (3.10)

1321 Mission Street (at 9th Street), San Francisco, CA 94103

Small by Design/Innovative Financing

Developer: Panoramic Interests, 2116 Allston Way, Suite 1, Berkeley, CA 94704
(510) 883-1000, info@panoramic.com

Architect of Record: Kwan Henmi Architects,
456 Montgomery Street, Suite 300, San Francisco, CA 94104,
(415) 777-4770

Financing Partnership: Panoramic Interests; Jones Lang Lasalle; Washington Capital Management; TDA Investment Group

The City of San Francisco is the fourth most populous city in California and the second most densely populated city in the United States. It has seen population growth outpace housing supply and has developed regulations to address this issue. The influx of high-technology-industry related employers and employees into the city and the fact that it is a city that is a desired destination has allowed the city to assert considerable leverage on private sector real estate development. The city has developed regulatory structures to make investment in the city both attractive to real estate developers but also **to guide it so that the type and mix of housing needed in the city is produced**. An Affordable Housing Bonus Program (AHBP) is currently under consideration.¹ **The Panoramic is one such successful example, a building that features a micro-unit approach**, initially designed to meet housing affordability needs of moderate-income families, but presently fully leased to provide much-needed student housing.

Project Composition

160 Micro Units on 10 levels
3,359 square feet commercial space
common spaces, laundry facilities on every residential floor
Outdoor terrace second floor, roof deck

Unit Price

Two academic institutions leasing these units are setting unit and per bed prices. Initial calculations of project feasibility had penciled out a market rate for the units at a price that was made affordability to moderate-income residents (90% AMI) by way small unit size and density of the project.

Unit Affordability and Mix

Panoramic financing was calculated on the basis of 160 units of housing with 80 units dedicated to students to take benefit of the new student housing ordinance and the remaining 80 units to be sold as market rate housing. **Units were estimated to be affordable to single or two person families in the 90% AMI by being small-by-design**. The developer, Patrick Kennedy notes:

“The project was always conceived as a market rate development -- we just happened to rent to two schools that found it convenient and timely for student housing. We did benefit from the student housing ordinance and we hope to interest more schools in future projects.”

A student’s income category is not easy to determine as students may have access to various levels of support from parents and family members, or through scholarships and loans. The two educational institutions will for the near future occupy all the Panoramic units. Review of the two institutions web sites reveals that they are charging monthly rents that range from \$1,275 to \$1,495 per month² a price deemed affordable to a moderate income family of one.³

Micro-Unit Housing/ Commercial Mixed Use

The Panoramic tower is a mixed-use 11-story building located strategically in the Mid-Market area of San Francisco. It offers 160 micro-unit apartments and 3,359 square feet of commercial retail space. Located proximate to the Mid-Market area that roughly encompasses the stretch of Market Street between 5th and 11th streets it is in an area that has experienced a resurgence of investments in high-rise real estate development. These investments have been influenced by a City of San Francisco initiative in 2011, which gave a six-year tax holiday on new hires to companies that located their offices in this area.⁴ Twitter headquarters, which is less than a block away moved from offices they had outgrown in the city to a historic building on Market Street, formerly known as the Furniture Mart.

Construction of the Panoramic was completed in the summer of 2015 and student residents began moving in August 2015. The project was fully leased prior to completion. **The building was initially designed to be partially leased to students and thus take advantage of the student housing ordinance, but also designed to accommodate young professionals,** such as might work in Twitter or other such companies that are moving into the area. The building units are designed, detailed, and supplied with built-in amenities that would enable flexible use by a variety of young working people who work in the city.

The Panoramic project is timely. Currently the city of San Francisco has a deficit of nearly 50,000 beds. **The city has concluded that part of the deficit can be attributed to students who compete for housing with families.** There are 65,000 students in the city and only 11,000 have access to school-sponsored housing. Student competition for residences had raised the rent and cost of housing for all families. In an attempt to mitigate this problem, the city passed a student-housing ordinance that allows higher density for new construction that houses students. This has made dense projects such as the Panoramic feasible.⁵ The Panoramic provides 160 units and up to 400 beds. Initially half of these units (80) on the 2nd through 6th level were pre-leased to the California College of the Arts (CCA) and the remaining 5 levels left available for purchase or rent, and projected to be affordable-by-design to moderate-income families. Subsequently, and attesting to the need for student housing in the area, the San Francisco Conservatory of Music leased the remaining 80 units.

Site

The Panoramic is situated at the Southwest corner of the intersection of Mission Street and 9th Street. It is proximate to employment, schools, and businesses and within walking distance of mass transit. Residents are also within “walk able” or “bike able” distance of all necessities, amenities and entertainment. With a walk score of 97 out of 100, a transit score of 100 out of 100, and a bike score of 97 out of 100 the Panoramic has placed a large number of students within a reasonable distance of needed services and destinations such their place of education. This adjacency and connectivity will diminish a reliance on private automobile ownership. Thus the **Panoramic has promise of serving as a prototype for how the City of San Francisco can meet high and growing housing needs among students who benefit from short term housing close to their schools.** It also has potential to house others who can accept the trade-offs involved in living in micro units that are tiny by design but provide proximity to jobs and services.

Project Innovations

Design Elements

The Panoramic sits on a 9,208 square foot lot at Mission and 9th Streets and consists of an 11-story tower and one basement level below grade. The Panoramic tower can be understood as providing various zones of activity at the various levels as follows:

Level 11: A rooftop deck for all unit residents (Figure 2) that is landscaped and has solar panels. This outdoor open space has helped qualify the project to receive a variance to the city requirements for a rear yard.

Levels 2 through 11: 10 floors of residential micro-units, a total of 160 units

- 120 studio units, 12 on each of ten floors
- 40 3-bedroom suites located at each corner of the ten floors

The second level of the Panoramic (Figure 5) is not typical of the 9 floors above as it has an open to air courtyard facing South, at the rear of the building. This is accessible to all tenants to enjoy clear views over adjacent buildings to the South. These views are protected into the future. This outdoor open space has helped qualify the project to receive a variance to the city requirements for a rear yard.

Level 1: The ground floor of the tower has a primary access from Mission Street. It is divided into two areas, one leased to commercial establishments and the other for use by tenants in the residential units. The commercial space currently houses a coffee shop on the strategic and visible corner fronting Mission and 9th Street. The second space is for residents and contains a lobby, lounge area, study room, mailboxes and office/security space. There is a separate entrance for the two areas. One vehicle parking space, entered from the east side by Washburn Street, is designated for parking a ride share car.

The streetscape around the Panoramic is pedestrian friendly and shaded with designed metal awnings. The pavement was widened to create deeper sidewalks. The south façade of the building has a stainless steel sculpture contemporary in its aesthetics that, along with the sculptural awnings, meets the San Francisco ordinance requiring inclusion of public art.⁶ There are many parks and open spaces in the vicinity of the Panoramic plentiful shopping, numerous restaurants and cafes, and major attractions.⁷

Basement/Bike Parking: The basement level contains bicycle parking, dry and wet art rooms, storage, and janitorial and mechanical spaces. The Panoramic is designed to be a car-free community. Instead of numerous levels of parking, which would usually be included in a large mixed-use project like the Panoramic, 240 bike parking spaces are provided. Bike parking greatly exceeds the required 53 minimum spots required by code. State-of-the-art bike stands allow “double stacked parking” of bikes. The Panoramic has received a high bike and walk score. **The zero automobile-parking requirement in the prevailing code freed the Panoramic from the cost of constructing several basement levels of parking. It has allowed more residential units to be built at increased density.**

Micro-Unit Design

At 160 units the Panoramic is currently the largest micro-housing development in San Francisco. Although the micro-unit development has not yet been fully tested as a successful model for serving the housing needs of diverse groups, the Panoramic has succeeded in providing needed housing for students. With its 274 square feet micro-unit, it has responded to the trend towards small-by-design as a method of providing affordable housing. It and other projects like it may contribute to reducing student competition for family housing in the city. The developer has made the micro-units in the Panoramic aesthetic and cutting edge and maximized shared spaces such as the roof deck, landscaped courtyard, study rooms, lounge and two art studios in the basement.

Adaptable spaces were one key component of the unit design. **Efficiency units are designed with more than 300 cubic feet of storage space and flexibility in space use. The full-sized bed can be pulled down over the dining table to maximize the clear space available for the living area.** Furniture in the units is designed to be stored and take up little room as well as to reduce clutter. Even the stove is hidden in a drawer to maximize counter space. There are flat-screen, large, wall mounted TV’s in every unit. The efficiency units can accommodate two twin beds and the three room suites can accommodate up to 4 twin beds. Although the units are small there is built in seating and space use can be modified for various family types. **This built-in flexibility will facilitate easy adaptation of the project to accommodate possible changes in the composition of resident.** The units currently serve students but they can be changed to house professionals who might rent or buy these units at market rate in the future. Amenities that are common in larger apartment units have been provided such as built in storage and contemporary furnishings. Higher than normal ceilings, the floor to floor height is 11ft. clear, floor to

ceiling height is 9 ft., natural lighting from large windows in every unit, and, LED lighting make each units seem larger and more open than their actual size.

Sustainability Features: The Panoramic aims for sustainability in various ways. There is natural lighting and ventilation to each unit by way of a large window. The windows are operable and this can help reduce the energy load and decrease the demand on mechanical systems. The windows are also glazed with double laminated heat resistant panes that are have high duty gaskets to reduce heat flow between the interior and exterior environments. The walls ceilings and floors are insulated for sound and the double pane window construction is very effective in cutting down transmission of ambient noise particularly from the busy streets on two sides of the building. **The Panoramic exceeds Title 24 requirements for sustainable green construction and materials by 15%.**

Each unit in the Panoramic has a fresh air intake and exhaust and localizes the air circulation to within each personal unit. Heat is removed from exhaust air and blown outside. Each room in the three bedroom suites also has a personal air supply and return. And every unit has low-flow plumbing fixtures as is now required by the building code. Green products used in the interiors include: Eco Solution carpet tiles, plyboo hardwood floors, porcelain tiled bathrooms, and caesarstone counter-tops.

Sustainable features in landscaping and exterior treatments include: permeable pavements and sidewalks to reduce storm water run-off and large planters around the perimeter to catch storm water. A green roof reduces both heat gain by reflecting sunrays, and, heat loss from the building. The photovoltaic panels on the roof offset some of the energy needs of the building. Energy Star appliances and high efficiency LED lighting reduce electricity use. An energy recovery ventilator uses exhausted air from the building to precondition air intake thus reducing the size and energy draw of the heating and cooling systems. The air is also run through a MERV-12 filtration system that dramatically improves the indoor air quality.

Financing Key Players

Panoramic Interests: Patrick Kennedy Principal Panoramic Interests has been a housing pioneer in the Bay Area.⁸ The company's portfolio of built projects indicates a persistent commitment to developing multifamily housing. It has sought out emerging technologies and built at higher densities. Mr. Kennedy is an advocate for the micro-unit approach to creating housing for young professionals. Panoramic Interests investment in this project was 10 million (16% of total cost.)

Jones Lang Lasalle: Jones Lang Lasalle Incorporated, a professional services and investment management company, facilitated the Panoramic's 50 million dollar construction loan (84% of total project cost)

Washington Capital Management: Washington Capital Management an investment advisory firm that manages real estate investments identified 30 million dollars of capital (50% of total project cost) for the first construction loan at 4%.

TDA Investment Group: TDA Investment Group financed 20 million (34%) of the capital at 11% through mezzanine financing. While working with a mezzanine lender, Panoramic Interests leveraged a stake in its company in order to obtain fast equity capital. Mezzanine financing brought capital quickly into the project. Mezzanine financing is debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time, and in full.⁹

While micro-units at this scale have not been tested in San Francisco, Panoramic Interests relied on their past experience that these units would be received well in the current market. The guarantee by CCA that they would pre-lease half of the units helped make the project successful and garnered regulatory concessions that accrue to projects through the student housing ordinance. A major financial benefit of designing the micro-units was the extremely high density achieved of 761 units per acre. This made it possible to offer units at a price that was affordable to moderate-income families. **If in the future if the Panoramic ceases to provide student housing¹⁰ Panoramic Interest state that given the small size of the micro-units they would currently sell at the market rate of about 90% AMI.**

Regulatory/Governmental

The Panoramic's high density was partially made possible by a conditional use permit approved under the City of San Francisco's student housing ordinance. It was also given a side yard and open space variance because it provided an open air courtyard and a roof garden. Affordability in AMI terms in the Panoramic has been achieved with the following regulatory concessions and design innovations:

- 1) Density bonus for student housing
- 2) Conditional use permit for building height
- 3) Conditional use permit for building density and FAR
- 4) Parking reduction
- 5) Variance for rear yard
- 6) Small by design
- 7) Potential for cross-subsidization from commercial uses

Zoning: The Panoramic Residences site is zoned for Downtown Commercial Support, or C-3-S.¹¹ The San Francisco Planning Code Section 151.1 does not require off-street parking for this project, and almost none is provided.¹² The Planning Code requires that The Panoramic provide a rear yard equal to 25 percent of the lot depth at the first level containing a dwelling unit, and at every subsequent level. Exceptions to the rear yard requirements may be granted if the building location and configuration assure adequate light and air to the residential units and to the open space provided. Due to the east and west facing façades of the Panoramic, additions to the streetscape along 9th and Washburn Streets, and the inclusion of rooftop and second floor gathering spaces, the modified rear yard was found to be an acceptable substitute. By providing each unit with an acceptable amount of exposure to either 9th, Mission, Washburn Street, or the courtyard, San Francisco staff found the project provided "ample separation for light and air."

The Panoramic site had a floor area ration (FAR) of 5:1 for the C-3-S zoning designation. With it's approximately 108,000 square feet of floor area the Panoramic nearly doubled the prescribed FAR.¹³ **The planning commission approved the Panoramic despite major variations from zoning maximums due to stipulations in the student housing ordinance that allows for conditional use authorization when exceeding the allowed dwelling unit density and FAR.**

Some Take-Aways

The Panoramic demonstrates innovations to address housing need in competitive and expensive markets such as in San Francisco. Students guarantee the immediate success of the project given full occupancy. They and other young San Francisco residents are the ideal clientele for the Panoramic in that they want an urban lifestyle and are willing to trade off space for proximity to the city and to their educational institutions. The Panoramic is designed to be attractive to tenants who are open to living in small units if they have access to larger shared spaces with greenery, views, and access to the outdoors. Given that the project is currently fully leased and earmarked for students the acceptability of micro-units to others, such as young professionals, remains untested.

Local code changes such as the student-housing ordinance have allowed for a very high unit density in the Panoramic. They have thus helped create the potential for market rate developers to meet some of San Francisco's housing needs. If the student housing ordinance successfully stimulates development of projects which house students in San Francisco **it is anticipated that it will indirectly serve to relieve the pressure of student renters competing for family housing and thus help to alleviate the housing shortage, and cost, in the city.** The premise needs to be tested and evaluated as more projects like the Panoramic are developed and respond to the incentives provided in the regulations.

It is too early to tell if the high density allowed in the Panoramic can be successful in all locations. But it does demonstrate an approach that other cities might be able to use to facilitate making the creation of workforce and affordable housing more attractive to developers and financiers. The lack of any off-street parking for all dwelling unit is outside the prevailing cultural norm, but **required parking minimums are increasingly being reconsidered throughout California.** The Panoramic approach may be more easily replicable in cities that are dense and "walk able" and have good transit infrastructure. The unit design has been tested in previous Panoramic Interests projects where similar prototypes have been introduced in smaller projects in the Bay Area. The company is currently developing new projects that build on what was learned from the Panoramic units and designing prototypes that offer additional flexibility.

The exemption to the rear yard requirements has been provided to other projects in this area. This variance may not be found acceptable at other sites in San Francisco or in other cities with less pressing housing needs, which would reduce achieving the unit density that has made for feasibility in the Panoramic. The financing structure

that has enabled access to equity and debt capital may also not work with riskier projects or with less known and established developers.

Pre-Fabricated Modules and a Micro-Unit Approach

Panoramic Interests Principal Patrick Kennedy is an advocate for housing development.¹⁴ The firm looks for the next emerging trend and technology to create “smarter housing” Panoramic Interests has plans for future projects that build on, and go beyond, the innovations introduced in the Panoramic Residence. They are currently experimenting with using a new technology consisting of steel modules fabricated in China, and alternative construction modes such as off-site pre-fabrication and assembly, in combination with a reconfigured and refined small-by-design micro-units. This emerging approach takes head of lessons learned in building the Panoramic.

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NOTES

¹ A City of San Francisco Affordable Housing Bonus Program (AHBP) is going through the process of review and adoption. Time line for approval is 2016. It aims to provide incentives for developers to include more affordable housing for very low, low, moderate, and middle-income households. Development bonuses, such as increased density, would be offered based on the percentage of affordable units provided. This proposed Program is one tools the City is putting forward to increase availability of middle-income housing. A Local Program and a State Program are offered. See: <http://www.sf-planning.org/index.aspx?page=4233>

² Information and details about the leasing arrangements can be found at: <http://www.panoramiclivingsf.com/?gclid=Cj0KEQjwm4mwBRCni-ivmePYivkBEiQAdGkklij61bN7wBudlbJEHyfe38Mp6hKnODnCQYkJv92aJJsaAvQZ8P8HAQ> accessed September 23, 2015. The rents described as “starting from \$1495 shared beds, private rooms, studios, and apartments.” The California College of the Arts provided a 2015-16 academic rate in the Panoramic Residences as Single: \$13,700 Double: \$10,850 (about \$1,600 pre month for a single and \$1,275/month for a double). See: <https://www.cca.edu/students/housing/halls> accessed September 27, 2015.

³ The State Income Limits for the County of San Francisco for 2015 provide the following AMI for one to four person households respectively \$72,100, \$82,400, \$92,700 and \$103,000. Thus the rents charged at the Panoramic units for single occupancy (\$1,600) fall below the 30% rent burden (\$2,163) for a moderate income family of one.

⁴ For a description of the pay roll tax initiative and the controversies surrounding it see Cote John, “Tax breaks draws firms to Mid-Market” SFGate, December 14, 2012 <http://www.sfgate.com/bayarea/article/Tax-break-draws-firms-to-Mid-Market-3622860.php> accessed October 21, 2015. For details of high rise projects planned and constructed in this area see: http://sf.curbed.com/archives/2015/08/14/mapping_38_transformative_midmarket_development_projects.php Accessed September 23, 2015.

⁵ For a summary of the San Francisco Planning Department Student Housing Ordinance see http://www.sf-planning.org/ftp/files/legislative_changes/new_code_summaries/111374_Student_Housing.pdf The Panoramic has been enabled by the higher density, smaller unit sizes, and reduced open space requirements etc., which were allowed by this code change.

⁶ See Ken Klim 'Urban Currents': 60' extruded aluminum sculpture on The Panoramic, by Ken Kalman: <http://www.panoramic.com/cityspaces-location/mission-san-francisco/facade/> accessed September 27, 2015. See also illustrations of flexible use of unit spaces at:

<http://www.panoramic.com/cityspaces-location/mission-san-francisco/interiors/>
accessed September 27, 2015.

⁷ Parks and open spaces in the vicinity of the Panoramic include the Civic Center and UN Plaza which are two blocks north, Howard and Langton Mini Park, five blocks southeast, Victoria Manalo Draves Park, seven blocks southeast, and Jefferson Square Park, eight blocks northwest. Major attractions include: Warfield Theatre, Orpheum Theatre, San Francisco Public Library, Moscone Center, San Francisco Federal Reserve Building, Davies Symphony Hall, SFMOMA, Civic Center Plaza, Yerba Buena Gardens, Asian Art Museum, and the Contemporary Jewish Museum.

⁸ For an overview of the Panoramic Interest works to create housing that is innovative and small by design see the company web site at: <http://www.panoramic.com/about/> accessed September 23, 2015, see also J.K.Dineen, "Patrick Kennedy, owner of Panoramic Interests," San Francisco Business Times, Dec. 21, 2012. And James King, "Small is Big" San Francisco Apartment Association, April 2015. http://www.sfaa.org/april2015/1504_king.shtml

⁹ Mezzanine financing investors often expect a high return on their investment up to 20% due to the long payback period and risky investment strategy. Although this method can bring capital into a project quickly since it is risky for the developer and the lender a proven track record and credibility is required. Patrick Kennedy and Panoramic are known for their successful pioneer work in housing in the Bay Area. They have incorporated new technology and ideas in developing housing for students in Berkeley and San Francisco. The TDA Investment Group also has a long track record in financing innovative housing projects. The access to fast capital (at 11% interest) and a construction loan facilitated by Jones Lang Lasalle, Inc. enabled the Panoramic to be funded quickly, get into the ground, and constructed during high market demand.

¹⁰ As defined in Planning Code Section 102.36, the Zoning Administrator may allow the conversion of student housing to any residential use that is permitted in the C-3-S Zoning District after determining that the converted student housing has complied with any applicable inclusionary affordable housing requirements. Under present criteria 12 percent of the units would need to be affordable and meet the inclusionary price range.

¹¹ This zoning designation allows for the creation of unique housing resources similar to those provided by this project. C-3-S has other building restrictions including that bulk height cannot exceed 120 feet and the project must have at least 36 square feet of open space per unit if open spaces are private, or, 48 square feet per dwelling unit if space is common.

¹² Section 166 also does not require any car share parking. As the commercial component is less than 10,000 square feet there is no requirement to provide a loading space. The required bike parking for this project is 53 class 1 bicycle parking

spaces. The Panoramic provides 240 such spaces in the bicycle garage in the basement.

¹³ The allowable dwelling unit density is one dwelling unit for each 125 square feet of lot area. A greater density, limited by the discretion of the Planning Commission, can be attained with a conditional use permit. The dwelling unit density of the Panoramic is high. With a lot size of 9,208 square feet the number of units is capped at 74. And while the bulk size restrictions are very defined and prescriptive, the building was only larger than the maximum diagonal dimension by 3 feet over the 140 feet maximum. The developer was able to nearly stay within the bulk size requirements even with the doubled FAR and unit density. This was largely possible by designing 274 square foot units – small enough to create a building design that fits in the neighborhood context.

¹⁴ Mr. Kennedy has pushed for higher density housing developments near transit. His company built a significant real estate portfolio in Berkeley and is now developing new ventures such as the Panoramic Residences in San Francisco. For background information on work of Panoramic projects in Berkeley see Eve Kushner, “A Developer? In Berkeley?” The Monthly at: <http://themonthly.com/eastbayLife09-07.html>

1600 MARKET STREET APARTMENTS (3.7)

1600 Market Street, San Francisco, CA 94102

Innovative Financing/ Innovative Partnerships/Small by Design

Problem to be Solved

San Francisco has limited affordable housing options, especially on Market Street in the Downtown Civic Center Neighborhood.

The Solution

Off-site inclusionary housing meets mandated affordable housing requirement for Linea, a 115 units market-rate luxury condominium at 1998 Market Street. Project funded with cross subsidy to deliver off-site inclusionary housing.

City Innovation

Parking not required for new projects in this district. Eliminates the need for expensive below ground or integrated parking. Allows construction of a four-story wood-frame type V-B construction of top of a one-story concrete type I-A podium which substantially reduces construction costs.

Developer Innovation

Provision of common open space on the second floor meets required common outdoor space for all units and justifies variance for side yards and open space requirements. All units meet required habitable size for each bedroom type but do not have private outdoor space.

Financing Innovation

Brian Spiers Development and Polaris Pacific company formed Overtime Partners LLC to purchase the property. Canyon Johnson Urban Funds, headed by former NBA legend Magic Johnson provided the funds for Linea, developed by Brian Spiers and 1600 Market Street which provides the off-site inclusionary housing requirement for Linea.

Design Elements

The building is attractive and maximizes use of triangular site. The internal outdoor space provides a quiet, protected, atrium accessible to all tenants. The apex apartment is rounded with several windows lighting the combined living room/kitchen that faces three directions.

Project Outcome

Provides home ownership to families who would have been unable to afford housing in this area.

1600 MARKET STREET APARTMENTS (3.7)



1. 1600 Market Architecture and Design



2. 1600 Market Architecture and Design



3. 1600 Market Construction

Source: Curbed San Francisco



4. Second-Level Floor Plan

Source: San Francisco Planning Dept.



5. Apex Apartment

882 sq. ft.

1600 Market Street Apartments, San Francisco (3.7)

1600 Market Street, San Francisco, CA 94102

Innovative Financing/Innovative Partnership/Small by Design

Developer: Brian Spiers Development, 388 Market Street, Suite 940, San Francisco, CA 94111

Architects: Forum Design Architects, 1014 Howard Street, San Francisco, CA 94103

Financing Partnership: Canyon Johnson Urban Funds

San Francisco has limited affordable housing options, especially on Market Street and in the Downtown Civic Center Neighborhood. 1600 Market Street is the “off-site” inclusionary component of the much larger, market-rate apartments named Linea at 1998 Market Street one-half mile to the southwest. Given the limited amount of real estate development potential on Market Street Brian Spiers Development sought out this off-site alternative to fulfill the mandated affordable housing component of the Linea project.

Site

Market Street is one of the main arterial streets of San Francisco. Given its cultural importance it can be compared to Broadway in New York. Market Street starts in the Embarcadero district on the northeast side of the city and runs southwest until it merges into and continues as Portola Dr. in the center of the city near Twin Peaks Summit and Park. Many local festivities occur on this busy right-of-way and it is crowded with various commercial outlets including restaurants, boutiques, and bookstores.

As the site is situated in Downtown San Francisco there is no shortage of amenities. There are many options for restaurants and shopping as well cafes, nightclubs, and entertainment options all within a one-mile radius of the site. There are 11 schools that service this site all within 4 miles, some of which are of notable quality (Fig.

Project Composition

Site Area:	5,210 SF or 0.120 Acres
Commercial Area:	3,776 SF
Residential Area:	22,448 SF
Gross Building Area:	26,224 SF
Open Space:	2,620 SF

Unit Composition

- 24 units total
 - 12 1-bedroom units
 - 12 2-bedroom units

Unit Price

1- bedroom units sold for \$201,000

2 -bedroom units sold for \$224,000.

Affordability in AMI terms is achieved with:

- 1) Off-site inclusionary zoning subsidy from off-site market rate units
- 2) Subsidy from commercial units
- 3) Parking reductions

Density: 200 units per acre.

Unit Affordability Mix: All 24 units at 1600 Market Street are below market rate

Building Layout

The 1600 Market Street Apartments has one story of retail/commercial space. The site is a triangle with the rounded top of the triangle pointing up Market Street to the northeast (Figure 1 and 2). Set in a highly trafficked area in a city with some of the highest cost housing in the world, this building faced the challenge of addressing an iconic site on which to design affordable housing.

The west corner contains the primary entrance for the residents, the mailroom, secure bike storage, elevator lobby, and staircase Number 1. There is a secondary entrance for the residents on the south side of the property that leads to staircase Number 2. The retail area is 3,776 SF encompassing the majority of the ground floor. It is designed with sufficient ceiling height to allow for construction of a mezzanine level at a later time. Currently the space is being leased to Golden Gate Urgent Care.

The four upper stories are exclusively residential and identical in plan. Each floor has 6 units ranging from 506 SF to 820 SF (Figure 4). The two bedroom unit at the apex of the triangle has the most interesting plan and the most valuable view. The unit is in the northeast corner of the building and occupies the entire rounded portion of the building which looks up Market Street (Figure 5). It has several windows in the combined living room/kitchen which face three directions and provide natural light into the living room space. The remaining units all have conventional straight walls which are aligned with Market Street to the southeast and Page Street to the north.

Parking

The Market and Octavia Planning Area in which this site is located discourages use of automobiles and does not require any parking to be provided for new projects. This is meant to encourage walkability, reduce auto traffic, and promote alternate means of transit in the neighborhood. The project site is situated between many of the cities primary lines of transit including Market Street, Van Ness Avenue, U.S. Route 101, and light rail lines.

One of the challenges in this area is the prevalence of mixed flow, intermodal traffic. New projects in the area are regulated to not contribute to traffic congestion. This project provides no new automobile parking spaces and theoretically adds no new cars to the area. The project site is within half a mile of transit lines, The specific area of Market Street the site is on is considered a secondary route to and from the U.S.

Route 101 as primary exits and entrances to the freeway are south and north of the site. Most of the traffic around the site is non-freeway related.

Key Players

- Brian Spiers Development
- Forum Design Architects
- Canyon Johnson Urban Funds
- City of San Francisco

Project Innovations

Design Elements

Building: As a four story wood-frame type V-B on top of a one story concrete type I-A podium the 1600 Market Street building is a typical Bay Area urban style construction. This type of podium, mixed-use construction is popular because it provides street interaction and easy access to retail while not sacrificing residential space. It allows for an increased urban density and an accessible but protected residential living space conducive to creating community. The project is an urban infill development. The previous building which this replaced was a one-story building housing a restaurant which had no value as a cultural property needing to be preserved for its historical value.

Unlike most of San Francisco, the site is flat and in the shape of a triangle, referred to as a flat iron, a result of its location at the intersection of the diagonal Market Street with the right angle city grid. Given suitable soil conditions and a relatively low rise construction the foundations for this project were a simple reinforced slab-on-grade without the typical deep foundation piles or caissons needed in Bay Area “mud.” The first floor is 18’-8” of reinforced concrete shear walls and metal stud partitions, topped with an 8” concrete slab-deck (Figure 3). The wood-framed sections of the building are typical of all type V-B construction with plywood shear walls and various sizes partitions. On the second floor of the building has a 956 SF open space on the podium deck assigned for use as common out door space for all the units. This arrangement allows a reduction in side yards and open space requirements for the building as a whole.

The exterior of the building is architecturally attractive with its modern style and bright color scheme. The first floor is primarily storefront with a charcoal tile finish. The upper floors are a white cement plaster with dark blue horizontal and red vertical inset bars in the elevation, the red matching a slightly recessed western exterior wall. The interior finishes and appliances are of good quality and carefully chosen. The floors are all eco-friendly Kember products, engineered wood planks with the durability of hardwoods, sustainably harvested in Canada. Counter tops are solid surface, cabinets are laminate, and all appliances are manufactured by Whirlpool or Frigidaire and use electricity rather than gas.

Sustainability Features: The project is fully code compliant with the new Title 24 requirements. The site has no public landscaping that need water and only a small common outdoor space with planters. Windows allow ample natural light into all of the units to provide passive solar heating.

The project with its density of 200 units per acre and additional ground floor retail space yields a great land use efficiency. It is targeted at families that make less than 80% AMI. Given the availability of so many jobs in this area it is anticipated that most families living in these units will have jobs within a few miles of the site and can commute to work either by walking, biking, or by taking public transit.

Financing

The primary financial partners for the project are Brian Spiers Development, Canyon Johnson Urban Funds, and Wells Fargo. Brian Spiers partnered with the Polaris Pacific sales company to form Overtime Partners LLC to purchase the property. Canyon Johnson Urban Funds is headed by former NBA legend, Magic Johnson, to promote developments in densely populated ethnically diverse communities. Canyon Johnson provided the funds for 1600 Market Street's sister project, Linea at 1998 Market Street. Linea is a market-rate luxury condominium complex with 115 units also developed by Spiers. 1600 Market Street is the off-site inclusionary housing required for Linea. Brian Spiers owns both properties but the construction loans were financed by Canyon Johnson and supplemented by a traditional Wells Fargo bank loan. Linea's construction costs were around \$35,000,000 with the total project cost at \$50,000,000 and 1600 Market St.'s cost was \$6,700,000. 1600 Market Street would not by itself be financially viable. It is cross subsidized by Linea and delivers the inclusionary housing for Linea. As an income-controlled project 1600 Market Street must follow certain procedures. 23 of the 24 units are below market rate and were assigned by lottery to owners making less than 80% AMI. The units sold out very quickly when sales opened at the Polaris Pacific offices.

Regulatory/Governmental

Zoning: NTC-3 Moderate Scale Commercial Neighborhood
Units: 24
Density: 200 Units/Acre
Height: 60'
Setbacks: No setbacks
Parking 0 Car Spaces ,14 Bike Spaces
Walkscore: 94/100

The project is zoned NCT-3, Moderate-Scale Neighborhood Commercial Transit District and is part of the Market-Octavia Planning Area in the Downtown/Civic Center Neighborhood. The project also lies within the Fringe Financial Service Restricted Use District. The specific plan for the area seeks to foster a mixed-use urban neighborhood. Most parcels, including this project's, are required to have ground floor commercial space with housing on the upper floors. This zoning designation does not directly limit the residential density of the site.

The zoning requires that 25% of the site be used as rear yard common outdoor space. But the project obtained a zoning variance by providing the second floor common open space. All units are within the habitable sizes for each bedroom type, but provide no private outdoor space.

Some Take-Aways

1600 Market Street provides needed low income housing in the Downtown San Francisco area. It provides housing to those who make 80% or less AMI and thus enables those who normally could not afford to own in this location a home potentially much closer to their work. This project demonstrates the benefits of off-site inclusionary housing providing viable housing options for low income households in a prime area of San Francisco which is facing the forces of gentrification and displacement.

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MOSSO APARTMENTS (3.9)

900 Folsom Street, San Francisco, CA 94107

Large Scale/Inclusionary Affordable/Green Design

Problem to be Solved

The South of Market (SoMa) District in San Francisco is rapidly transforming to meet the demand for housing in the city. Mixed-use development projects have been constructed at a rapid pace, yet supply continues to fall below high demand.

The Solution

Large mixed-use developments provide a significant number of inclusionary affordable units. Mosso Apartments offers 68 (15%) units of affordable housing for sale to families in the 90% AMI range or for rent to families in the 55% AMI range.

City Innovation

City has passed a significant inclusionary requirement that is being met by new developments such as Mosso. Project setback exceptions yielded higher density and increased buildable square footage. City reduced parking requirement to 0.82 per unit and permitted elevator shafts to extend above height limits.

Developer Innovation

The project is LEED Gold Certified. Eight ground-level “flexible occupancy” units, for residential/commercial use allow residents to live/work in a home/business space.

Financing Innovation

Funding from the California Public Employees Retirement System (CalPERS), the largest public pension fund in the country. CalPERS forward thinking investment policy has potential to benefit its membership as investors and as households.

Design Elements

Site is surrounded by commercial, office, and industrial uses. Project adds urban open space, revitalized streetscapes and a mid-block pedestrian pathway to improve the area. Private balconies, open rooftop decks, community courtyards, and pedestrian pathway yield exceptions to setback and rear yard requirement and add 14,015 square feet buildable area.

Partnership Outcome

68 units of affordable housing enabled by scaling up development and allowing variances to maximize density. Equity investment from CalPERS suggests potential for investment from similar employee service organizations.

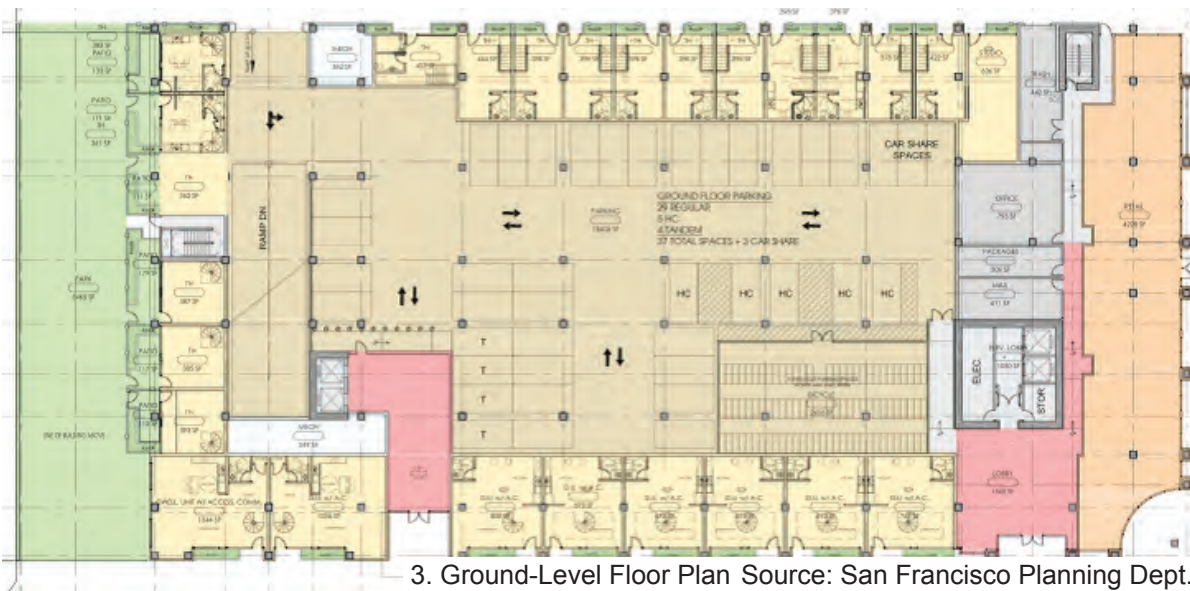
MOSSO APARTMENTS (3.9)



1. Sidewalk Improvements



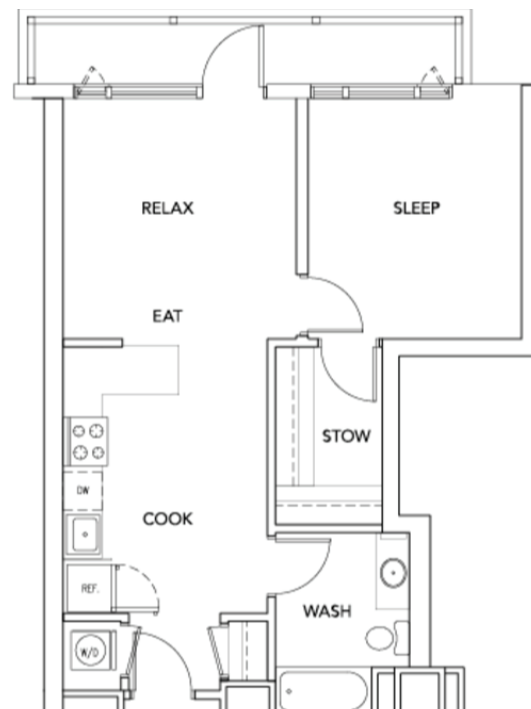
2. Folsom Entry



3. Ground-Level Floor Plan Source: San Francisco Planning Dept.



4. 1-Bedroom Unit Floor Plan



5. 2-Bedroom Unit Floor Plan

Source: Essex Property Trust

Mosso Apartments, San Francisco (3.9)

900 Folsom Street, San Francisco, CA 94107

Large Scale/Inclusionary Affordable/Green Design

Developer: Avant Housing, 100 Bush Street Floor 22, San Francisco, CA 94104, 415-474-2800

Architects: Architect International, 415-381-2074

Financing Partnership:

TMG Partners, 100 Bush Street Floor 26, San Francisco, CA 94104, 415-772-5900;
AGI Capital, 100 Bush Street Suite 1450, San Francisco, CA 94104, 415-775-7005
California Public Employees Retirement System (CalPERS)

Contractor: Webcor Builders, 207 King Street Suite 300, San Francisco, CA 94107, 415-978-1000

Housing Demand

The SoMa (South of Market) District in San Francisco is an area that is rapidly transforming to meet the demand for housing in the city. Mixed-use development projects have been constructed at a rapid pace, yet supply continues to fall below the high demand. Mosso Apartments (Figure 1 and 2) are an example of the type of mixed-use development that is being built in the neighborhood. Since 2000, San Francisco's population has risen by 24%, but housing stock has only increased by 19% (San Francisco Planning, 2014).

Site

Mosso Apartments is a development consisting of two-structures one located at 900 Folsom Street and the other across the street at 260 Fifth Street in the SoMa District of San Francisco an area where the city is requiring construction of residential units as part of all new developments. The sites are located in the Folsom Street Corridor and both parcels are zoned MUR (Mixed-Use Residential). The rectangular 900 Folsom site and L-shaped 260 Fifth Street sites are surrounded by commercial, office, and industrial uses

Project and Building Layout

Mosso Apartments are divided into two independent structures on the rectangular site at 900 Folsom Street and the L-shaped site across the alleyway at 260 Fifth Street. The 900 Folsom building tops out at 85 feet – about 9 stories – on three sides. The fourth lower side allows light into the site's central courtyard deck, the townhome entrances are on the ground level and there are commercial-retail units around the perimeter. At ground level and below are two levels of parking. On the western edge of the site is a public urban park which functions as a pedestrian pathway. Units generally accessed through a central lobby and interior halls containing residents mailboxes. Some townhome units have direct access to the street.

Unit Mix

The Mosso Apartments consists of a total of 460 units in 2 buildings some are available for rent and others for purchase. The overall Unit composition is:

- 299 studio and 1-bedroom units (65%)
- 149 2/3-bedroom units, including 36 townhomes, and 8 flexible occupancy (live/work) units (32%)
- Amenities include parking, landscaping, common spaces, and many services
- 68 of the units are affordable (15%)

The city allocates affordable units by lottery and 2,145 people are reported to have entered the lottery for an opportunity to live in one of the 68 affordable units at Mosso Apartments. The Inclusionary Housing Requirement is met with for sale units affordable for families in the 90% AMI range, and for rent units for families in the 55% AMI range. Marketing materials for Mosso Apartments and the advertisements around the building indicate that the development seeks to attract young professionals.

Unit Price

- Rent for market rate units range from \$3,045 to \$7,242 per month
- Rent for affordable units range from \$899 to \$1,139 per month

Affordable units are made possible by:

- Cross-subsidy from market-rate units
- Small-by-design units, including studios and junior units
- Density Bonus
- Parking reductions
- Variance on setbacks

The unit mix for the Below Market Rate units, per code, is proportional to the unit mix for the Market Rate units.

Density: 310 units per acre.

Unit Mix for 900 Folsom:

160 studio/1BR units, and 109 2BR units. Forty of the 1BR units are “junior 2BR” and the 2BR include 29 townhomes and 8 “flexible occupancy” units with commercial accessories (live/work).

The price range for the Market Rate units is \$450,000 to \$1,400,000.

The price range for the Below Market Rate units is \$190,000 to \$249,000.

Unit Mix for 260 Fifth Street:

139 studio/1BR units, 33 2BR/3BR, and 7 townhomes.

The price range for the Market Rate units will be \$500,000 to \$1,200,000

The price range for the Below Market Rate will be \$150,000 to \$250,000.

Parking

Mosso Apartments provides 221 off-street parking spots at ground and one below-ground levels and 109 bike parking spaces exceeding the 80 required by code. There are 3 car share spaces. There is access to public transit (BART, Muni, SamTrans,

Golden Gate Transit, and Caltrains) within walking distance. The project provides urban open space and revitalized streetscapes.

Project Innovations

Design Elements

Building Design: Mosso Apartments are designed to allow natural light and connect to the outdoors with private balconies, large rooftop decks, community courtyards, and a mid-block pedestrian pathway. The pedestrian pathway and open decks allowed the project setback exceptions to the 25% rear yard which yielded an additional 14,015 square feet of buildable area. The apartments were planned with flexibility in mind. Eight ground-level “flexible occupancy” units, residential units with commercial accessories, were included in the unit mix allowing residents to live work in a home and business space.

Sustainability Features:

The project is LEED Gold Certified which was achieved with investments that included:

- Low Flow Flush Toilets-Reduce Water Use by 30%
- Vegetated Roof Surfaces- Reduce Heat Island Effect
- On-Site Renewable Energy
- Water Efficient Landscaping
- Low VOC-Emitting Materials
- Location Efficiency- Reduce Transportation Costs/Pollution

The project provides street trees every 20 feet of sidewalk and street furniture in front of the commercial space on 5th street (Figure 1)

Financing

The two large parcels that make up Mosso Apartments, at 900 Folsom and 260 Fifth Street, enabled the developer to provide 68 units of affordable housing while still making a profit from the remaining market rate units. Scaling up the development and obtaining variances to maximize density enabled the developer to provide below market rate units and maintain the quality of the construction.

The main financing partnership of Avant Housing with AGI Capital also received funding from the California Public Employees Retirement System (CalPERS), the largest public pension fund in the country. CalPERS manages pensions and health benefits for public employees. The investment by CalPERS in the Mosso Apartments suggests the agency’s understands the need for more affordable housing in the region including for public employees and retirees. Obtaining an equity investment from CalPERS was important for this project and suggests potential sources of investment from similar employee service organizations in support of for profit housing projects which can deliver a substantial number of affordable units.

Regulatory/Governmental

The East SoMa District Plan requires 15% inclusionary housing. Mosso Apartments was allowed a reduced parking requirement, the project had provided 221 off-street parking spots, or .82 parking spaces per dwelling unit. 109 bike parking spaces were

provided which is greater than the 80 that are required by code. There are 3 car share spaces. Although the bulk of the building remains within the height requirements, elevator shafts were permitted to extend above these height limits.

Some Take-Aways

The Mosso Apartments illustrate that inclusionary zoning and variances for height, setbacks and density bonuses as well as reduction of required parking are effective in enabling the creation of affordable units. The innovations encompassed by this project by choice or by city fiat include:

- LEED Gold Certified - Highest of its kind in the Bay Area
- Exceed the city's requirements of 12% inclusionary
- Location Efficiency- half a mile from a variety of transit options and activity centers
- Proximity to public amenities
- Provides variety of private/community amenities
- Promotes transit-oriented development
- Revitalized the streetscape
- Received funding from CalPERs
- Designed open spaces for public use
- Mix of units for Below Market Rate is proportional to mix for Market Rate
- Designed for "flexible occupancy"

Possible Replication:

- In areas where housing investment is growing and demand is high cities can increase the inclusionary zoning requirements.
- Provide density bonuses liberally when possible and require developer to provide a substantial amount of affordable housing.
- Zone for MUR in areas where commercial-retail use can mesh with multifamily residential.
- Zone for MUR with higher densities near transit and employment centers.
- Require a certain level of energy efficiency such as LEED Certified.
- Examine underutilized sites for housing potential.

Unique to Project:

- Units mix for affordable and market rate is easier to achieve when the projects are large.
- Locate near activity centers. Land prices may be higher closer to activity centers. Housing demand is strong in San Francisco so developers are motivated to meet the affordability requirements.
- Find innovative ways of providing open space aside from predetermined setbacks.

Good Policy:

- Zone for mixed-use.
- Increase inclusionary where needed.
- Reward designs that go beyond requirements or are innovative.

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900 Folsom Street, San Francisco, California 94107, (855) 485-9322

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PARC ON POWELL (3.2)

1333 Powell Street, Emeryville, CA 94608

Innovative Financing/Adaptive Reuse

Problem to be Solved

Emeryville, located north of Oakland directly across the Bay Bridge from San Francisco, is a hotspot for growth as the Bay Area is challenged to meet housing needs. Emeryville experienced over 46 percent population growth between 2000 and 2010,

The Solution

Large mixed use developments which are required to provide a significant number of affordable units. The 166 unit Parc on Powell Apartments include a set-aside of 36 units (22%) for renters with incomes below 120% AMI.

City Innovation

An Affordable Housing Set Aside (AHSA) program was instituted early, in 1990, by this forward thinking city. It requires a set-aside of below market rate units in rental and ownership developments that exceed 30 units. Density bonus for including affordable housing, a conditional use permit, and, parking, height, and setback concessions to the Parc on Powell Apartments allowed a project density of 71 units per acre in a 45 units per acre zone.

Developer Innovation

Effective partnership forged with the city. Preserved a historic building that was on the site.

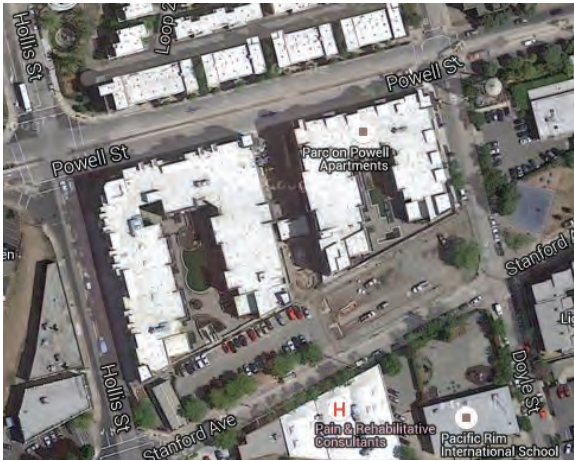
Design Elements

Two four-level towers with commercial, live-work, and flexible units on the ground floor provide options for retail businesses and commercial activity. The courtyard/ open space between the towers leads to, and connects with, an existing public park adjacent to the site.

Partnership Outcomes

City owns the parking structure and rents out at a monthly rate. Cost of parking is decoupled from unit cost reducing rents for those without cars and encouraging use of alternative modes of transport. Project expands the stock of public parking.

PARC ON POWELL (3.2)



1. Parc on Powell Vicinity Map (Google)

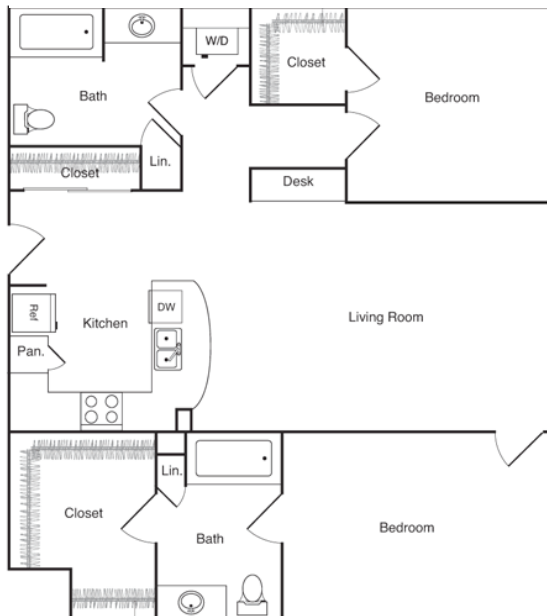


2. Parc on Powell Architecture and Design

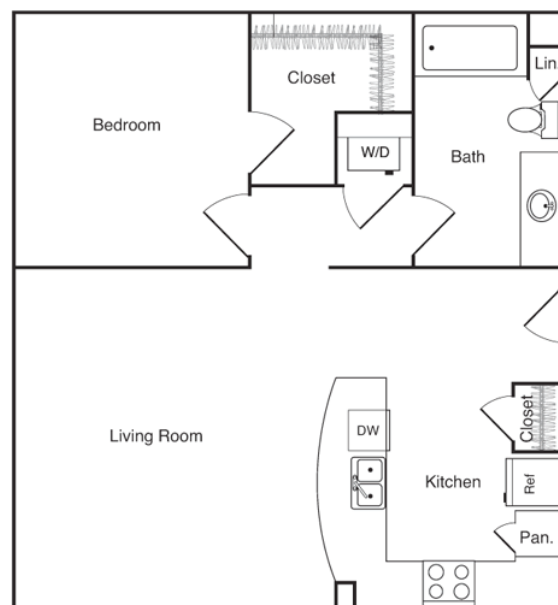


3. Ground-Level Floor Plan

4. 2-Bedroom Floor Plan



5. 1-Bedroom Floor Plan



Parc on Powell (3.2)

1333 Powell Street, Emeryville, CA 94608

Innovative Financing/Adaptive Reuse

Owner: API Emeryville Parkside, LLC., 9200 E. Panorama Circle, Suite 400, Englewood, CA 80122;
Diversified Holdings (Private Parking Spaces), 2228 Livingston Street, Oakland, CA 94606;

City of Emeryville (City Parking Lot), 1333 Park Avenue, Emeryville, CA 94608

Developer: Archstone Smith, 1390 Market Street, Suite 109, San Francisco, CA 94102 (Purchased by Equity Residential, 333 Third Street Suite 210, San Francisco, CA 94107, (415) 767-7174)

Architects: Kava Massih Architects, 2830 Ninth Street, Berkeley, CA 94610, 510-644-1920

Financing Partnership: API Emeryville Parkside and City of Emeryville

Meeting the Need for Low and Moderate Income Housing

Emeryville, located north of Oakland and directly across the Bay Bridge from San Francisco, is positioned as a hotspot for growth and development as the Bay Area continues to grow and is challenged to meet housing needs. Emeryville's location near Oakland, Berkeley, San Francisco, and Silicon Valley have made the city a fast growing area with over 46 percent population growth between 2000 and 2010, and double-digit growth estimated since the 2010 Census (U.S. Census Bureau, 2000, 2010, 2014). The rental prices for market rate apartments within Parc on Powell (studio units up to \$2,600) demonstrate that there is a clear need for housing that is more affordable for low and moderate-income families.

The City of Emeryville adopted an Affordable Housing Set Aside (AHSA) program in 1990 to address a shortage of affordable housing for moderate, low, and very-low income households. This inclusionary housing ordinance requires a set-aside of below market rate units in both rental and ownership developments that exceed 30 units.

Demand for high-quality workforce housing was evident in the almost 900 applications received for the 36 below market rate (BMR) units that were available in this project. The units were allocated by lottery (Bryant, 2015). The remaining applicants were placed on an extremely long waitlist. This waitlist for BMR units is so long that the property manager is no longer accepting names for it (Parc on Powell, 2015).

Site

Parc on Powell is located on an irregular shaped city block in Emeryville, just one block from the city limits with Oakland to the east and bound by Powell Street, Doyle Street, Stanford Avenue, and Hollis Street (Figure 1). The approximately 2.35 acre block is centrally located for access to all necessary goods and services and has

access to numerous transportation options. Within a one mile radius of Parc on Powell, is a mall, two shopping centers (both with grocery stores), several restaurants, two schools, a waterfront walking trail, an Amtrak station, two bus services (one free), a post office, and, three public parks.

Project Composition

This project includes 176 units; 36 below market (21%) and consist of:

- 15 studio units,
- 107 1-bedroom units
- 34 2-bedroom units
- 10 3-bedroom units, and
- 5 live-work units
- 3 flexible units, and
- 10,222 square feet of retail space.

There is a 2-level parking garage, outdoor heated pool, common spaces, and other services

Unit Price

At market rate in 2015 units at Parc on Powell rented for the following:

- studio units (461-649 square feet) rent for \$2,555-2,605,
- one-bedroom units (736-883 square feet) rent for \$2,910-3,195,
- two-bedroom units (916-1152 square feet) rent for \$3,725-4,170,
- three-bedroom units (980-1257 square feet) rent for \$3,725-4,170, and
- live-work units rent for \$4,180
- Flexible units do not have a listed square footage or price as they are likely to shift to meet demand.

For families whose income is 50% AMI or lower rents at Parc on Powell are as follows:

- studio units rent for \$788 with a maximum household size of two persons,
- one-bedroom units rent for \$898 with a maximum household size of two persons, and
- two-bedroom units rent for \$1,000 with a maximum household size of four persons.

Each unit type also has limits to the minimum monthly income of residents for each unit at \$1,800, \$2,045, and \$2,298, respectively.

For families whose income is 120% or lower AMI rents at Parc on Powell are as follows:

- studio units rent for \$1,770 with a maximum household size of two persons, one-bedroom units rent for \$2,020 with a maximum household size of two persons,
- two-bedroom units rent for \$2,267 with a maximum household size of four persons,
- three-bedroom units rent for \$2,514 with a maximum household size of six persons, and

- live-work units rent for \$2,267 with a maximum household size of four persons.

The minimum monthly income for each unit type is: \$4,225 (studio), \$4,850 (one-bedroom), \$5,453 (two-bedroom), \$6,015 (three-bedroom), and \$5,453 (live-work).

Affordability in AMI terms is achieved with:

- 1) Cross-subsidization by market rate units
- 2) Cross-subsidization from commercial uses
- 3) Density bonus
- 4) Conditional use permit for building height

Unit Affordability Mix

Total Units 166

Below Market Rate Units 36 (Below 120% AMI) 8 very-low income, 13 low-income

The City of Emeryville Affordable Housing Program (AHP) requires verification of income and assets for all household members to determine eligibility for affordable units at the time of the applicant-screening interview.

Market rate and BMR units are intermingled within the Parc on Powell apartments and this is no noticeable difference in the quality of materials used in the units. There are no specific floorplan options or room types that are set aside for BMR renters, the 36 total units are restricted regardless of unit size.

At present there is a long waitlist for BMR units at Parc on Powell, although there is some availability for market rate units. See Figure 4 and 5 for typical unit plans.

Project and Building Layout

Parc on Powell consists of two, U-shaped towers with central open spaces that serves as a pedestrian corridor that connects Powell Street, on the north side of the development, to the park and community spaces to the south. The corridor runs between the two towers and integrates the development into the surrounding streets and the park (Figure 3.)

Density: 71 units per acre. Maximum density on this site would be 45 units per acre, but this was increased up to 60 units per acre with a conditional use permit, and up to 75 units per acre with an additional 25% density bonus for including affordable housing.

Parking: There are a total of 228 parking spaces located at Parc on Powell, 27 tandem. Vehicle entrance to the two-level parking garage (ground land basement) is via Powell Street or Doyle Street. Access to the parking garage from the residential structure is through the two building lobbies. The cost of parking is decoupled from the overall rental cost, and spaces are rented at a monthly rate of \$50 (Parc on Powell, 2015). The project is currently under construction, and scheduled for completion in 2015.

Key Players

Kava Massih Architects

Based in the Bay Area, Kava Massih Architects were founded in 1996. Their practice includes design of public institutions, commercial buildings, restaurants, market rate and affordable housing, and medical facilities. Rehabilitation of existing structures, designed flexibility, mixed-use development, and challenging urban sites are also included in the firm's list of specialties.

Archstone Smith

Archstone Smith or Archstone Inc. was the developer and part owner during the initial phases of development. Equity Residential purchased the project in late 2012.

Equity Residential

Equity Residential acquired Archstone in late 2012 and also purchased its joint venture partner's stake in Parc on Powell to gain 100 percent ownership. Equity Residential is the country's largest publicly traded apartment company and was able to purchase Archstone, Inc. after that company was sold by Lehman Brothers Holdings Inc. (Brown & Whelan, 2012).

City of Emeryville

The City of Emeryville served as a member of the financing partnership for Parc on Powell and owns the parking.

Project Innovations

Design Elements

Context: Parc on Powell was developed for the context of Emeryville and the immediate neighborhood surrounding the site. It incorporates design elements that reflect nearby structures. As Emeryville continues to grow and serve as a popular destination for new residents and businesses, the higher density Parc on Powell development promises to increase the capacity of the city to house more residents and provide opportunities for commercial development. The busy Powell Street corridor is proximate to transit options. **Parc on Powell Apartments density is relatively high for Emeryville. The structure is limited to four above ground levels. It provides public open space. An existing one-story brick building on the site was incorporated into Parc on Powell project thus preserving a historic structure and tying the development in to the neighborhood.**

Building Design: The Parc on Powell project consists of two four-level towers with commercial, live-work, and flexible units on the ground floor that provide options for retail businesses and commercial activity. The street-level of the buildings features large glass windows and a landscaped walkway between the two structures that connects to Stanford Avenue Park to the south. The green and grey colors of the façade give the Parc on Powell Apartments a modern feel, reflecting the technology related business environment in Emeryville and the greater Bay Area. Some variation to the roofline and façade provide the complex interest and complexity and break up the building mass into the appearance of smaller structures.

Sustainability Features: The Parc on Powell project utilizes a municipal recycled water system, highly efficient irrigation, surface water management, and connects to an existing public park adjacent to the site.

As an infill development it contributes to preventing sprawl and increasing population density near transit and services, thus allowing residents to choose alternative modes of transportation. Based on its central location to the major cities of the Bay Area and adjacency to employment centers in Emeryville, it caters to highly skilled professionals. The location of the development near transit and within walking distance of key services is attractive to young professionals in technology and biotech industries which are common in the area and region. Additionally, Parc on Powell is attractive to students and artisans due to the availability of affordable units, live-work space, and flex space that might be transitioned into commercial units. The projects studio apartments and affordable units have been in high demand.

Financing

Construction cost: \$41,491,288
Building permit and other fees: \$950,050
Approximate planning fees: \$132,000
Total fees: \$1,082,050
Total fees per unit: \$6,148
Construction cost per unit: \$235,746
Proportion of fees to development costs: 3%

The Parc on Powell Apartment development included participation by the City of Emeryville in the form of city ownership of the parking structure.

Regulatory/Governmental

There were various regulatory variances and considerations given to the Parc on Powell Apartments including parking, density, height and setbacks.

The zoning ordinance would typically require 262-281 parking spaces for the 166 unit apartment building but only 228 were mandated for final approval (81-87 percent of zoning requirements).¹ The location of Parc on Powell near transit and essential services made this parking reduction possible.

Parc on Powell is located in the M-U Zone, which allows for 45 units per acre, or up to 60 units per acre with a conditional use permit. Up to 75 units per acre would also be possible with the 25 percent density bonus for affordable housing. Parc on Powell Apartments reaches a density of 71 units per acre, which required the conditional use permit and density bonus for affordable housing.

The project **site is located in a transitional area** between the medium density residential neighborhood to the east and a mixed use area to the west. The only nearby multi-family residential development in the M-U district is the Elevation 22 project, located immediately north of the site, which has a density of 40 units per

acre. The Doyle Street condominium project, located immediately south-east of the site has a density of 37 units per acre plus 8 live-work units, conforming to the R-M zone in which it is located.

The site falls within the 40 foot height district where the height can be increased to 55 feet with a conditional use permit. The proposed height of the building is approximately 50 feet with portions of the building extending an additional 5 feet. The project was granted a conditional use permit to allow for this increase in height.

Section 9-4.36.8 of the zoning code stipulates the yard requirements for the M-U zone. Under this section, no setbacks are required unless the side or the rear property line abuts a residential zone. The project site does not abut any residential zone, so the buildings are largely built to the lot lines. The exception being where some setback is included to allow for wider sidewalks and to allow extension of the Stanford Avenue Park.

It should be noted that although the project site lies just outside the boundaries of the North Hollis Area Plan, both the Powell and Hollis Street frontages run along the boundary of the plan area, and are therefore subject to its requirements. The project maintains a 15 foot setback from the curb to the building in keeping with setbacks dictated by the North Hollis Plan for Hollis Street.

Some Take-Aways

The Parc on Powell development in Emeryville provides a much needed supply of more affordable housing for a region facing growth and high demand for housing. The City of Emeryville's inclusionary housing policy, the AHSA program, requires a percentage of BMR housing when developments of 30 units or more are completed. This supports the development of affordable housing that is high quality and intermingles with residents at all levels of household income. The lessons that can be derived from it are:

- Cities may use underutilized parcels owned by the city to offset development costs or gain an ownership stake in the project.
- Encourage density with density bonus for affordable housing
- Support higher density and affordable housing near transit, goods, and services
- Incorporate public open space into design
- Reduce parking requirements in areas with necessary goods, services, and transit within walking distance
- Incorporate existing structures into the building design
- Allow increases to height to allow density, while supporting designs that reduce the visual impact of taller buildings

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(510) 596-4307

Firpo, Catherine. (2015). Housing Coordinator. June 5, 2015.
(510) 596-4354

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(510) 469-2002

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Notes

¹ A 166 unit mixed-use building would require 1.5 parking spaces per two or more bedroom units, and 1 parking space per studio or one bedroom unit, which would mean 230 spaces for the residential units (15 studio units at 1 unit space/unit, 107 1-bedroom units at 1 space/unit, 44 2- and 3-bedroom units at 1.5 spaces per unit). Additionally, one guest parking space per every four units is required, adding 42 visitor spaces. The parking requirements for the live-work units depend on the square footage of each unit. 21 parking spaces would be required for the proposed live-work and flexible space units. An additional 11-30 spaces would be needed for commercial spaces depending on the type of commercial use.

Section 9-4.55.5 of the Emeryville zoning ordinance stipulates provision of one parking space per every 333 square feet of retail uses and one parking space for every 125 square feet for full service restaurant use. A 20 percent exclusion for common areas is permitted by Section 9.4.55.5. The project proposes 4,618 sq. ft. of retail or restaurant use, or 3,694 square feet net. If the space is occupied by retail uses then the parking requirement would be 11.09 or 11 spaces (3,694 retail area/333). If the retail space is occupied by a restaurant use then the parking requirement would be up to 29.5 or 30 spaces (3,694 restaurant space/125). Therefore, the parking requirement for the commercial component at Parc on Powell could vary from 11 spaces to 30 spaces.

CHAPTER THREE

CENTRAL COAST



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MOYLAN TERRACE (6.6)

851 Humbert Court, San Luis Obispo, CA

Innovative Financing/Small by Design/Ownership

Problem to be Solved

High housing costs in the City of San Luis Obispo compel many to live in more affordable communities and commute to jobs in the city.

The Solution

Smaller, affordable, ownership housing units, within reach of downtown San Luis Obispo demonstrate new prototype for city. Project transforms an existing industrial/manufacturing area to a mixed use, commercial residential neighborhood with access to multimodal transportation options.

City Innovation

City approved Special Considerations Overlay (R-3-S) zone to achieve density, unit mix, communal spaces, and contextual fit.

City Incentives

Abandonment of two street rights-of-way enabling site plan efficiencies; street setback reductions to 10 feet to achieve unit density; long term forgivable loan to cover impact fees for affordable units; low and free bus fares to various residents to encourage transit.

Developer Innovation

Small by design, structurally independent units offered for sale with priority given to families working in the city in support of the developers mission to increase affordable housing. Land acquired for affordable housing in 2004-2005.

Financing Innovation

In-lieu funds made available directly to project and to revolve out to support a second affordable housing project in the city. Market rate to affordable unit subsidy.

Design Elements

Two basic building types provide ease of construction and reduce costs. An auto court layout enables landscaped courtyards with personalized entry doors. Buildings efficiency 28% – 32% above California energy code requirements.

Partnership Outcomes

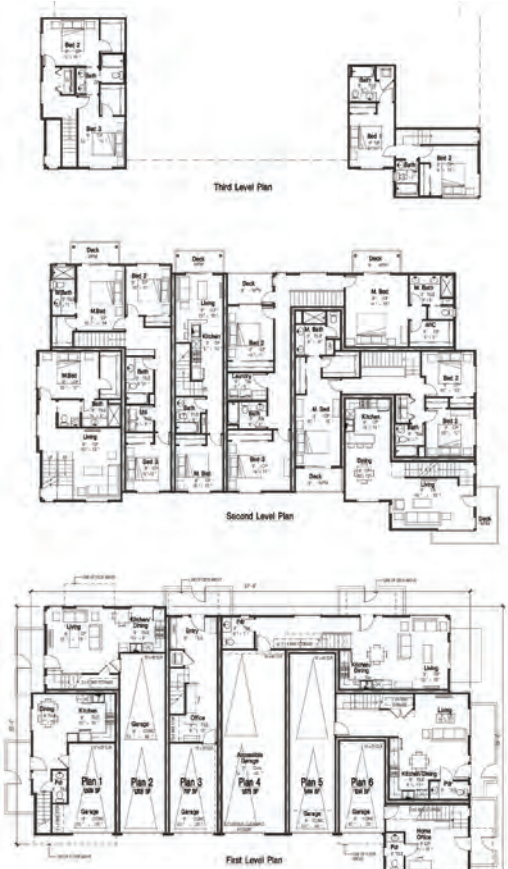
Zoning flexibility leads to design efficiencies. Homeownership for city workers. Shared equity model benefits both city and homeowner.

FEATURED HOUSING CASE

MOYLAN TERRACE (6.6)



1. Moylan Terrace Architecture and Design



2. Building Floor Plans (Source: RRM Design)

3. Site Plan & Phasing (Source: RRM Design)



4. Private Patio Space



5. Moylan Terrace Architecture and Design

Moylan Terrace (6.6)

851 Humbert Court, San Luis Obispo, CA

Innovative Financing, Small by Design, Ownership

Developer: Housing Authority of San Luis Obispo (HASLO)

Architects: RRM Design Group

Financing Partnerships:

Housing Authority of San Luis Obispo (HASLO)

City of San Luis Obispo (In-lieu fee equivalent transfer)

Meeting the Need for Low and Moderate Income Housing

The City of San Luis Obispo is the largest employment center in the county, attracting people from the entire region. Because of the high cost of living in San Luis Obispo, many workers choose to live in more affordable surrounding communities such as Atascadero, Nipomo, Paso Robles, Los Osos, and Santa Maria.

Moylan terrace offers smaller, affordable housing units, within reach of downtown San Luis Obispo. It is located in the Broad Street Corridor Specific Plan area – one designated to convert an existing industrial/manufacturing area to a mixed use, commercial residential neighborhood. The Broad Street Corridor Specific Plan applies a form-based code designed to encourage density and mixed use residential. Moylan Terrace is an 80-unit, for sale, town home project, named to honor George Moylan the former long term director of the Housing Authority of San Luis Obispo (HASLO). In his capacity as Director of HASLO George Moylan obtained this 4.32-acre parcel of land for development of affordable housing from the Union Pacific in 2004-2005. The site was adjacent to the railroad tracks and zoned for manufacturing and in a neighborhood populated by small-scale industrial and manufacturing. Mr. Moylan's original intention was for HASLO to const a housing cooperative on this property.

Site

The project site includes approximately 5.05 acres of gross land prior to the dedication of right-of-way. After the necessary public improvements, approximately 4.68 acres of developable area remained spanning from Humber Avenue to Lawrence Drive, adjacent to the railroad right-of-way. Properties to the north and west are zoned Services and Manufacturing (M) and Commercial Service (C-S). They are developed with a mixture of commercial businesses and older single-family residences. To the south of the site is a medium to high-density residential project that has a mix of townhomes and condominiums.

In 2006, the San Luis Obispo City Council approved a General Plan Amendment and Rezoning of the site from Services and Manufacturing (M) to Medium-High Density Residential with a Special Considerations Overlay (R-3-S), and adopted a resolution to pursue abandonment of portions of Frederick Street and Humbert Avenue rights-of-way to facilitate HASLO's development of a housing project.

Moylan provides employees working in San Luis Obispo an opportunity to buy a home in the city that is close to public transit, bicycle lanes, and the possibility of walking to work.

Project Composition

The project includes:

- 80 townhome units
- A mixed-use building with a 2-bedroom apartment
- 1,000 square feet commercial space
- Associated parking, landscaping, recreational, and other on-site improvements.

Unit Price

Units start at \$354,900 and affordable homes at \$162,900.

With the base construction price of approximately \$101,000 for the smaller units and \$200,000 for the 2 bedrooms the unit mix with respect to affordability in AMI terms is achieved with:

- 1) The investment of in lieu fees invested directly into this project, and,
- 2) The cross subsidy from the market rate units given the very high prevailing housing prices in the city. The profits from market rate were used to subsidize the construction of the low, very low and moderate priced units.

Unit Affordability Mix

The unit mix in the project in terms of affordable and market rate is as follows:

- 2 Units Very Low
- 13 Units Low
- 14 Units Moderate
- 53 Market Rate

60 of the 80 units (Buildings 5-11, phases 1-5) were completed, sold, and occupied by the end of 2015. The final phases 6 and 7 (Buildings 1-4) of the project are currently under construction.

Units that are for the very low to moderate income families and receiving cross subsidy are intermingled with market rate units. Internal and external finishes, materials, and layouts of similar sized units are similar for subsidized and non-subsidized units. **This project thus provides a desired juxtaposition of subsidized and non in a seamless and invisible manner.**

Project and Building Layout

The project consists of 14 separate building blocks, each containing a mix of six contemporary 2 and 3 story floor plans ranging in size from 800 sq.ft. to 1,600 sq. ft. and consisting of one, two, and three bedroom units.

Units are laterally connected independent buildings, separated by wide double walls, insulated and providing a firebreak. This separation has facilitated the legal process of purchase and individual ownership of building and land rights.

Density: 24/25 units per acre.

Parking

The site layout consists of eight sets of paired building blocks which are organized around the concept of Auto Courts. These courts allow cars access to units by way of shorter perimeter drive ways into individual, personal one or two-car tandem parking garages under each residence. Units face on to a landscaped courtyard with personalized doorways providing entry to each unit from this courtyard.

All townhomes units include one or two-car garages. Forty of the spaces are arranged in a tandem-parking configuration. Two parking lots provide additional required parking for individual units, the commercial space, and guest parking. There are a total of 185 vehicle parking spaces, 10 motorcycle parking spaces, and 34 short-term bicycle stalls. In addition, each residential unit has secured covered parking for two bicycles.

Project Phases

The project was designed to allow the project to be divided and built in 6 phases (Figure3). This was done to overcome the resistance of lenders who were reluctant to invest in what was a new type of housing. The phasing facilitated obtaining smaller, separate financing for each phase. Start up and construction was initiated as funding became available as follows:

- Phase 1 buildings 9 and 10 consisting of 12 units were constructed in 2010.
- Phase 2 buildings 7-8, and 11-12 were completed in the summer of 2014
- Phase 3 and 4 consisting of buildings 13-14 were completed in May 2015.
- Phase 5 consisting of buildings 5-6 were completed in October 2015.
- Phase 6 consisting of buildings 1- 4 are under construction.

Key Players

HASLO

Founded in 1968, as a public corporation under California law, the Housing Authority of San Luis Obispo (HASLO) has a mission to assist the counties lower income citizens secure and maintain long-term housing. HASLO is committed to building and maintaining affordable housing for San Luis Obispo residents. HASLO's goal is to provide decent, safe and affordable housing for eligible residents of the County of San Luis Obispo, and to manage the Section 8 program with good, financially sound property management practices.

RRM Design

RRM is a local San Luis Obispo broad-spectrum design firm, which was responsible for the architecture, planning and landscape design of the Moylan Terrace project. The firm was established in 1974 and has since grown into a widely known and

respected California design firm, providing architectural design, civil engineering, landscape architecture, urban and regional planning, and surveying services with a professional staff of over 80.

Project Innovations **Design Elements**

Context: Moylan Terrace has been designed to fit into its surroundings. The architectural style chosen for this project was Contemporary Industrial, which allows the project to blend into the surrounding context and be consistent with the South Broad Street Corridor Plan. The materials and colors chosen resemble some of the tones found in the structures around the site and in the residential project to its south.

Building Design: The simplicity of building forms and use of two basic building types with varied rooflines provided ease of construction and reduced costs. The project includes compact urban forms with simple structures that work with the natural topography.

All units are smaller by design, helping to reduce construction costs and keep the sales price low. The Planned Unit designation has allowed for some flexibility in footprint of the structures. The unit plans have built in flexibility to accommodate different family types who might live in the units – allowing rooms to be used as bedrooms, study, or garage storage. Nine-foot high ceilings enhance the visual perception of space when unit floor area is small by design and the floor plans are compact.

Each unit is structurally and legally independent. **Lateral separation of units with double walls makes it easier to own and develop the units.** The unit design maximizes uses of day lighting and cross ventilation. Units have patios for personalized, private outdoor space.

Form based code as stipulated in the Specific Plan has allowed construction of units to maximum allowable heights and minimum set backs allowing a larger building footprint and minimize the impact of automobiles.

Sustainability Features:

Products used to lessen the impact of development on the environment and lessen the project's carbon footprint include use of no VOC paints, GREENGUARD certified insulation, Energy Star rated windows and other exterior finishes. According to HASLO the choice of materials and levels of insulation and wall thicknesses render these buildings 28 – 32% more efficient than the California energy code requirement.

Landscaping includes turf areas with native and other drought tolerant plants, as well as a mixture of deciduous and evergreen trees to provide shading. The parking courts and trash enclosures have planting areas to allow cultivation of climbing vines to shade, screen, and soften the aesthetics.

The project is located approximately one block from a bus stop which encourages use of public transport and thus has the potential to significantly reduce automobile trips. The city offers lower and free fares to various residents, for example seniors pay half price, college students with identity cards ride free, and there are other entitled groups such as veterans. Secure bike storage is provided in each unit at ground level to encourage the use of bicycles as primary transport mode.

Financing

HASLO acquired 90% of the financing. The project received a direct transfer of in-lieu fee funds for seven units from Madonna construction, a local developer. Madonna construction had a 49 unit in-lieu fee requirement from commercial developments on the west side of Highway 101, they believed in this project, and wanted to see their money actually result in construction of homes. The money flowing directly to this project helped HASLO obtain financing at the construction phase of Moylan Terrace, the HASLO equity serving to leverage private bank financing for Phase 1. This direct funding was agreed to by the city through a negotiations process. The city has shown a commitment to the Moylan Terrace project through this and other facilitative actions that have been time saving. The in-lieu funds served as an interim financing source, helping fund architectural, engineering and other professional costs. When Moylan is fully developed and sold the funding will revolve out to a project for affordable housing that is under construction on South Street in San Luis Obispo, a project in which HASLO holds a co-general partnership relationship with a private sector developer, ROEM Developers of Santa Clara. Direct transfer allowed the Moylan Terrace project to move forward without lengthy hearings and debates about resource allocation before various city commissions.

The project was organized and designed to allow building in phases to enable developers to acquire funding from different sources, over a longer period of time, without delaying the start of construction and maintaining construction momentum. The City of San Luis Obispo provided “a long term forgivable loan” to cover impact fees for very low, low and moderate-income units.

The Affordable Housing Fund (AHF) was established in 1999 in the City of San Luis Obispo to implement the Inclusionary Housing Program and is funded by the payment of in-lieu affordable housing fees. **To sell the Moylan units to families that were in the city work force a phased restricted application for units was implemented so as to favor people that had jobs in the City of San Luis Obispo.** The units were advertised through normal channels: direct marketing to agencies, flyers, local newspaper advertisements and other real estate listing. Applicants were screened through interviews to determine that they live and work in the community. The effort was to deter speculative purchases. However the process was opened up to all buyers after units were on the market for a stipulated period of time. HASLO officials note that when Phase 1 units were first offered for sale HASLO was uncertain about the market and if the units would sell at the market rate needed to cross subsidize the affordable units. They believe that in the first two rounds of unit sales two or three speculative bidders did purchase two or three units. In subsequent

phases of the project as units have come to market the demand has been strong and HASLO has been able to carefully pick people who are actively employed in the local workforce. HASLO's ability to sell to buyers who are families working in the city and in need of housing has increased as the demand for these units is now established.

There are no resale controls applied to the buyers of market rate properties. There are restrictions on the 29 units that are affordable. Buyers of the properties are allowed to resell the units at market value after one year. However the seller must first attempt to locate another low-income buyer and sell at a "restricted price." If they cannot find such a buyer they must share any equity gain with the city on an agreed to ratio which decreases over time, so the payback is less the longer the buyer owns the unit. The city maintains a first refusal right on purchase of the unit. This shared equity model has benefited early buyers. It was reported that one buyer who had to sell the property relatively early because she was transferred to another location was able, with her share of the equity gained, to put a down payment on buying a market rate home at her new location.

Land costs were fully factored into the unit cost calculations and paid with HASLO funds or commercial loans. The land was bought at market rate when housing and land costs were high. Subsequently it was discovered that the site was contaminated when it was used by the railroad and the land needed to be remediated at some additional cost.

Regulatory/Governmental

The City of San Luis Obispo was proactive in enabling zoning changes that allowed the project to be built at a relatively high density. The City approved a planned development (PD) zone specifically for this site. The PD zone is intended to provide some flexibility in the application of zoning standards to a proposed development. This zoning change encouraged innovation in site planning and other aspects of the Moylan project design, resulting in a more efficient design response to site features. The design confirms that to develop a more urban complex a project density of 20 to 24 units per acre is needed and was attained in Moylan Terrace. The subsequent adoption of a Specific Plan for the Broad Street corridor makes this density generally available in this area. **The city's pro-active stance in enabling the Moylan Terrace project to be built at the higher density helped create a demonstration project that can serve to overcome neighborhood concerns.**

Other exceptions from zoning standards that were approved included variable street yard setbacks down to 10 feet in certain locations, where 15 feet would usually be required and exceptions to height standards to allow some buildings to exceed 35 feet height maximums by approximately 1.5 feet. Tandem parking and reduction of required parking spaces was also approved. The approved PD allowed HASLO the flexibility it needed to maximize density, without sacrificing the quality of the project. The city allowed the closure of Humbert Avenue that ended in the project site as it terminated at the railroad line. The street closure allowed the designers to end the

road in a circular drive and build all along the property boundary at the railroad resulting in higher density and a rational site plan.

Clientele Served

Unit sales to date indicate that the project is appealing to the 30 years plus demographic to whom the architectural style, size of units, proximity to transport and bikable distance to downtown and amenities is attractive. Buyers include employees of a nearby tech service firm, families with three or four children who have been slowly forced out of being able to rent in the city but trying to keep their children in the city schools, employees of a digital software firm in the vicinity, staff in government offices, full time lecturers at Cal Poly and Cuesta Community College and others. **It is predominantly families who work in the city, and now are able to live in the city and own their own homes.** These families had generally been paying the financial, social and personal costs of long commutes to places of work in the city.

Some Take-Aways from the project

- Waiver or deferment of city fees on the affordable units is helpful
- Encourage density
- Encourage different types of site plans
- Rezone to allow less parking, greater height, less setbacks
- Take the risk out of getting the permits and entitlements as well as concessions at the local level. (One neighbor can jettison a project or cause the project to derail due to time delays.)
- Make housing element more hands on and prescriptive of what is needed in terms of affordable housing. Set the right standards – size, parking, etc.
- Disseminate success stories widely so developers and local governments can learn. Publish in state newsletter, on web site, etc.

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Lenny Grant, RRM, Project Architect several communications

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WINEMAN HOTEL (6.7)

839-849 Higuera Street, San Luis Obispo, CA

Adaptive Reuse, Small by Design, Mixed Use

Problem to be Solved

Downtown San Luis Obispo is a tourist destination. Many enterprises there cater to tourists and employ low wage, service sector workers. Many find the high rents in the city prohibitive and commute to work from more affordable communities.

The Solution

The Wineman Hotel is an adaptive reuse of a historic hotel to single occupancy, affordable, micro, studio units strategically located in the downtown core. Half the units are deed restricted to families in the 51-80% AMI and the remaining units rent, by virtue of their size, to moderate-income families.

City Incentives

City funds for deed restricted affordable housing provided incentive for seismic retrofit enabling re-occupancy of second and third floors for residences. Parking and density agreements were carried over from former use as hotel.

Developer Innovation

Seismic retrofitting costs absorbed by the developer and amortized over the lease period. Management of housing units over the 34 year lease. Developer has assumed a long term interest in the project.

Financing Innovation

Deferred payment of professional fees to design and execute seismic retrofitting. Benefits from mix of prime location commercial on ground floor and residential rental on upper two floors.

Design Elements

High quality design historic preservation and adaptive reuse had contributed to project success. Micro-units have made for affordability.

Project Outcome

Multiple co-benefits of the project accrue to the city and developer. Downtown vitality increased through residential occupancy and historic preservation. Local downtown businesses owners able to rent unit blocks in the Weinman to attract employees.

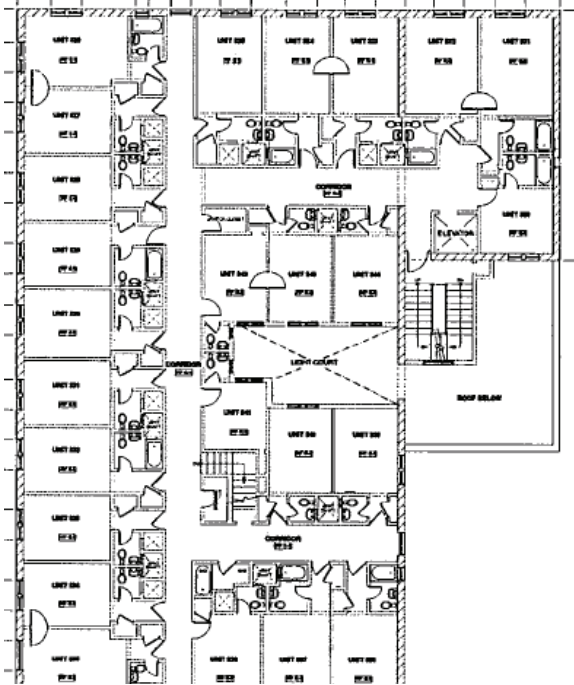
WINEMAN HOTEL (6.7)



1. Wineman Hotel Architecture and Design (Source: CRSA Architecture)



2. Wineman Hotel: 1930's (SLO Historic Society)



4. Second Floor Plan (City of SLO)



3. Staircase (Source: Craig Smith Architects)



5. Interior (Source: Craig Smith Architects)

Wineman Hotel (6.7)

839-849 Higuera Street, San Luis Obispo, CA

Adaptive Reuse, Small by Design, Mixed Use

Developer: VGI Group – Long-term Lease Holder

Owners: Wineman Family Trust

Architects: CRSA Architecture, Craig R. Smith

Financing Partnerships:

VGI Group

City of San Luis Obispo

Conventional Bank Construction Loan

Meeting the Need for Low and Moderate Income Housing in Downtown

The City of San Luis Obispo is the largest employment center in the county, attracting people from the entire region for work. The city downtown is a tourist destination known in the region for: its Thursday night farmers market; its walkable downtown; well-preserved and active Mission and Mission Plaza created by a street closure and the site for concerts, ethnic fairs, musical recitals and other public celebrations; a creek by the Mission that has been liberated from a channelized culvert and become an open-air dining and entertainment area; and numerous art galleries, boutique stores and restaurants. Many of these downtown enterprises employ low-wage, service sector workers. The high cost of housing in San Luis Obispo causes many of these workers to commute to the city for work from accommodation in more affordable surrounding communities such as Atascadero, Nipomo, Paso Robles, Los Osos, and Santa Maria. The Wineman Hotel, located as it is in the heart of the city downtown, has been a success in that **it provides affordable micro units at the 51% - 80% AMI rent range which can house the workforce needed for such service industries.** The Wineman Hotel apartments are deed restricted for 34 years. Some employers have rented blocks of units in the Wineman to provide affordable housing for their workforce.

The Wineman project has successfully preserved a historic building constructed in 1871 by way of seismic retrofitting and renovation for adaptive reuse. The work demonstrates historically accurate adherence to architectural style, materials and finishes. The project is described by the assistant city manager as “a great project providing a focal point for the community, helping to improve the sense of history with its architectural style and flavor. The city values it for its “presence” at a key location in the downtown. (Personal communication Codron, 2015)

Project Composition

The Wineman Hotel is a mixed-use commercial/residential rental project featuring

- 8,500 square feet of commercial floor area on the first floor and
- 48 residential efficiency, micro-unit, studio apartments of approximately 230 square feet each on the second and third floor

The project is centrally located in the C-D (Commercial Downtown) zone of San Luis Obispo. 23 of the units are restricted for low-income affordable housing (those making between 51-80% of the area median income) and 23 units are rented at the market rate which, given their size, are at a price point that is affordable to moderate-income (81 - 120% AMI) individuals. Two units are reserved for the owner and on-site manager.

Formerly a hotel the building was renovated in 2009 after the residential upper floors of the building had sat vacant for some fifteen years (Hickey: 2009). In the face of a city mandate to seismically retrofit the building to continue active occupancy of the second and third floors the developers needed access to financing during the worst period of the recession (Smith, 2015). The only available assistance at the time was by way of city-held affordable housing funds for deed restricted affordable housing. To secure this funding the building usage was changed from a hotel to studio apartments for long-term rental, 23 with deed restrictions.

Key Players

Developer: Wineman Hotel LLC.

Ali Vahdani President of VGI group and member of the Wineman Hotel LLC. is a structural engineer/contractor specializing in seismic retrofitting who has been key in the success of this project. His firm negotiated a land lease and rental rights for 34 years for the Wineman LLC and completed the essential retrofitting of the property to meet California codes.¹ The design of the adaptive reuse also embraced a complete historic renovation/rehabilitation of the facade and interiors of the building. The renovation was designed to bring the property back to historic significance. An application to put the property on the National or State Historic Register is under consideration.

In the application filed to obtain City funding for this project the applicant estimated the construction costs for the project as \$5.75 Million of which \$3.1 Million were allocated to the residential portion of the building and facade rehabilitation. The project ultimately cost considerably more than this estimate Mr. Vahdani states and he is not happy with the bottom line and had he known what it would actual end up costing he might not have done the project. At the same time he is very proud of what they were able to accomplish noting that “he is not a typical developer but in this for the long term.” He recollects that the building was in considerable disrepair when the owners approached him to do the seismic retrofitting of the building. On the basis of a 34-year lease he agreed to undertake the project. He recollects:

“There were birds flying around the top floor, the building was an eyesore, and there were unexpected discoveries which raised costs during construction. The costs for both the seismic retrofitting and the architectural rehabilitation were a lot higher than estimated.”

As the work moved forward they found asbestos, lead, and other conditions for which remediation measures had to be undertaken. A sidewalk widening was not part of the initial design but they undertook it, as they wanted the commercial tenants on the first floor to be able to use an extended sidewalk. On starting this work they found unforeseen underground pipes under the pavement and the expense of dealing with

these and the sidewalk widening went several hundred thousand dollars over estimate.²

The residential-units have an on-site manager who resides in one of the units on the property. The property is maintained and managed by the VGI Company who has a local manager who is in residence at the property.

Financing Partnerships:

The project received funding from the City of San Luis Obispo. No federal or state funds were used for the renovation of the building or for its adaptive reuse as affordable apartment units. The City Council recognized the value of the project and its significant contribution to city ambience and revitalization of the core in approving a \$1.5 million award. It negotiated a deed that guaranteed that the 23 low-income units would remain affordable for 34 years. The City of San Luis Obispo Affordable Housing Grant Fund was the source of the \$1.5 million dollars award to the project. At the time city staff discussed the possibility that the developer might obtain additional tax waivers by applying for the Mills Act and Preservation Tax Credits. The ownership of the property made an application for historic preservation tax credits infeasible initially, but such an application is currently under consideration.³

VGI Structural Engineers deferred payment of professional fees to design and execute seismic retrofitting services and structured a payback period over the term of a rental lease of 35 years. Profitability of the project depends on the mix of prime location commercial on the ground floor and rental structure on upper two floors and is made possible by the fact that the developer has used the longer time frame of 34 years to assess feasibility.

Site, Context and Nearby Amenities

The project site is in the heart of downtown San Luis Obispo and surrounded by many amenities including a wide range of restaurants, parks, open space/recreational opportunities, retail shopping and schools. The transit center is approximately a quarter mile away and enables bus connections to all parts of the city and to the region.

Building History

The Goldtree brothers constructed the building as a store and warehouse in 1871. It was the first brick building to be built on the east bank of San Luis Obispo Creek across from the Mission. The Wineman family purchased the building in 1902. In 1929 construction permits were issued for the remodel and renovation of the building into a hotel. Maino Construction at that time a well-known developer in the region executed the work (Tours, 2011). The hotel was opened in May of 1930 and was described as the "last word in modern hostelryes". The building has always been a mixed-use property with retail on the ground level and used as a restaurants, a delicatessen and convenience store. Between 1959 and 1990, Corene and Willam Darney, who lived at the hotel and rented many of the rooms to long-term residents, held the hotel lease. It remained a hotel until 1990, when the hotel and rooms for rent ceased operation but the commercial ground floor remained in use (Tours, 2011).

In 2009 the building owners were exploring returning the property to hotel usage. They were mandated by the city to undergo seismic retrofitting and structural strengthening of the building before such use would be approved. Ultimately the project involved much more than seismic strengthening. The developer proposed a complete historic rehabilitation of the facade and an interior renovation of the building turning each hotel room into small 230 square foot studio apartments (Smith, 2015).

Unit Mix and Affordability

The 23 studio units that are deed restricted to be affordable for those earning between 51-80% of the area median income currently rent at no more than \$809/ per month. The paucity of affordable units means that the Wineman's low-income units are sought after. The remaining 23 market-rate micro-units are affordable by design to moderate-income (81-120% AMI) households due to their small size. The Wineman Hotel's 23 deed restricted low-income affordable units contribute to increasing the affordable housing available in the City and significantly increasing the number of affordable units in the downtown core. The downtown location makes it a desirable option for young, single, workers employed in the core as it provides access to a rich assortment of amenities, transit options and social and economic opportunities. The City is currently one of the most unaffordable housing markets in the nation and the demand for affordable housing is high (City of San Luis Obispo, 2015). With approximately 5% of the city housing stock designated as affordable this addition of 23 strategically located units has been welcome and expanded options.

Project Innovations Design Elements

Building Layout: The Wineman Hotel's 48 studio "efficiency units" occupy the second and third floors of the building. Each have individual entrances from indoor hallways. The main entrance to the apartments is from an entry door on the ground floor fronting Higuera Street and a short corridor to the elevator and stair core in the center of the building. The ground floor is divided into three commercial/retail spaces that currently house restaurants.

Historic Preservation: The Architect of Record, Craig Smith of CRSA Architecture and project architect Dancart (Dancart Architects: 2012) designed the renovations for adaptive reuse including a complete restoration of facade and the hotel's interior to return the building to its original appearance. Replicas were made of all missing attributes of the building and additions included replacement of the decorative ironwork on the building exterior, repair of existing wood windows, restoration of the storefronts with transom windows, installation of an exterior fire escape and renovation of the original Wineman Hotel marquee sign. The Wineman family was in cattle ranching and owned land to the south of the city. The marquee, neon lit, sign contains a graphic W logo which is the family's cattle brand.

The project's innovative design focuses on impeccable detail and quality of the interior and exterior of the building, which have been brought back into their original state of historical integrity and design. The renovation resulted in the beautification of

one of Downtown' s most important historic buildings and allowed for residential occupancy that contributes to night-time activity on a main city street and the economic vitality of the Downtown Core. The project won the AIACCC 2010 Honor Award. The building has potential for nomination to the state and federal historic registry (Smith, 2015).

Sustainability Features

Adaptive reuse of an existing structure, sustaining it with a seismic retrofit, and adapting for long-term residential use are some of the energy saving features of this project. During the adaptive reuse and remodel into affordable housing most materials were recycled, little material was removed or entirely replaced. The exceptions were all new energy efficient fixtures and low flush toilets, a new HVAC system and new efficient lighting and insulation. The project is also completely wired for a new photovoltaic solar array pending the owner's choice or availability of funds. The project also features a unique reverse osmosis drinking water system and a gray water system (Smith, 2015.)

Finance

The residential second and third floors of the Wineman Hotel building had been vacant for fifteen years when the owners looked to restore the rooms for hotel occupancy. The City mandate for seismic retrofitting of historic buildings was expensive and the owners struggled to find financing options (Smith, 2015). When they approached the City to negotiate a solution for the property city staff suggested converting the hotel rooms to residential units and applying for city-generated affordable housing funds. This fund is derived from pooling developer-contributed in-lieu affordable housing fees to meet the inclusionary housing requirement of the city. Although the owners did not originally intend to convert hotel rooms into residential studio units, in the middle of the real estate recession the affordable unit option became more compelling.

The developer Mr. Vahadani claims that \$1.5 million from the city was a crucial element in this project moving forward. He says:

“If the city grant was not in the picture, this project would not be feasible. It was crucial that the City was able to participate in the grant process. Without the \$1.5 million from the city we would not have been able to get a loan from the bank. We would have completed the project, but with the unexpected costs and overruns we would have lost the project to other investors. The shorter lease time of 34 years was also a problem. A lease for the life of the building, or for 50 years would have made the project more attractive to more developers. But as a trust the tax laws would treat this building as a sale if leased for a day over to 35 years which would trigger a considerable capital gains.”

The City stipulates the mix of 50% affordable units and 50% market rate units that by virtue of their size rent at levels affordable to moderate-income families. The finances for the project benefit from the commercial retail lease income. The commitment of

City funds provided the incentive that local banks needed to finance the remainder of the development.

Mr. Vhadani did the seismic retrofitting, funding the initial costs out of pocket with long pay out terms on the basis of the 34-year lease to the property. This was a unique contribution, as most developers generally do not have the skills to take on such technical work in-house, and do not like to assume the long-term risk and financial burden of projects but prefer to take their profits at the time of project completion. Mr Vhadani says:

“Ordinarily developers don’t like to do a project like this – one where they do not own the property. But I am not a typical developer. My specialization in seismic retrofitting allowed me to remove a lot of element of concern. I wish more developers would do these kinds of projects – it was unique, very unique. Most developers want to do a project from the ground up. It was not a good project for a typical developer.”

The project location at a very strategic cross roads in a city that is a touristic destination and know for a vibrant down town makes the commercial – retail component of this project an extremely attractive piece of real estate. As the long term lease holder Mr. Vahadani’s organization pays the taxes on the property, takes care of the maintenance, manages the rental, and will enjoy any benefits from approval of the tax credit waivers for preservation that the building might obtain under the Mills Act or the Preservation tax credits. Mr. Vahadani is an unusual developer in that he has committed for the long term to this project and placed his own sweat equity in the form of professional engineering services into the investment. Clearly the city and he have mutually benefitted from their collaboration to execute this transformation.

This project has created workforce housing, as a result of the developers and owners responding flexibly to available sources of funding at a time that seismic retrofit of the structure was mandated. **The change of project objectives from an upgrade of hotel rooms into affordable studio units demonstrates the impact affordable housing funds derived from inclusionary housing in-lieu fees or other sources can have on leveraging and providing incentives to developers to create needed housing types.**

As downtown affordable housing opportunities are few local downtown businesses rent blocks of units in the Weinman for their employees. This allows them to attract employees by providing their workers affordable housing close to work, eliminating the need for spending on car ownership, and incentivizing workers to remain with the company for a longer period of time thus reducing staff turnover and its related costs.

Regulatory/Governmental

The Wineman Hotel project **benefitted from the regulatory interpretations the city made of the change of use from hotel to affordable housing as simply an interior renovation and seismic retrofit of an existing historic building.** Since the building was constructed in the early 1900’s most aspects of the building needed

to be brought into current code compliance. **The City helped by streamlining the permitting process.** It could justify this, as it was motivated to bring this project expeditiously to completion, as there were public safety concerns. The project is located on a key corner of a busy pedestrian corridor in the heart of the downtown. It did go through multiple public hearings for the architectural analysis, as well as for the affordable funding requests (City of San Luis Obispo: 2009). Community members and public hearing officers supported this project as it creatively brought affordable housing to the heart of a City while maintaining and enhancing an existing, iconic building.

Parking: No parking was required to be provided on the site. The project benefitted from a pre-existing parking agreement with the City (established in 1989 when the City built a public parking garage on nearby Marsh Street) for the commercial uses. No parking or additional parking is required as long as there is no increase in useable retail floor area. **The City recognized that the building was a hotel/extended stay facility in the past and parking was not required and did not require additional parking as the hotel units were converted to residential.** Should a more intensive land use occur on this site, parking or parking in-lieu fees would be required (City of San Luis Obispo, 2009). That space for on site parking was not required is an essential component of the success of the Wineman project.⁴ The previously established parking arrangement was a significant factor in enabling this adaptive reuse of the Wineman building, a unique asset that contributed to the financial feasibility of this project. A new residential unit development would require the provision of parking spaces or payment of in-lieu fees thus significantly reducing the profitability of the development.

Overview and Take Aways

The Wineman Hotel adaptive reuse provides a good example of partnerships that have enabled the creation of workforce housing in the city center. The city earns and allocates affordable housing fund grants on a regular basis and this project provides good example of leverage of these funds to bring the property into compliance with seismic and other building standards and create affordable workforce housing. Mr. Vahadani says:

“On the basis of 30 years of practice I can say that every project is different. The 49 parking spaces assigned to the building were very important. And the city grant was critical and essential to moving forward.”

Mr. Codron who was the housing project manager at the City of San Luis Obispo when this project received approval says staff made many interpretations that helped make this project feasible. For example they treated the hotel as “in transit” use with over 100 units /acre long-term dwelling units. They treated this project as “not new units” but existing, so water, utilities impact fees were not incurred. New, from the ground up, projects that are now coming to the city for approval have to provide some parking, valet or otherwise, at least half of what the zoning requires, the rest can be taken care of with in lieu fees. The Wineman did not need to provide any parking.

The question of how replicable this project is, is salient. Although heritage and housing is a good package, how to achieve this in a predictable and transferable way needs to be carefully envisioned. In the case of the Wineman the developer made little to no mark up on the retrofit, which allowed him to pay more for the lease. This may be a difficult condition to replicate. It is possible, as in this case, with a developer who is in the project for the long term. Both the city and the developer are happy with this project. Mr. Vahadani says,

“ I would like to see more such projects. It would be good to have more developers take on projects like this. I am proud of having been part of this effort.”

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Affordable Rent by Income Group Table, City of San Luis Obispo, 2014-19 General Plan Housing Element, pg. A-23

Notes

¹ See <http://www.corporationwiki.com/California/Vernon/ali-vahdani/44303462.aspx> for details about VGI based in Vernon, CA. The firm specializes in seismic work. Taking into account a 34-year long-term lease of the property in his feasibility analysis Mr. Vahdani was able to completed the essential retrofitting of the property to meet California codes.

² A. Vahadani, personal telephone communication, July 6 and 7, 2015.

³ The family trust, which owns the property, involves many members of the Wineman family who hold interests. The developer negotiated the 34-year lease with the trust, which every member of the trust signed off on. It was not a good time to make a Mills Act application. (Codron personal communication 2015.) Currently a historic preservation tax credits waiver and a Mills Act tax abatement application is under consideration.

⁴ The building’s parking agreement was set at 49 parking spaces. In the Commercial Downtown Zone the current residential parking requirement is half the typical parking requirement, so for this project the current requirement is 0.5 parking spaces per studio unit and 0.75 for a one- bedroom unit, plus guest parking (City of San Luis Obispo, 2009). The residential component of the building would currently require 29 spaces, which is well below the 49 spaces that are agreed to based on the past use and therefore the parking agreement remains in place and covers current occupancy.

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ADU SANTA CRUZ (6.9)

City of Santa Cruz, California

Regulation/Private Financing/Small by Design

Problem to be Solved

Santa Cruz is one of the most unaffordable cities in the United States. The median price for a home in 2015 was \$760,000.

The Solution

ADUs contribute new infill units, without new infrastructure, affordable by size, with no public subsidy or financing. Design guidelines can insure fit with context.

City Innovation

In 2002 Santa Cruz supported a program to encourage single-family homeowners to develop ADUs on R-1 properties. At the time only 6.9 of Santa Cruz residents could buy a median-priced home.

City Incentives

The City of Santa Cruz supported ADU's with the development of: Accessory Dwelling Unit Prototype Plan Sets; Accessory Dwelling Unit Manual; Accessory Dwelling Unit Garage Conversion Manual (RACESTUDIO: 2006); probono professional review of ADU plans; and Code changes instituted in 2015 to support ADU conversions and construction.

Financing Innovation

A joint City/Santa Cruz Community Credit Union loan program provided up to \$100,000 at 4.5% interest to homeowners if an ADU was deed restricted to be an affordable unit.

Design Innovation

Six ADU prototype designs by seven architectural firms were developed to encourage homeowners to consider building an ADU on their property.

Partnership Outcomes

An increase in ADUs permitted and built averaging about 20 per year has resulted from this city/homeowner partnership. Between 2003 and 2015 262 legal ADU units were constructed making a total stock of some 500 legal ADUs in the city. A total of 15,000 city parcels are estimated to be eligible for ADU additions.

ADU SANTA CRUZ (6.9)



1. Case Book ADU in Lower West Side



2. Various Types of ADU in Lower West Side (Source: Map Quest)

Accessory Dwelling Unit (ADU) Ordinance City of Santa Cruz (6.9) City of Santa Cruz, California

Regulation/Private Financing/Small by Design

Developer: Individual Single Family Home Owners with incentives and technical support from the City of Santa Cruz

Architects: Case book of seven prototype design options to illustrate ADU possibilities. Architects were commissioned by the City of Santa Cruz to undertake a specific type of ADU which was a unique effort spearheaded by the Planning and Community Development Department with grant funding from CPCFA.

Financing Partnerships: Private investment by homeowners on potential single-family lots, homeowner mortgages at 4.5% for ADU units deed restricted for low and very low-income families.

The City Council of Santa Cruz had, in 2002, the foresight and political resolve to support development of a cutting edge program to support and encourage owners of single-family homes to develop accessory units on their R-1 zoned properties. Building on a report commissioned through the Community Development Department titled *Expanding Housing for the City of Santa Cruz* (see Executive Summary 2002) which delineated the city's housing need given escalation of home prices in the city, and strategies to address it. The Council supported staff efforts to identify and rationalize strategies the city could embrace which would serve to increase the pool of available housing in the city. Staff obtained external funding for an initiative on ADUs which was supported by a Sustainable Communities Grant from the California Pollution Control Financing Authority (CPCFA). The funding enabled the city to develop a comprehensive strategy and implementation plan for ADU promotion, which was put in place by the City of Santa Cruz and included the adoption of an Accessory Dwelling Unit Ordinance.

The plan as described and budgeted for in the grant application involved a cost-share (about a 100% match) offered by the city from in lieu fees for: lower interest mortgage loans to help create income restricted ADU's; partial subsidy of the wages of women participants in a training program who would be hired to help in construction of ADU's and thus acquire skills in the construction industry; and contributions of in-kind staff time. Carol Berg who is widely credited with taking the lead in framing the application recalls putting the proposal together in one week when they became aware of the fact that the City's Redevelopment Agency was not able to vie for that particular source of funding that year. The CPCFA Grant not only enabled the city to implement a supportive policy with regard to ADU's but also to develop instruments that could assist home owners through the process of planning, building and managing an ADU. These instruments included publishing manuals and handbooks which were initially distributed free with grant funding and later at cost to California cities. The city played a unique leadership role in ADU development with its model ADU Prototype Plan Sets (2003).

Meeting the Need for Low and Moderate Income Housing

The City of Santa Cruz is widely recognized for these pioneer efforts initiated in 2002 to promote ADU's within its jurisdiction. At the time, in the grant proposal to the CPCFA the city stated that Santa Cruz was one of the most unaffordable cities in the United States and that only 6.9 of Santa Cruz residents could easily afford to buy a median-priced home. (See Santa Cruz Grant Application, 2002). The city argued that ADU's would facilitate new infill units (built without the need for new infrastructure), which would be affordable as they would be small in size according to city guidelines, designed to fit stylistically and at a scale sensitive to the neighborhood context, and, would require little or no public subsidy and financing.

The grant proposal from the city's Planning and Community Development Department to CPCFA (see <http://www.cityofsantacruz.com/home/showdocument?id=8872>) was creative, innovative and ahead of its time. It made the argument that investments in facilitating a program to create legal ADU units in the city would:

- “(1) implement the development of well-designed Accessory Dwelling Units in the City of Santa Cruz;
- (2) help minimize the impact of population growth on the community by providing more rental housing in the developed core of the City;
- (3) promote infill development of the inner City to help preserve the surrounding natural greenbelt, and,
- 4) foster the use of public transportation within the City”

The city argued that, given some 18,000 single family lots in the City of Santa Cruz, and, in the face of gentrification pressures and escalating land and housing values and costs, facilitating ADU construction would increase creation of rental housing for low and moderate income members in the community as ADUs would be affordable by size and design. Also, it would strengthen home owners' ability to retain ownership of their homes as there would be earnings in the form of rental income from the ADU.

Site

The rationale for ADUs on the city web site city¹ echoes that offered to substantiate the grant application for funds to launch the ADU program namely: to assist in construction of a well-designed ADU; increase rental units in the city core; promote infill; and, preserve the greenbelt surrounding the city. The ordinance defines an ADU as follows:

“An ADU, also known as a "mother-in-law" or "granny" unit, is an additional living unit that has separate kitchen, sleeping, and bathroom facilities, attached or detached from the primary residential unit on a single-family lot. ADUs provide housing opportunities through the use of surplus space either in or adjacent to a single-family dwelling. In most cases they are either a garage conversion or a small backyard cottage or guest-house style structure.”

The program encourages development of small-scale neighborhood-compatible housing and to discourage the proliferation of poorly constructed illegal ADUs. The evidence, some twelve or so years later, appears to support

that the program has done so, and, that the number of legal ADU's built has increased.

Key Aspects of the Santa Cruz ADU Program

The city's ADU ordinance was innovative in that it took a multi-pronged approach to encouraging home owners to consider construction of an ADU on their property by: reducing the uncertainty and risk of application denial; providing technical and design support; and, facilitating obtaining a partial loan for construction at a pre-determined rate (4.5% which was attractive in 2002); and, providing programmatic support and assurance in the city approval process. The ADU program initiatives included support for: Design; Technical Assistance; Development/Construction; and, Program Management.

Project Innovations

Finance

The costs of constructing an ADU are borne by the homeowner who contributes land, investments in design, permitting, and construction costs as well as long-term management and maintenance of the ADU unit to conform to city standards.

To assist homeowners to obtain an ADA loan to assume these costs a joint City/Santa Cruz Community Credit Union loan program provided up to \$100,000 at 4.5% interest if affordable covenants were agreed to. City staff report that there have been few applicants for this loan program. Given the high rents, which prevail in the city, homeowners prefer not to buy into deed restrictions on their rental units. Some two or three years after completion of the grant the city money, which was in the form of in lieu fees, was redistributed to other projects and internally within this one.

The permit fees for ADU's were revised and reduced. They differentiate between new construction and conversions, and the fee is reduced or waived for units that are deed restricted to serve low and extremely low renters respectively. Legal ADU's also help meet the inclusionary requirements of the city and they are eligible for Section 8 rent vouchers.

The city developed a wage subsidy program to offer 50% salary assistance to builders who employed the graduates from The Community Action Board of Santa Cruz County's Women Venture Project in building an ADU. The builders had the option of passing on some of these salary savings to the homeowner. However, the contractors who built ADUs were generally small businesses who did not have the resources and time to bring on interns. The program was subsequently modified to allow Women Venture Project to build an ADU and grant money was used to pay for professional supervisors for this effort.

Design Prototypes

The city invited six innovative architecture firms to create prototype ADU unit designs and paid them a modest, flat fee for this design service from the CPCFA grant. A seventh design was developed pro bono by then city planning commissioner, architect Mark Primack who was a strong proponent of the ADU initiative. Two or

three ADUs were actually built according to the design manual. The seven design prototypes delineated units of various styles to fit varying site and form contexts as follows:

1. detached, single story, prefabricated wall panels
2. over existing garage
3. single story facing alley
4. detached single story, alternative materials and construction techniques
5. attached garage conversion
6. detached story-and-a-half
7. detached over new garage

The prototypes were designed for actual lots in the city of Santa Cruz in order to “portray the relationships between existing buildings and site conditions and compatible architectural design and ideas for ADU’s.” They were published in 2003 (see Accessory Dwelling Unit Prototype Plan Sets). A number of copies of the publication were initially distributed free of charge to cities as part of the grant agreement and additional copies were available for purchase on request. **The widespread interest in this initiative is reflected in the fact that staff estimate that at least 800 or more copies were sold** on request (personal communication Berg, City of Santa Cruz).

Although technically quite complete the city clearly stated that the plans could not be used in the construction of improvements for any specific site or project. The planbook represented pre-review plans that would require specific site plans and technical drawings and/or modifications for plan check. Only three of the prototype units were built. The level of detail in the drawings that were included in the plan set is high and provides a very good head start to thinking about site-specific solutions and design styles as well as parameters for creating working drawings. The great interest in this effort is reflected in both the number of copies of the manual that were requested, and, also, in the numerous citations and references to the Santa Cruz ordinance that are to be found in the literature, in unpublished thesis and white papers, and reflected in the ADU programs that have been developed by cities throughout the state and nationally.

Implementation Experience: Santa Cruz city staff report that the prototype designs were not widely adopted, adapted and built within the city. Three ADUs, an attached garage conversions (prototype 5), a detached story and a half prototype 6 (see Figure 1), and a third single story model, were built directly from the plan book of prototypes. The city has not tracked the impact of the design manual on the applications received for legal ADU’s. Staff speculate that one reason for the seemingly low direct-adoption may be that several of the designs were too innovative and some were too expensive and large for families with modest means to implement comfortably. Mr. Primack’s garage conversion prototype was designed with a particular client in mind, low budget, and based on making the minimum changes in an existing garage. It was featured in a New York Times article, which elaborated the benefits to the home owner over the long term and the fact that the ADU provided affordable housing for a young adult, her son, who needed a separate unit to live in whilst attending college in town (see Bernstein 2005).

City staff speculate that the design options in the manual might have been more broadly utilized and adopted/adapted if they had reflected more conventional options, perhaps describing and elaborating on ADUs that were already in place in the city. The innovative designs were stimulating and were very well received and recognized. Staff note that the plan books are “good for ideas but not good for plug ins” because designers were given carte blanche to contribute designs and the results were not readily embraced by more conservative owners and their neighbors. City staff report that a local engineer has designed conventional roof lines for all the plan prototypes to adapt them to neighborhood styles, and that these may be more useful to owners contemplating an addition.

Regulatory/Governmental

The grant proposal included various elements of Technical Assistance which were offered by the city as follows:

1. An Accessory Dwelling Unit Manual was prepared to increase the ability of homeowners to take the steps needed to construct an ADU on their property. It describes, step by step, how a lay city resident might get started on an ADU project, design it, and manage the construction including renting the property (see Accessory Dwelling Unit Manual: 2005 Edition). This document was posted on the City website until zoning standards were changed in 2015 rendering some of the material in this manual obsolete.
2. The city also commissioned an Accessory Dwelling Unit Garage Conversion Manual (RACESTUDIO: 2006) that addressed ways to create the most inexpensive ADU units through converting existing garages. The manual addressed conversion issues, delineated neighborhood friendly designs, and outlined ideas for shaping interior and exterior spaces. It also provided some sample plans for eight different locations and types of garages that existed in the city such as, for example “suburban front attached, side attached, under attached, traditional rear drive detached, side detached, alley detached, and, corner detached.

Both manuals were available on line for downloading prior to the changes in building and zoning codes that were approved in 2015. These changes in the codes will entail substantial changes in the manuals, which are quite specific and prescriptive regarding zoning guidelines. The city has some plans to do this update but is facing some technical difficulties with software that is precluding easy modification and dissemination.

3. Until the earmarked funding was exhausted, the city also offered to pay up to \$100 for one hour of a professional’s time to help solve individual design problems. The support was to be applied for at the time of application for a building permit and available for a limited time. The city did provide some of these payments but the amount offered is quite small.

Building Support for ADU Ordinances: Those who were involved in launching the ADU initiative agree that **positive local publicity and press coverage is an asset, if not essential, in successful adoption of an ADU ordinance.** City of Santa Cruz staff report that favorable publicity supporting the ADU program occurred in the form of some twenty-four articles in the local newspaper The Sentinel reported in some detail the decision making at various levels of City Government around the ADU initiative. Staff believe that the articles helped bring about a change in local perceptions about ADUs and reduced opposition to adoption of the ADU ordinance. Staff report that the local press was much more significant than national coverage/awards in swaying local opinion and reducing **resistance to ADU construction in neighborhoods. This underscores the reality that land use decisions that affect what is allowable in terms of density, size and style of housing is quintessentially a local matter, and challenges and resistance to change must be addressed with locally acceptable, fine grain solutions.**

Overall Implementation and Success: Detailed record of numbers of ADUs permitted and built in the city are not readily available as permit applications for ADUs are not separately recorded. The data on completed units is loosely interpreted from permits. Anecdotally, staff report that following the implementation of the ADU program some 5 or 6 ADUs were permitted per year going into the recession of 2007. Subsequently there was a steady increase of ADUs permitted and built averaging about 20 per year. Between 2003 and 2015 some 262 ADU units have been constructed. The total stock of legal and recognized ADUs in the city is now about 500. This is a significant proportion of a total of some 15,000 parcels in the city that would be eligible for such additions.

Rental Inspection Program: There are, in addition, un-permitted and perhaps non-conforming ADUs in the city. Estimates range from between 1,000 to 3,000 or more such units as in the past decades landlords have changed their homes and added on units. And not all of them conform to the ADU code. In 2010 the city passed a rental inspection ordinance in what was posited as an effort to protect the health and safety of residents of such units. The University of Santa Cruz whose students constitute many of the residents of these units provided financial support to partly help hire the additional staff needed for these inspections. City Planners assert that if illegal units are found, the city's effort is to find a way to legalize them. In an article in the Sentinel titled "The Trouble with Santa Cruz's Rental Inspections" Pierce, 2013 noted that a relatively small number (44) of all units inspected, (some 1% of total inspections) needed to be abated. And that the City Council had directed staff to recommend how to improve the inspection program so as to minimize the loss of units and not adversely impact the supply of affordable shelter in the city.

Between 2010 and 2013 the rental inspectors program **prioritized conformance to health and safety codes, which set minimum standards for conformance of electrical and plumbing systems, and addressed issues of mold and other environmental factors that could affect safety and health.** It also put in pro-active measures that would make it easier to convert spaces such as garages to a new ADU. All new housing was required to install a vapor barrier under the new garage floor, thereby making it possible to convert it to a livable ADU unit. Existing garages

lacking such a barrier were required to build up sub floor of pressure treated wood so that moisture from the ground did not seep in under the carpet of a habitable room and result in mold build up (personal communication Stocker: 2015.) The City of Santa Cruz's Director of Community Development and Planning, Juliana Rebagliati notes that by September of 2015 the city has found some seventy units that could be made legal, and the city staff are working with each of these home owners to find ways to bring them into legal conformance, or grandfather them. **The city has abated only five units, three for safety and health reasons** and two because they were very small. She notes that this effort is labor intensive and reflects her department's commitment to supporting home owners in their efforts to have an ADU, and also to protect the health and safety of their residents.

Modifications to Code and Implications for the ADU program: Code changes instituted in 2015 are supportive of ADU conversions and reduce and make more generous and inclusive the conditions under which ADU's may be constructed. They include:

- reduction from 5,000 sq.ft. to 4,500 sq.ft. minimum lot size of a single family home to be eligible for the addition of an ADU.
- reduction of side yard requirements to encourage development of ADUs in existing structures. (3 feet side and rear yards for 1 story, 5 feet side and 10 feet rear yard for 2 story, and a legal garage previously permitted with no side yard).
- reduction of the size of an allowable ADU from 500 square feet to 450 square feet
- eliminating the requirement for one covered parking space
- allowing three cars to be parked in tandem
- allowing parking in the front yard set-back
- stipulating that fenestration and other openings in an ADU had to be designed to prevent overview and intrusion on neighbors

The requirement that owners must occupy one of the units was modified allowing non-conforming owners to be grandfathered in and allowed to rent if there is an assigned manager to look after the property. A two-year window is offered to non-occupying owners to legalize their ADUs. If the property is sold the new owners must comply and live in one of the two units. In short, the regulatory conditions governing both design and location of ADUs on a lot, the parking requirements, and the ownership and occupancy requirements have been loosened up to encourage more owners to build ADUs on their properties.

An ADU from a Resident's Perspective

The persistence of illegal or non-conforming ADUs underscores the perception that home owners still see gaining legal status for their units to be onerous and potentially to pose problems. The research team visited an ADU located in one of the older neighborhoods of the city, had relatively large lots, and during the field observation appeared to have a high incidence of legal ADUs or unauthorized but habited units. Located facing the back garden of a deep lot, it is built as a second story on top of an

attached three car garage and has an external, separate, stair and elevated entry deck entrance. There is a second stair that goes to the back half of the upper story of the garage which space serves as an extension to the main home. In the interview with the ADU resident he pointed out that this second space could easily be turned into a second, illegal ADU by adding a small kitchen and closing off the connecting door between the main home and the added room which is the about 545 square feet, the same size as his legal and permitted ADU apartment. He is happy that his landlord has not added this illegal unit as the entry stair to it passes right underneath his bedroom window. He fears loss of his privacy and the quiet he enjoys in his back unit. Clearly visible from the second story deck of his ADU are the five lots of the adjoining homes, three behind and two adjacent. Each has secondary detached or attached structure in their back yard, some appearing to be used as housing. He tells us that two houses down is an illegal ADU and the house next to him has one legal and one illegal ADU. The latter was created after the first got approved, and then was split up into two smaller ones. On the other side of his home someone bought the lot and house for \$550,000 knocked down the existing house and built a new home that sold for over 1.1 million dollars. **The neighborhood is an upscale neighborhood and there are conflicting views on ADUs.** Some seeing them as a good source of additional income enabling the home owner to pay property tax and help with mortgage payments and increasing property values, others seeing them as “ruining the neighborhood” and bringing down property values.

The ADU resident who agreed to be interviewed is a single, working, professional man who has lived on and off in Santa Cruz for the last twenty or more years. He first came to the city to attend the university and is now a professional, in his early forties, who provides computer software support for an organic crops company. Although he would love to own a home in Santa Cruz, and currently earns an annual salary of some \$90,000, he has not been able to afford a home in the city. He has tried various housing options around the city since his student days – renting a room in a home, renting a whole house with friends, sharing a house with one friend. He found his current ADU apartment on Craig’s list and has been living in it for some two and a half years. He says, given the current market for rentals in the city, his options were to find a room in a house to rent, find a studio apartment or this ADU. He feels fortunate to be renting it. It is not inexpensive. His rent started at \$1,650/per month and is now at \$1,700 plus water, electricity, gas and garbage charges adding up to an additional \$180 or so per month. Although he would like to own his own home where he could have a garden, put solar panels on the roof and put sweat equity in the home, he is “having a hard time saving enough money” to enable him to make an investment in a house. The median price of a house in Santa Cruz is close to \$760,000.

His landlord will continue to raise the rent as much as the market can bear. He says:

“He may keep it 5% to 10% below market for me because I am a good tenant. But this is a business proposition for him, a way to help make the payments on the main house. My landlords girlfriend manages an apartment on the edge of town and there a one bedroom goes for \$1,800 and a two bedroom for \$2,122. One of my friends has an apartment by the Cliffs, one bedroom, no sea view but a couple of blocks away from the sea

and he pays \$2,200. If I earned 50 or 60 thousand dollars a year it would be hard for me to be in an apartment by myself. I don't want to share this, unless it is with a girlfriend or partner, in which case the cost would be halved. But since I don't have one, I have to pay this if I want my own space.

Several people wanted to move into this ADU and the landlord could be picky. I was happy they chose me. The house was built in the 80's or 90's is well built and insulated and the neighborhood is not too noisy. The ADU was built more recently, is well built, safe, has a high exposed pitch roof ceiling which makes the one bedroom, kitchen bath and living area seem bigger than its 550 square feet and it is well insulated, so it stays warm in the winter, has its own forced air unit, and utilities. I like the fact that I have a one-car garage below where there is a charging outlet for my electric (Leaf) car. I have a nice garden to look out on and some plants on my deck. It is a nice neighborhood with lots of kids playing in the street, and people are friendly and I know my neighbors. It is also a good place to socialize with my friends and have someone over to dinner. The city is approving a lot more ADU's and it is pretty much a supply and demand situation. As more ADU's become available maybe the rental rates will drop."

He has been following the housing market and is doing his homework on local real estate values. He hopes his research and study of neighborhoods will allow him to move quickly if a good opportunity to buy a home comes along. But it is a scary proposition as he has lived through the downturn in property values in 2007. He has looked into condominiums, which some of his friends have bought, but they pay quite large HOA fees and the fact that these can be raised, at times quite precipitously, concerns him. The friends who have bought units under \$400,000 have settled for units, which in his words are "super small."

No doubt this story in many variations and combinations might be heard throughout the city of Santa Cruz and others like it across California. It is the reality that young, working professionals face in the heated housing markets that exist in the high amenity, high quality-of-life cities in California. In fact the literature and the lay social media coverage is replete with such stories. And the California Legislative Analyst's Office has identified several reasons why Coastal California is particularly affected by housing price increases.² The report identifies lack of new housing production and the high cost of land as factors. ADUs do serve to bring on line new housing units on land that is already in use for housing and has needed infrastructure, and if well designed provides housing for a population that has the ability to pay but lacks housing choice.

The policy challenge then is to make the process of **creating such units easier for home owners without endangering the health and safety of the occupants**, and, making the process technically clearer and easier so that single family home owners will assume the task and posture of developers and make investments in the

development of an ADU on their property. Increasing supply might indeed help contain costs.

Looking forward

Staff at the City of Santa Cruz note various ways in which one might in fact loosen the constraints, in towns that are desirable destinations (for student, retirees and elderly, like Santa Cruz, Berkeley and San Luis Obispo, and others where pressure for rental units is very high such as San Francisco) might make, or have already made, guidelines for ADUs more inclusive. The 2015 change in the City of Santa Cruz codes have allowed smaller units on smaller lots and reduced the side and rear yard requirement. Staff suggestions for facilitative changes are forward looking and include the following:

“The rental inspection program is discovering many units, and the effort should be to legalize as many as possible. Every unit is an individual issue. A unit can technically be too small, a ten by twenty room of some 200 square feet when the minimum requirement is 220 square feet. Additional bedrooms can have doors that exist to the exterior. If the unit has a door open to the rest of the house it can have a bathroom, and a microwave and shower, and water closet. If the city were to allow two kitchens in a single home and a shower it could help house people such as students, residents in multigenerational houses, and young people living together – a bed, bath and a very little kitchen could accommodate such people without endangering and putting them at risk. This flexibility would allow city residents to age in place. Older people, singles or couples don’t need a three-bedroom two-bath house with a two car garage but that is what they may often end up in given current trends in migration and jobs.

A campus can encourage students to show up with not just a computer that might have cost over \$1,000 but also a bike or 50 cc electric or gas scooter. There would be safety in numbers.

We used to have a requirement for a 5,000 feet lot. It is now reduced to 4,500 and other cities are going even lower. Our demographics are different now with more single person households and elderly.

One might scale the charge for building permits by the number of units being constructed or by the square footage of the unit being added on. However on this matter of differential charges staff expressed some concern about the issue that the State of California might interpret this as representing in lieu funding. They connect this issue to changes in State Policy requiring construction that utilizes in lieu funds must pay workers the prevailing wage. As there is no mandate to use unionized labor for single family home construction and as most ADUs are constructed by relatively small construction crews, the interpretation of lowered permit fees for ADUs they fear might represents a set-back to easing the entry cost to home owners and facilitating construction of ADUs. Typically ADUs are

built with a lot of self-help and sweat equity by owners who hire small contractors to do permit related work that must pass inspections.

A city might provide incentives for new units to put in an ADU right at the start of construction so that it can house a traditional family and an alternative family type. The ADU can act as space that can be flexibly used by the family or rented out.

Can the minimum size of an ADU be even smaller? Families live in 150 square foot trailers and similarly, an ADU might consist of just 200 sq. ft. or 250 square feet. This would be responsive to the minimalist movement.

People want to know the rules to which they must adhere to legalize their units. They don't want to be subject to the vagaries of the public discussion and discretionary process. We can perhaps do more towards that end."

ADU's in Other California Cities

Several cities throughout California have adopted a variety of guidelines and ordinances in support of owners constructing ADUs on their properties. The Accessory Dwellings volunteer web site lists Lake Elsinore (second unit) Los Angeles (defaults to state standards) Richmond, Sacramento, San Diego City (companion unit), San Diego County, San Francisco (Castro District) San Jose, and Santa Cruz. See <http://accessorydwellings.org/adu-regulations-by-city/> . But this is an incomplete listing of cities that have some form of adopted ADU guidelines. And they are pushing the envelope of what is permissible. Some of them have actually implemented a few of the above suggestions, for example:

The city of Novato, California recently passed an innovative "Junior" accessory dwelling unit zoning ordinance that went into effect in January of 2015. It offers a reduction and lowering of fees, and changes in fire protection requirements that will create a new class of ADUs with requirements that make them easier to create than a standard ADU. It has removed the requirement for an additional parking space, eliminated the need for a sprinkler system, and, eliminated development impact fees as well as reduced the planning permit fees. (Nicosia: 2014) The JADU will require an internal and external access, can share a bathroom, can install a wet-bar type kitchen only with limits on sink, counter and drain size, and electrical service. It requires owner occupancy of one of the units.

Berkeley adopted an Accessory Dwelling Unit Zoning Amendment on 8/19/2015 that reduces constraints on ADUs in a variety of ways including reducing side yards, modifying the conditions under which building might occur on a site, including lot coverage and front yards, reducing the size of eligible lots and so on.³ Policy recommendations by the Planning Department to facilitate the permitting and construction of ADUs include granting ADU permits by-right, if certain conditions are met, instead of the current process which requires lengthy and costly individual variances. The Planning Department identified several conditions that must be

satisfied if an ADU is to be permitted automatically, rather than through a hearing process. A study by Berkeley students (see Abenojar et. al.: 2015) completed in Fall 2014 to assess the perceptions of density associated with Accessory Dwelling Units led them to support most of the criteria identified in the proposed policies that would need to be met for expedited approval to occur.

Policy Implications: The approach to ADUs and their facilitation varies widely throughout California. City ordinances, if they exist, are fine-tuned to existing conditions – political, demographic, economic, and other less identifiable but quite significant societal aspects that shape how cities embrace or reject the ADU approach to expanding housing availability and choice in their communities. The opportunity inherent in ADUs is recognized widely, and nationally there has been considerable deliberation and research on the topic. APA Quick Notes (APA 2009) lists the following questions, the answers to which can help a jurisdiction determine the effectiveness and impact of a potential ADU program. The Santa Cruz case substantiates that this list is quite relevant and applicable to California.

By-right Permitting

Should permits for ADUs be issued as a matter of right (with clear standards built into the ordinance) or should they be allowed by discretion as a special or conditional use after a public hearing?

Occupancy

Should ordinance language allow an ADU only on the condition that the owner of the property lives in one of the units?

Form of Ownership

Should the ordinance prohibit converting the ADU unit into a condominium?

Preexisting, nonconforming ADUs

How should the ordinance treat grandfathered ADUs? How do you treat illegal apartments that want to apply for an ADU permit?

Unit Size

Should the ordinance limit the square footage of the ADU to assure that the unit is truly accessory to the principal dwelling on the property?

Adequacy of Water and Sewer Services

How do you guarantee there is enough capacity in sewer lines, pumping stations, and treatment facilities to accommodate ADU?

The Santa Cruz ADU program has been successful in stimulating an increase in the number of legally permitted ADUs in the city. It has raised community awareness of the potential of ADUs to both provide needed housing and to enable home owners to defray the increasing cost of home ownership, and to provide incentives for them to add to the prevailing housing stock and manage it. It is also enabling the production of a housing type that accommodates to the changing demographics and family types. ADUs are also enabling home owners to flexibly use their homes to accommodate and afford housing for their own families as the size and circumstances of their family changes over time.

The interviews of the ADU resident in Santa Cruz and city staff underscore the need for making available ADU type housing as family size and structure changes. As the census reveals, the distribution of family type in the State is increasingly trending to

smaller families, non-traditional families, and single person households. Family households are down from 90% in 1940 to 66% in 2010.⁴ Their housing needs can be partially met with non-traditional housing types such as ADUs. The fact that there are many “illegal” or non-conforming subdivisions within single-family homes is an indication of this change, this market and this need. This demographic shift has happened rapidly and cities find themselves behind in their ability to formulate policy and regulation that can accommodate changes in tastes, preferences, and the economics of housing costs.

They also reveal **the tensions that prevail in both making the regulation and oversight of ADU unit production flexible and encouraging of investment but also protecting the health and safety of the renter who occupies these units.** Cities throughout California who are in similar circumstances as Santa Cruz, and experiencing even greater demand such as Berkeley and Novato, are introducing even more permissive regulations and reducing unit sizes to accommodate the need. This effort is worth observing, recording, analyzing and disseminating as it offers potential solutions that other cities and counties might emulate and fit to their local circumstances. The basic characteristics of ADU development that can be extrapolated from these cases are: reduction in parking requirements, minimum size of unit, lots, and setbacks; and, ability to add more than one kitchen unit in a single family home. Also important is the waiver of state regulation with regard to the mandate to use prevailing wages when such small additions are made to single-family homes. The political realities of how one might gain acceptance for such regulation is also illustrated by the Santa Cruz effort. Most important to acceptance is our understanding of who these units can serve to shelter. The interview of one ADU resident serves to illustrate who might need such accommodation and how increased supply might serve to reduce cost.

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Alex Khoury, Assistant Director, Planning Department, City of Santa Cruz (phone interview 8.24.15)

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Notes

¹ For details about the city perspective on ADUs see: <http://www.cityofsantacruz.com/departments/planning-and-community-development/programs/accessory-dwelling-unit-development-program>

² The data on the effects of high land costs, low density development, and the fact that housing construction on California Coast was Flat in the last 15 years is corroborated by in the data March 17, 2015 report by the Legislative Analyst's Office (LAO) titled California's High Housing Costs: Causes and Consequences. See particularly pages 10-13. <http://www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.aspx> Accessed 11.21.15.

³ For details of this adopted ordinance see:

http://www.ci.berkeley.ca.us/planning_and_development/Commissions/Accessory_Dwelling_Unit_Zoning_Amendments.aspx accessed 11.21.15.

⁴ See Table 1: Percentage Distribution of U.S. Household Type, 1940 to 2010 in Linda A Jacobsen, Mark Mather, and Genevieve Dupuis, "Household Change in the United States, *Population Reference Bureau*, Vol. 67, No.1, September 2013, pg. 3. <http://www.prb.org/pdf12/us-household-change-2012.pdf>

VINTAGE WALK (6.7)

575-597 Ave of the Flags, Buellton, CA 93427

Mixed Use (Commercial/Residential)/Live-Work

Problem to be Solved

Buellton is a small town in great need of affordable housing. 54% of city renters are overpaying for housing as are 26% of owners. Buellton has not achieved its RHNA targets. A large number of workers commute to the city for jobs.

The Solution

Vintage walk is a relatively small, higher density development. Has successfully created units of affordable housing, and market rate and commercial space. Design flexibility has allowed units to respond to market demand.

City Innovation

The city has allowed flexibility in use of commercial spaces as residential for a certain amount of time.

City Incentives

The city has allowed higher density, height, and parking concessions.

Developer Innovation

Investment in land owned by developer to create an income stream. Developer committed to stay in the investment and ride out recession cycles.

Financing Innovation

Affordable inclusionary housing units built and sold at a below market sales price to non-profit housing authority. Market rate units rented as accessible to moderate-income families to tide through recession.

Design Elements

Attractive design that is high density, allows flexible use, and serves to set a standard for revitalizing area.

Partnership Outcomes

City goal of creating a core, housing authority's ability to buy and own affordable units, and the developer goal of developing an income stream from land holding and staying the course through a recession were achieved.

VINTAGE WALK (6.7)



1. Vintage Walk Architecture (Source: Moriarty Property Company)



2. Elevation of Vintage Walk from Ave. of Flags (Source: Moriarty Property Company)

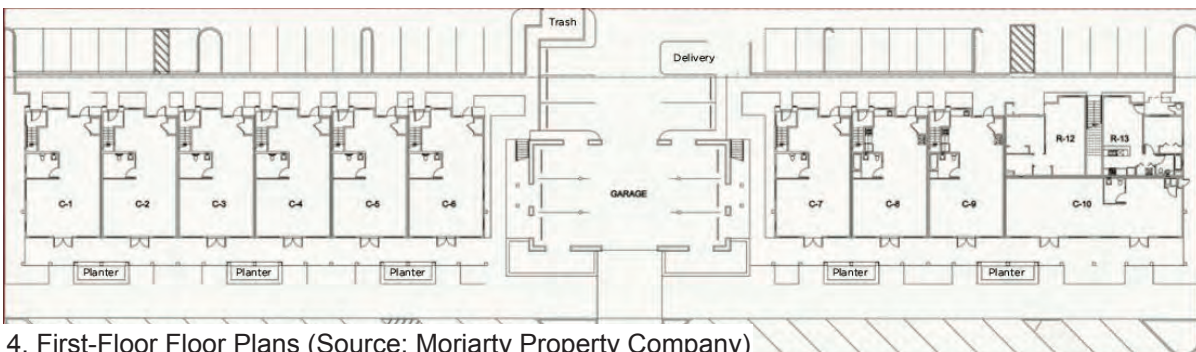
Second Floor Site Plan



Third Floor Site Plan



3. Second- and Third-Floor Floor Plans (Source: Moriarty Property Company)



4. First-Floor Floor Plans (Source: Moriarty Property Company)

Vintage Walk (6.3)

575-597 Ave of the Flags, Buellton, CA 93427

Mixed Use (Commercial/Residential)/Live-Work

Developer: Moriarty Property Company, 597 Ave of the Flags, Buellton, CA 93427
(805) 686-5151

Bermant Development Co., 5383 Hollister Ave #150 Santa Barbara, CA 93111
(805) 964-7200

The Housing Authority of the County of Santa Barbara: Owns six Low Income Units maintained and rented to Section 8 recipients.

Architects: Peikert Group Architects, LLP., now RRM, 10 East Figueroa St #1 Santa Barbara, CA 93101, (805) 543-1794

Contractors: Trabucco Construction, 5383 Hollister Ave # 150, Santa Barbara, CA 93111

Financing: Community West Bank, 2615 S Miller St. 110 Santa Maria, CA 93455, 805-938-1690

Meeting the Need for Low and Moderate Income Housing

Set in the attractive Central Coast region of California with a moderate year-round climate the small City of Buellton, incorporated in 1992, is located on Highway 101 and State Highway 246. It functions as a gateway community to a region where wine making and tourism are key industries. Within a six-mile radius are the picturesque villages of: the Western themed town of Santa Ynez; the Danish City of Solvang; and, the small rural communities of Los Olivos, Los Alamos and Ballard. The region is known for charming inns, fine restaurants, inviting shops, art galleries, and cafés and increasingly recognized as a tourist destination. Buellton is between, and within easy commuting distance of, the cities of Santa Barbara (45 miles south) and Santa Maria (35 miles north). Vandenberg Air Force base is 17 miles to the west along State Highway 246.

Increasing traffic on Highway 101 in the 1930's and 1940's caused the major street through Buellton, named Avenue of the Flags, to grow to an eight-lane road, four lanes for local traffic, and four for north and south travel on the highway. In the early 1960's Highway 101 was moved east to its current location, and Avenue of the Flags remained as the main street of Buellton.¹ In an effort to create a core identity and focal point for the city town planners have focused on Avenue of the Flags. The town has adopted design guidelines, a circulation plan and a development strategy for the Avenue. A corridor Specific Plan is currently under development.² It will provide land use and design guideline incentives for developers to invest in the area.

The Buellton population, 4,828 in 2010 (US Census 2010) and estimated to be 5,044 in 2014 (Population Estimates: 2014), is mainly white and Hispanic or Latino. It is in great need of affordable housing. The city Housing Element points out that 54% of

renters in the city are overpaying for housing as are 26% of owners.³ **Buellton has not met its affordable housing needs or achieved its RHNA targets.** The American Community Survey gives Buellton's median household income as \$66,076 - slightly above that of Santa Barbara County (median income of \$ 62,779.) **Buellton has a large number of workers who commute to the city for jobs.** As the population of Buellton has risen so has the rate of citizens who fall under the National Poverty threshold - 9% of Buellton's residents are below the poverty level, and 3.2% of those have income below 50% of the poverty level.⁴ The supply of low-income housing is limited.

Responding to city's plan to redevelop the Avenue of the Flags corridor, Moriarty Property Company constructed Vintage Walk, **a mixed-use affordable and market rate development that at the time of completion rented to families with moderate incomes.** The Vintage Walk project addresses three goals of the city: help revitalize and jump start development along Avenue of the Flags; build affordable housing; and create new housing for rent or sale.

Site

Vintage Walk was constructed in 2007. The project is a cornerstone of Buellton's vision of a mix of residential and commercial spaces that reflect new urbanism design principles. It is the first development of its kind in the area and supports the city effort to create a new walk able Town Center. The site is located between Avenue of the Flags and Central Avenue at the intersection of Damassa Rd. The project's 27 units offer not only two-story town homes but also unique, flexible live-and-work options for small business owners and six units of housing for low income families. The project site used to be a vacant lot that was described as "an eye sore" by passing motorists.

Unit Mix

- 10 ground floor store fronts
- 11 town homes (for rent or for sale)
- 6 affordable apartments (meeting the 20% inclusionary requirement)

Townhomes range from 1,280 sq.ft. to 1,560 sq.ft. The affordable units are single bedroom apartments. They are stacked above each other on the south end of the building.

Density: There are 27 units on an approximately 16,400 square foot plot which yields a density of approximately 72 units per acre.

Project and Unit Design

The design of Vintage Walk is reminiscent of a wine county lodge and combines Craftsman and Country Cottage architectural styles. The project is divided into three separate buildings, each three- stories tall. The site is narrow and long. The high density was achieved by building two stories on a small footprint. Construction

is lightwood frame, with shear walls of Strand Board #2 to meet California seismic requirements, and, traditional wood frame construction. The mixed-use, building codes required double wall construction and extra insulation that ensure that the homes are well insulated and noise transmission is reduced from the street and between neighbors.

The residential unit above and the commercial unit below can be converted to a live-work unit by inserting a door between the two units at the staircase entrance. The plan emulates the traditional shop-house, ground floor store and apartment above, found in many traditional American and European downtowns.

Sand- finished stucco exterior on the first floor commercial with wood siding above demarcate a clear visual separation between the ground floor commercial units and the residential units on the upper two floors, blending craftsman and country cottage styles. The front elevation features a gabled and a columned arcade that unites the commercial fronts. The framed dormers accent the gabled roofs and bring down the scale of the building at street level. Stone-veneered planters add street level visual appeal.

Parking: The city allowed on-street parking in front of the building to count towards the requirements for the street-facing commercial. Required parking for the residential is at the back of the site keeping residents, tenants, and customer parking separated.

Project Innovations

Design Elements

The buildings are well designed. Architect Deti Peikert notes some key urban design principles informed the site and building designs:

Walkability: The project has a pedestrian friendly street design. The buildings are close to the street, sidewalks are tree-lined and there is on-street parking. Parking garages are at the rear of the site rendering the streetscape welcoming.

Mixed-Use: The project is a mixed-use development with shops, offices, apartments, and homes. With commercial on the ground floor and residential above the project has a smaller footprint and units are for rent or sale affording a mix of cash flow.

Design: There is a strong emphasis on aesthetics, human comfort, and overall architectural design and the importance of creating a sense of place.

Flexibility: The **mix of commercial and residential and the ability to convert units to live-work, or from commercial to residential provide the flexibility** for the developer to respond to market demand.

For sale or for rent: The project is designed so it can be sold as condominiums with requisite vertical and horizontal separations between units with double wall construction.

Use concession: To allow the developer time to attract commercial occupancy, the city stipulated a number of years that the commercial units could be used as residential. The first floor is now fully occupied for commercial uses.

The design and appearance of the building is holding up well. It is well maintained and sets a standard of quality design and construction that sets a tone of high expectations for subsequent developments. Two more projects are in the approval process. There are many intricate, value-adding details to the façade and finishes as well as in the landscape elements. The architect points out that these were expensive, and that the project could have been slightly under designed to bring down the cost but still remain attractive and set the tone for the vitalization of the street.

Sustainability: The city has removed one drive lane and replaced it with a Class 2 bike lane with the aim of slowing the speed of street traffic. It is separated from the automobile lane by a two foot wide painted buffer. The project is also very close to a bus stop that is less than a quarter of a mile or a 3-minute walk from the project. Two bus lines take riders all over Santa Barbara County.

Regulation

The maximum height permitted for the zoning on the site is 35 feet. The Buellton Municipal Code (Section 19.02.220.G) allows a variable height limit for properties with frontage along Avenue of the Flags. The developer received a Development Plan Modification **that allowed a height increase up to 48 feet high and enabled construction of a three stories building** and the opportunity to amortize the cost of land over more units. The street frontage set back was reduced to zero lot line enabling the developer to increase the square footage of commercial that could be build. **The increased square footage helped to make the project feasible.**

Finance

Vintage Walk provides housing at various prices. The 10 commercial storefronts on the first floor house will generate taxes for the city. The 11 2 story town homes on top of the commercial units are intended for sale or for rent. When completed all units except the six earmarked for low-income residents were available for sale or rent. All the units came on-line in 2007 at the height of the real estate recession. The timing for sales was not good. The developer rented all the units at rates that made them affordable to families in the moderate-income category. All units are currently occupied. The research team was unable to obtain information first-hand from the developer about how many are owned and rented and for how much. All residents and tenants pay a \$150 per month for Home Owners Association fees.

The project met its inclusionary housing allocation requirement of 20% by constructing six low-income apartments. The units were sold to the Housing Authority of the County of Santa Barbara at a price that was substantially below the then market rate. The representative of the Housing Authority says that the developer negotiated a price for the units and adhered to it two years later, despite increases in market values and construction and project costs. He estimates that **they paid the developer about 40% of the market rate** at the time. The

partnership with the Housing Authority helped the project gain expeditious concessions, permits and approvals from the city. Both the city and the developer were reassured that the affordable units would be well managed, maintained and all annual reporting and renter certifications would be on time and correct. The Housing Authority was an active partner in the project approval process including in the negotiations on setback from lot lines and height increases. The city was enthusiastic about the fact that the Housing Authority would own the six low income units and factored that into the negotiations. The Housing Authority now owns and manages them as Section 8 Units. The Maximum Monthly Rent is maintained at \$1,129, or 30% of the tenants Gross Annual Income. Each apartments can house up to three people.

The project is also eligible for the Workforce housing Program especially created for those who are employed in the workforce and meet income criteria. Recipients have access to equity for 100% of down payment, do not have to pay for closing costs, receive long term FHA financing, and have no resale price restriction.

Some Take-Aways

The research team was unable to connect directly with the developer of this project. However interviews with other actors involved in this project have been revealing. It appears that despite the fact that this project was completed in the depths of the real estate recession, the developers maintained control and ownership by renting out the units. He did so at rates that made them accessible to moderate income families. The units are currently fully occupied. Details of how many have been sold, how many are rentals and at what rates, were not available.

This project illustrates that public private partnerships can result in production of affordable housing and market rate housing that is of high design quality in relatively small, scattered site projects. Housing can be built at higher densities if the city and regulatory standards provide height, density and set back concessions. With careful design the end product can be denser, aesthetically superior, and contribute to revitalizing and bringing vitality to a small city core. The commitment of the developer to place and his ability **to stay through recession cycles was key to the success of this project**. With committed participation of the city, the developer, and a well established non-profit, this project is replicable in other small town contexts.

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Notes

¹ See note on history of city of Buellton, compiled by Phyllis Lotz of the Buellton Historical Society from Article by Michael Redmon “What Can You Tell Me About The Origin Of Buellton?” reprinted by permission of The Santa Barbara Independent, (c) 2004, <http://www.cityofbuellton.com/history.php#sthash.57ylhtxg.dpuf> accessed October 20, 2015.

² Personal communications, Andrea Olsen, Planner, City of Buellton, October 21, 2015.

³ See Housing Element, City of Buellton, pg. 57.
<http://www.cityofbuellton.com/files/Land%20Use%20Documents/Housing%20Element-43389.pdf#search=%22Avenue%20of%20the%20Flags%22>
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⁴ See Buellton, California (CA) Poverty Rate Data Information about poor and low income residen<http://www.city-data.com/poverty/poverty-Buellton-California.html>

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CHAPTER FOUR

LOS ANGELES AREA



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FAIR OAKS COURT (7.5)

588-608 North Fair Oaks Avenue, Pasadena, CA 91103

Innovative Financing/Adaptive Reuse

Problem to be Solved

The high cost of living throughout Los Angeles and particularly in city centers such as Pasadena's has resulted in gentrification and displacement of lower income families.

The Solution

Remove planning and zoning barriers to encourage the addition of affordable housing, stabilize neighborhoods and encourage adaptive reuse of existing residential.

City Innovation

The city of Pasadena was an early adopter of three pertinent policies: an inclusionary housing ordinance (2001), a housing incentive fee program (2004), and a density bonus ordinance (2006).

City Incentives

City invested In lieu funds in the project. Development allowed minimal street setbacks to achieve a higher unit density.

Developer Innovation

Reduced costs through preservation and small by design infill project.

Financing Innovation

New Market Tax Credit funds cycled through three affordable housing projects. Several layers of support, from County, City and HDC's BEGIN program applied for through the City of Pasadena. HCD Funding is a relatively small proportion of overall funding.

Design Elements

Adaptive reuse of buildings for cost savings and retain the unique detail of original craftsmen style homes. Good solar orientation and cross ventilation for passive energy efficiency.

Partnership Outcomes

Partnership of developers in two cities to build affordable housing using NMTCF funds. Preservation of nine craftsman style bungalows. Partnership with City for increasing density.

FEATURED HOUSING CASE

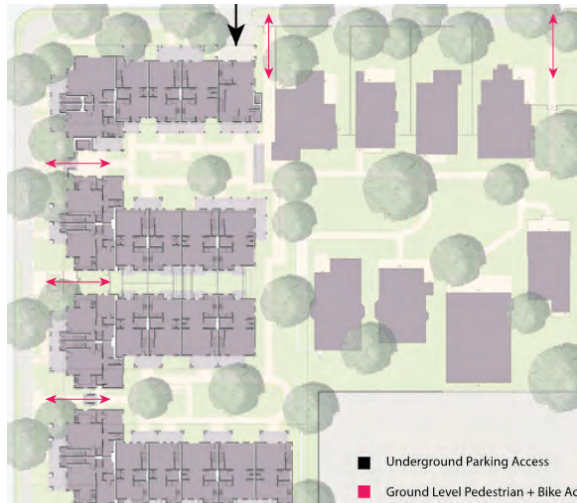
FAIR OAKS COURT (7.5)



1 Fair Oaks Court Architecture and Design (Source for all images: Moule & Polyzoides)



2. Fair Oaks Court Interior Courtyard



3. Fair Oaks Court Site Plan and Parking Access



4. Fair Oaks Court Interior Courtyard

Fair Oaks Court, Pasadena (7.5)

588-608 North Fair Oaks Avenue, Pasadena, CA 91103

Innovative Financing/Adaptive Reuse

Developer: Heritage Housing Partners (HHP), 608 N Fair Oaks Ave, #126, Pasadena, CA, (626)-403-HOME

Architects: Moule & Polyzoides Architects & Urbanists, 180 East California Blvd, Pasadena, CA, (626)-844-2400

Financing Partnership: New Markets Tax Credit (NMTC), City Of Pasadena, Building Equity and Growth in Neighborhoods Program (BEGIN) Program

Other Key Players: Doug Bystry, CEO of Clearinghouse Community Development Financial Institution

Meeting the Need for Low and Moderate Income Housing

The City of Pasadena is the ninth largest city in Los Angeles County and is one of the primary cultural centers of the San Gabriel Valley. The high cost of living throughout Los Angeles, but especially close to Downtown Los Angeles and other city centers **such as Pasadena's has resulted in gentrification and displacement of lower income families.** The need to relocate farther from downtown areas and other desirable neighborhoods is also apparent in Pasadena as a result of high cost and demand for housing and few affordable housing options in the city.

Fair Oaks Court offers one, two, and 3-bedroom attached single-family townhome style condominiums close to the heart of Pasadena. The site is located in the Fair Oaks and Orange Grove Specific Plan (FHSP-C-3A) that aims to remove planning and zoning barriers and to encourage small businesses. This plan also seeks to stabilize neighborhoods by encouraging the addition of affordable housing. And it seeks to: encourage adaptive reuse of existing residential and commercial buildings; protect and preserve the existing historic character of Fair Oaks and Orange Grove; and, foster a greater sense of community. **Fair Oaks Court is a 44-unit for-sale town home project that has incorporated numerous innovations in the development of much needed moderate income and workforce housing.**

This project, unlike the other projects in this report, received state funding through HCD's Building Equity and Growth in Neighborhoods Program (BEGIN) program, receiving \$30,000 per newly constructed unit through a second mortgage. These funds were obtained through the City of Pasadena and cover less than 20% of the cost of each newly built home in the project. In Fair Oaks the innovation of using New Market Tax Credit has significantly reduced reliance on public subsidy as has the adaptive reuse of existing on-site bungalows.

Site

Fair Oaks Court is located on the corner of North Fair Oaks Avenue and East Peoria Street on a 1.76-acre corner lot. The project has a density of 23 units per acre and is designed to create a sense of community by providing generous open spaces and courtyards between units.

The project preserved many of the mature trees on the site which, along with two courtyards, a large green and other open space, establish a strong garden-like character to the complex. Direct access from the ground floor to each apartment and townhouse makes the units individualized and avoids the common, usually bleak, entrances that characterize apartment complexes. All units are entered from ground floor porches that provide a front-door identity for each owner and an immediate connection to the outdoors, whether into a front yard, courtyard or common green space. Each of the townhomes is two stories and has an attic third story. One level of subterranean parking with 84 parking spaces serves residents and visitors. Fair Oaks Court renews a tradition of Craftsman building that has long been practiced in the region and which helps to define Pasadena's memorable historic character (Moule & Polyzoides Architects, 2015).

Fair Oaks Court is across the street from a grocery store and has two parks within a 10 minute walk. The Fair Oaks Court site is located within the Pasadena Unified School District. Old Town Pasadena, the main shopping hub, is a 15 minute walk (0.8 mi.) away from the development, and there is a very direct route south to the downtown. The Memorial Park Gold Line Light Rail Station is a 14 minute walk away (0.7 miles) and an even shorter bike-ride. It offers direct transit to Downtown Los Angeles via Union Station, and connections to other areas of Los Angeles via transit connections. There are also bus lines that run along Fair Oaks Avenue that provide connections throughout Pasadena and the San Gabriel Valley.

Project Composition

This project includes:

- 44 units – including rehabilitated homes
 - 33 low- and moderate-income units (80-120% AMI)
 - 3 workforce units (120-150% AMI)

Unit Mix

- 8 1-bedroom units,
- 10 2-bedroom units,
- 13 3-bedroom units, and
- 13 4-bedroom units
- 84 underground parking spaces, outdoor common spaces, and gardens

Unit Price

Fair Oaks Court blends new Craftsman and bungalow-style townhouse and apartment units with 8 rehabilitated historic homes. There is some cross-subsidy from market-rate units to affordable units. Market rate units sell for an average of \$675,000. Net sales prices average \$100,000 for the low-income units, \$225,000 for the moderate-income units, and \$450,000 for the workforce housing units.

Affordability is achieved with:

- 1) Cross-subsidization by market rate units
- 2) Rehabilitation of historic homes (adaptive reuse)
- 3) Density bonus
- 4) Conditional use permit for setbacks
- 5) Financial innovations

Unit Affordability Mix: The unit mix in the project in terms of affordable and market rate is as follows:

- 33 low- and moderate-income units (80-120% AMI) (75%)
- 3 workforce units (120-150% AMI) (7%)
- 8 market rate units (18%)

Density: 23 units per acre.

Project and Building Layout

Fair Oaks Court is located at North Fair Oaks Avenue and East Peoria Street on a corner lot. The 1.76-acre lot features eight historic homes that were on the site and have been moved so that they are clustered on to the east end of the almost rectangular parcel. Four larger townhome buildings occupy the western end of the parcel. A common yard connects the eight detached homes – four on the north side, four on the south side of an open green. The two northern-most townhome structures share a linear, courtyard-like common space between them as do the two southern-most townhome structures. Pathways and green space connect each of the yard areas.

Parking

There are a total of 84 parking spaces at the Fair Oaks Court complex all of which are underground. The vehicle entrance to the underground structure is from East Peoria Street.

Project Phases

1. Demolition of 3 existing dwelling units
2. Relocation/rehabilitation of 9 existing dwelling units (3-on site, 6 off-site)
3. Rehabilitation of 4 existing dwelling units on-site
4. New construction of 31 townhomes on-site
5. New construction of 82 space subterranean parking garage
6. Landscaped open space (approximately 15,000 square feet) and two additional interior courtyards adjacent to the newly constructed townhomes.
7. New construction of 1,450 square foot professional office space

Key Players

Heritage Housing Partners

Heritage Housing Partners (HHP) is a non-profit, founded in 1998 with the goal of promoting long-term affordable homeownership through the preservation of existing historic homes and the construction of new, single-family residences. HHP was the lead developer on the Fair Oaks Court project.

Moule & Polyzoides Architects & Urbanists

Moule & Polyzoides was founded in 1990 as a firm focused on addressing the need for sustainable buildings, and neighborhoods. As the architects of Fair Oaks Court, the firm incorporated their goals which are stated as: “providing development that celebrates civic life, cares for the natural world, and provides alternative models to the social isolation and placelessness of suburban sprawl.”

City Of Pasadena

The City of Pasadena, the ninth largest city in Los Angeles County, aggressively attempts to address its housing shortage and respond to the need for affordable housing in the city. The City supported the construction of this project by providing resources from a fund specifically designated to support affordable housing, and partnering in the application for the State's BEGIN program.

Clearinghouse Community Development Financial Institution

Charles Loveman, executive director of HHP, worked with Doug Bystry of Clearinghouse Community Development to pioneer a deal in which the project could get funding from the New Markets Tax Credit (NMTC). The NMTC was created by the Federal Government to spur new or increased investments into operating businesses and real estate projects located in low-income communities.

Project Innovations

Design Elements

Context: The design of Fair Oaks court is innovative in its reuse, rehabilitation and relocation of nine bungalow-style historic homes which existed on this site. These were relocated on (3) and off-site (6). The rehabilitation of the bungalow style homes cost significantly less than the new construction, which resulted in an average development cost of \$477,425/unit. This is significantly lower than other similar-sized developments in Pasadena. The lower average price per unit allowed more units to be designated for families with low- and moderate-incomes.

The residential units are smaller by design rendering them more affordable. 3-bedroom, 2-bath units start off at 1,090 square feet, smaller than the average detached single family home. The courtyard-like layout offers both communal and private outdoor spaces that create a sense of community. All units are accessible through porches that face the open spaces and courtyards. Outdoor common spaces like this are hard to come across in the residential environment in this area.

Design Innovations: Several elements of this project cause it to stand out from a design perspective. Vinayak Bharné, Urbanist, Moule & Polyzoides Architects describes these as follows:

“1. Preserving existing historic bungalows on a site - The project preserved all the historic bungalows on the site, relocated them and reorganized them in the proposed scheme at the back of the site to enclose a common courtyard. This courtyard does not have parking under it, and is a natural common green.

2. Introducing quality development in a marginalized neighborhood - The site is located within a marginalized, even worn-out neighborhood in Pasadena. To be able to bring quality housing development, and a financially successful project with little inspiring surrounding context is a huge accomplishment for any developer.

3. Regenerate a street urbanism within a marginalized neighborhood through positive frontages - The project creates a positive frontage towards all surrounding streets through inviting porches and stoops - even though there is nothing to acknowledge on the other side of the street. In other words, it paves the way for a positive urbanism that other succeeding projects within the neighborhood can be inspired by. In this sense, the project's impact goes beyond its specific site.

4. Hiding parking from the Public Realm - The project's density enables it financially to accommodate all parking below ground, hiding it from the public realm.

5. Introducing Density in Urbane Architectural Forms - The project accommodates significant residential density in house-scale forms. This is accomplished in part by treating the third story spaces as a series of dormers projecting out of a sloping roof with the eaves at the second story. This helps reduce the visual scale of the project to a single-family house-scale when seen from the street.

6. Creating courtyards as outdoor community rooms - The project is designed around 3 courtyards, that all become outdoor rooms for the residents in the benign climate of Southern California. Two of these courtyards sit atop an underground parking garage. The third at the back of the project is a natural green.

7. No corridors - The project has no circulation corridors. This saves valuable real estate, because the stairs giving access to the upper level units are sold as part of the unit. The gross to net sale-able area of the project is close to 100%, since no area is lost in circulation space.

8. Cross Ventilation to all units - All units in the project have direct light from two or more sides, unlike a double-loaded corridor building. The proposed units also get direct cross-ventilation, making the project "greener" just through the basic design.

Within the realm of sustainable design, Fair Oaks Court was designed and developed in the mid-2000's, before the adoption of the Title 24 California Green Building Code. Fair Oaks Court was also developed before the current drought and water crisis. Despite the lack of mandates to build green the development used east-west orientation, which allows for self-shading on the south side and reduced opening on the west, giving the layout a very good solar orientation. In addition to adaptive reuse of buildings, this layout and the cross ventilation offer passive design feature that contributes to energy conservation and sustainability.

Financing

This was the first project to use the New Markets Tax Credits (NMTC) for a residential development. Charles Loveman, executive director of HHP, worked with Doug Bystry of Clearinghouse Community Development to pioneer a deal in which the project received funding from the NMTC. The NMTC was created by the Federal Government to spur new or increased investments into operating businesses and real estate projects located in low-income communities. It provides a credit against federal income taxes in the amount of 39% of a qualified equity investment and stipulates that investments remain in eligible community development uses. The

credit is for a seven-year period, and the funds have to remain invested in qualified uses for the entire seven years. Complying with the NMTC requirement to keep the equity invested during a seven-year period was the most difficult issue for HHP to address.

Loveman and Bystry came up with an innovative solution that led to construction of more low-income housing than was originally planned. Upon sales of the Fair Oaks Court units the NMTC equity financing for Fair Oaks Court was invested in the development of two other projects thus providing needed equity to three affordable housing projects. The neighboring City of Glendale, which is another community-invested city, was chosen for the second and third projects as they committed their funds and arranged financing for these other projects. By spreading the investment over three projects in seven years HHP could meet the requirements of the NMTC. 37 more low- and moderate-income units were developed in nearby Glendale. NMTC investment was central to the success of three housing projects and provided an opportunity to create more affordable housing in cities that are in great need of affordable units. The NMTCs brought a total of \$6,266,000 into the project, only \$930,000 of which had to be repaid. To meet the required seven-year investment, only \$2.9 million of the NMTC equity remained in the Fair Oaks project, and the remaining equity moved on to the Glendale projects.

Low-income buyers will receive \$78,378 from NMTC-generated equity, which does not require repayment; plus \$159,250 from the city at approximately 1 percent or 2 percent interest, with payments deferred for five years, after which a small payment is required; and \$60,000 from the Los Angeles County for the two-, three-, and four-bedroom units at a rate of 1 percent, deferred until sale or refinance. Another \$30,000 was provided by the State's Begin Program for the 31 newly constructed units. The total amount of soft money per unit was \$327,628.

Moderate-income buyers will also receive \$78,378 from NMTCs, plus \$100,000 from the city, \$37,500 from county, and \$30,000 from the State's Begin Program, for a total of \$245,878 in soft money per unit.

The City of Pasadena contributed affordable housing fund toward the low- and moderate-income and workforce housing components of the project. The City's \$4.17 million loan converts from construction to low- and moderate-income homebuyer assistance. Other funding includes an \$8 million construction loan from Washington Mutual at prime.

Regulatory and Governmental

The City of Pasadena has actively promoted development of workforce and affordable housing. The city received the Richard Larson Housing Policy Leadership award in 2014 in recognition of its efforts (see ULI 2014) which included early adoption of three pertinent policies: an inclusionary housing ordinance (2001), a housing incentive fee program (2004), and a density bonus ordinance (2006). Heritage Housing Partners, the non-profit housing developers of the Fair Oaks project, who are located in Pasadena, have effectively utilized these facilitative city policies. **The location of this project in the Fair Oaks and Orange Grove Specific**

Plan was very key as the specific plan goals include attracting development, fostering a sense of community, and, minimizing regulation to spur growth. The specific plan allowed the city and HHP to work collaboratively to make the Fair Oaks project a reality.

The Craftsman and Arts & Crafts style are a significant feature of Pasadena's historic city fabric. The city was a popular site for the bungalow style homes that existed on this site. Iconic residences such as the Gamble House and Blacker House are landmark properties from this era that have been preserved and listed as heritage sites. Preserving the heritage of Pasadena is high on the list of city priorities as is building a sense of community and connecting city residents with city history. Preserving the nine bungalows that existed on the Fair Oaks site gave the developers credit for historic preservation. The City also permitted the developer to build rather large craftsman style multi-unit townhomes to achieve the density needed to make the project financially viable. The project's North Fair Oaks Avenue façade is designed in a bold craftsman style and this facade continues down Peoria Street and allows the project to fit into the existing residential community. Stylistically the project blends seamlessly into the neighborhood despite its higher density.

The Fair Oaks Court development was allowed minimal street setbacks that enabled the project to achieve a higher unit density and to provide only common green spaces, which were carefully designed to create family-friendly, shared community spaces within the project.

Some Take-Aways

The Fair Oaks Court project demonstrates financial ingenuity in its use of New Market's Tax Credit, as well as City, County, and State funding. This project was able provide for-sale homes for families that would otherwise be living much further away in less desirable neighborhoods. The project's use of its main funding source NMTC is innovative in that these **tax credit funds were leveraged to build not one, but three affordable housing projects.** Innovating to cycle the funding through multiple projects and partnering with a neighboring city to allow this involved a broad based commitment. Heritage Housing Partners, the non-profit developer, is credited with having worked tirelessly to forge a deal that would bring this project into fruition.

The City of Pasadena is proactive in its attempts to create housing for residents of all income levels. The goal of housing a diverse and inclusive community is central in the Fair Oaks Court project and other affordable housing projects undertaken in Pasadena. The city has adopted **facilitative specific plans that support the construction of denser more affordable developments.** This helps the city to recruit developers who will build projects that assist the city in meeting its affordable housing needs.

The Fair Oaks Court project capitalized on the fact that it had available historic homes that were in need of rehabilitation, the lower price of which also offset the cost of new construction. This aspect of the project **may be replicable as many city**

cores have some stock of historic, residential housing fabric that can be considered for preservation and upgrading or adaptive reuse.

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Conclusions

The innovations that private sector and non-profit developers in collaboration with local governments have used to construct housing for families of low or moderate income without the benefit of deep State and Federal government subsidy were described in Chapters One through Three. Despite a concerted search for such projects throughout the state a majority of innovation and breakthrough were found in those regions of California where housing and land prices have escalated and continue to rise while job growth has brought high demand for housing of all types. An initial set of thirty-eight projects was obtained through a multipronged investigation that included a statewide survey of experts (see Appendix 1). These 38 projects were examined in some detail for a variety of innovations that could make for success. The innovations that were found to be prevalent in the total project group assessed in this (see Appendix 2) included the following:



These projects were culled down to ten examples, five that were described as featured housing cases and five that were described as they served to amplify and expand insights from the featured cases. Collectively they represent singular successes and innovations amidst trends in housing preference for less space and reduced commuting time and distance. The ten projects vary greatly one from another, but each fits the local need precisely. This is key to filling the market-based gap; there is no tried and true template as with housing subsidy funding guidelines and no economic cushion as with above market development.

Timing in Assessing Demand

These are relatively recent projects, having been built in the last decade. Some are just coming on line at this writing, are for sale or in lease up mode, or are still under construction but slated for completion in the next six months.

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Location: The projects sorted themselves into three major markets in California.

- In high cost land and housing markets at the core of metropolitan cities.
- In high amenity central coast cities where also the cost of land and housing is high.
- At sites of tourism driven settlements such as in scenic mountain regions where the sometimes-seasonal demand for housing for service workers is difficult to meet.

Collaborative Effort

Creativity and collaboration cut across multiple layers of innovation in regulation, design and finance. Developers in particular perceived the need, and innovated to fill it, and often took considerable financial risks and leveraged multiple sources to access conventional lending. Conspicuously missing from these cases was innovative bank lending.

Interviews with builders, developers, planners and designers during the course of this study reveal that as a group they are curious to learn what is working to enable the construction of units accessible to people with low and moderate incomes. The prototypical details of how each project has been financed, regulated or even designed were seemingly less important to this group than the how partnerships developed, what untested strategies or work-arounds were necessary including those that allowed a project to remain viable pending economic recovery, and how regulatory codes and standards were applied to insure success.

The tension between these is clearly articulated by all who were interviewed and had participated in innovating on the regulatory side. These projects indicate that risk assessment and reasonable risk taking on the part of a city or other local jurisdictions is an important part of the equation that has made for success. As it the reality that all decisions related to land use, and changes in land use, are determined at the local level and public input and acceptance to the change is crucial in most aspects of decision making. Planners, regulators and policy bodies are found making helpful discretionary judgments in areas where they are empowered by ordinances to do so. These have facilitated density increases, setback, height and open space concessions that have made project possible but done so with an eye to protecting the aesthetic quality of places, the safety of occupants, the long term integrity of what is built in the public and private realms, and with an eye to optimizing returns from investments of public resources. Each of the ten successful projects has benefitted from the partnership of city, county and developers both private and non-profit public. The larger story here is that despite commonly held perceptions of obstructionist regulators holding back developer possibilities the partnership and push and pull of collaborations in these ten cases, has resulted in creative designs that are meeting a market need with style and sophistication in design and embodying sustainable practices that bode well for viability of the products over the long term.

Developers commitment to constructing good projects that yield profit but deliver valuable housing which responds realistically to not only what the market makes most profitable but what the consumer needs has been a common theme and impressive. Developers who have taken a long-time-frame view of their investments,

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have stayed the course through the volatility of the market, made financial concessions during the process, taken significant financial risks, and who have sought out collaborative partnerships with like minded professionals and regulators have been key in these successes. In each featured case one finds actors who are committed to, and passionate about, creating projects that make a difference to people's life. They are enthusiastic about, and justifiably proud of, what they have achieved. And they have acknowledged the assistance they have received from collaborative partnerships that were elaborated in case descriptions and which are unique to each case.

Innovations in Design and Regulation

In the course of this study the premise that innovations in design, in regulation, and, in finance are interdependent in reinforcing and enabling housing innovation has held true. There are key areas of innovation, parking reduction for instance, which are dependent on facilitative changes in regulation as is detailed in several of the described cases. Small by design is only possible if the local zoning and building codes are restructured to allow it. The types of innovations that were encountered in the ten featured cases in this study were tabulated to assess which of the innovations were most prevalent and therefore worth noting when moving forward in other contexts. They are summarized as follows:

1. Small by Design (90%)

The micro rental units of the Panoramic (3.10), the structurally and legally separated ownership units of Moylan Terrace (6.6), new ordinance for Junior Accessory Dwelling Units referenced in 6.9 are examples of how the entry cost to housing is reduced by permitting and constructing smaller sized units. That these units have been accepted and are selling in the market supports the building professions' sense that in high land value contexts smaller, denser, minimalist housing, and shared amenities and open space is gaining acceptance. Young urban professionals are the demographic that is most receptive to these units. And they appear to be the demographic group that is benefitting most from these units. All but one of the ten projects is new construction and built small by intent. This harks back to earlier precedents, found in the adaptively repurposed Wineman hotel (6.9) and Fair Oaks Court (7.5) bungalow-style historic homes, which have the smaller rooms and overall area that were the standard for an earlier period in California's history. When repurposed and adapted for a different use, or modified and upgraded for current occupancy, an aesthetically pleasing and functionally designed smaller footprint reduces both the price of the end unit and the energy use and costs required to maintain, while accruing sustainability benefits to the locality for the preservation and reuse of existing buildings.

2. Flexibility in unit design and mix (70%)

Projects feature unit designs that can be easily modified by connecting adjacent units, dividing rooms to yield more bedrooms, providing rooms and spaces that can be converted for multi-purpose uses (bed room, study, office space, storage or workshop), or located and designed for transition to a different use (nursery, guest room, accessory dwelling) to provide a hedge against obsolescence. Short and long-term changes in household composition, demographic evolution, economic capacity,

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and other can be accommodated through the flexibility built into the design. Expansion capacity from three to four bedrooms (Sawmill (2.1), usage and configuration (Moylan 6.6) or adaptation from student dorms to studio apartments (Panoramic 3.1) will make the buildings resilient to market fluctuations and trends while serving a diversity of clients over the years.

3. Green by Design (80%)

The Cal Green Building Codes see <http://www.hcd.ca.gov/calgreen.html> was the first in the national to assert a statewide mandate for all new construction to adopt sustainable standards and conserve resources. As a result all the projects studied here meet Title 24 requirements but several of them exceed current standards; for insulation, heat and sound attenuation; energy star appliances including washer driers and flat panel screens etc.; and, screening and landscaping to provide shading with native and low water consuming plants, and their costs must be factored into the project. Moylan exceeds California standards by over 30%. Adaptive reuse benefits (Wineman and Fair Oaks Court) produced energy savings from reuse and retrofitting of XX and XX, respectively, contributing to the overall reduction in housing cost by unit.

4. Parking Reduction or Elimination (80%)

The strategic locations of these units, proximate to sites of employment, education, recreation, and services allow residents to use alternative modes of travel including bikes, electric scooters, and public transport. For the Panoramic project car parking requirements have been eliminated. Ground floor car space leased to Zip Car for a ride share and storage space for 240 bicycles in the basement well exceeds the minimum bike parking requirements. A reduction in parking requirements is extremely important for the success of almost all the featured projects. In single-family residential areas the easing of required, covered parking spaces in garages or under canopies has enabled accessory dwellings (ADU) through garage conversions, attached room additions and stand-alone cottages.

5. Density Bonus (90%), Height Increases (80%), Setbacks Concessions (90%)

All projects have benefitted from one or more regulatory concessions for maximum built out enabled by setback concessions, density bonuses, and, height increases. These have at times enabled a doubling of the total square footage a developer could build on a particular site. A reduction in side and rear yards, a reduction in covered parking requirements and minimum size of allowable units, has encouraged construction of one and two story ADU units on much smaller lots than was earlier prevalent. At the other end of the spectrum, the eleven story, mixed use, Panoramic project built 160 units - 75% as 274 square foot micro units and 25% as corner two bedroom suites - by applying a density bonus and acquiring conditional use permits to increase the building height, eliminate car parking and side and back yards. The Panoramic is providing a ten-fold increase in number of dwelling units and benefits from a doubling of the typical FAR in this area.

The adaptation and easement of planning regulations were crucial in enabling the selected projects to be built and allowing the production of units to keep pace with the perceived and actual housing demands and preferences in a locality. Regulatory

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easements and building code easements have to be moderated and carefully assessed to prevent adverse impacts on health and safety of residents in the surrounding buildings and within the new units that are built. The tension between these is clearly articulated by all who were interviewed and participated in innovating on the regulatory side. These projects indicate that risk assessment and reasonable risk taking on the part of a city or other local jurisdictions is an important part of the equation that has made for success.

6. Cross Subsidy from Units Sold at Market Rate (70%)

Profits from sale of units at market rate have been used to cross subsidize the price of units for low and moderate-income families. Similar cross subsidies from commercial and retail/service space sold or leased at market rate have also at times been part of the equation to determine feasibility. A combination of these approached in conjunction with contributions of available in-lieu fees has assisted the development and construction of these projects. Developers who were interviewed indicated in lieu fees are essential catalysts for their projects as they help pay for the up -front costs of project development - planning, design, and entitlement – thereby reducing the debt load under a conventional construction loan are clearing the way for loan approval. During the recession years development of real estate in many parts of California slowed down considerably and local government obtained little in the way of in lieu funds. The scarcity of these funds meant that their availability as a tool to leverage and support construction of below market rate housing units was also low. But as development has begun to pick up in many parts of the state more resources are becoming available at the local level for such cross subsidies and cities are finding creative ways to make these funds more directly and quickly available to projects that serve to increase diversity and access. For instance in the case of Moylan Terrace the city approved the developer of a big box commercial development on the south side of the city to transfer funds for a certain number of affordable units directly to Moylan Terrace rather than into the city in-lieu fund.

7. Streamlining Entitlement (50%) and Permitting and Fee Waivers (20%)

Projects have benefitted from, and been enabled by, city efforts to streamline land entitlement and building permitting processes. Cities have reduced the time frame for decisions, eliminated certain processes in permitting, and deferred and later forgiven costs of permitting for units that meet desired affordability criteria.

8. Shared equity in ownership units

The Moylan Terrace approach to for-sale housing insures both the city and the owner who purchased a unit at a below market rate price will, for a stipulated number of years, share in the equity that accrues to that unit. Units that are purchased below market rate in areas where home prices are high and rising can appreciate quite rapidly. The unit owner accrues an increasing share of the equity capital over the first five years they own the home, allowing them to capture some portion of the capital gains. For example, one owner obtained enough equity from the sale of the unit to be able to put a down payment on a market rate unit when she had to relocate to. Moylan Terrace returned their portion of the equity to a fund for investment in a future housing project for affordable or low and moderate-income families.

Reflections

While individual pilot projects may break down barriers that constrain production of housing there is currently no shared and accessible platform for tracking innovative market gap strategies or connecting innovators, outside of individual inquiry. The state could play a role as a clearinghouse and resource for these stories and interface between the development, financing, local planning and regulatory communities.

It is notable that this study uncovered few innovations in housing finance that were initiated by commercial banks to support and enable construction of housing for low and moderate income households. It would be useful to explore if there are precedents elsewhere, in the US or internationally, where banking structures have been more proactive in addressing housing needs for workers, and how. Such an enquiry might succeed in identifying ways in which private banks in California can also be induced to participate in this state-wide effort to expand the housing stock in California, in the locations it is needed by low and moderate income families who work in California's industry.

APPENDICES

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Appendix 1: Project Selection and Methods

Projects to meet the housing needs of low and moderate-income families that are described in this study were identified through a multi-pronged selection process. Criteria for selecting projects included if they were:

- representative of the type of housing needed for low and moderate income households in different regions of California;
- created by way of market driven approaches where the private sector was the key actor in the development;
- successfully bridging the gap between housing need and affordability for households in the low (51%-80%) and moderate (81% -120%) AMI range;
- market responsive and constructed for-profit or non-profit but had a significant private sector component;
- innovative in their approach to design, finance or regulation.

Identifying Cases

This study identified projects that have been constructed within the last ten years. Projects were sought that were exemplary and could provide insight for creating housing in emerging social, economic, and institutional conditions in California. Four investigative techniques were undertaken synchronously. Findings through one approach provided insight, information and leads to identifying project by way of another approach as follows:

1. Secondary Sources Review

A survey of existing literature on market based housing for low and moderate-income families involved looking beyond traditional academic and governmental sources. The team found little academic work on this specific topic. Analytic, overview publications on such buildings are scarce as these prototypes have only recently emerged. Sources included: building industry publications; web site of the Urban Land Institute (ULI); and reports by ULI's Terwilliger Center for Housing; popular journals; media archives; newspapers; business and economic journals; white papers and published reports. These provided insight and analysis of the statewide housing need few offered pertinent and innovative solutions.

Award winning projects under the ULI's Jack Kemp Excellence in Affordable and Workforce Housing Awards were examined.¹ Two award recipients from California appeared relevant, were examined, one in some detail, but not selected for this study as they failed to meet project selection criteria.

2. State-wide Survey

A survey developed and administered on Survey Monkey solicited expert input on housing projects that met selection criterion. 15 Survey Questions aimed at identifying:

- Perception of need for low and moderate income housing

- Location of housing projects that demonstrated innovations in design, regulatory practices, and/or, finance.

Survey Questions

15 questions were asked in the survey to obtain information on potential projects that represented a high level of innovation in creating housing for low and moderate-income families.

More than 600 experts were contacted by email invitation, through announcements in newsletters, and, by way of personal communications and asked to take the survey. They included:

- Individuals on email lists obtained from HCD of statewide Council of Governments (COG's) representatives and all City Managers.
- Individuals on the email list of the California Association of Realtors to whom an invitation was sent by the Economic Vitality Corporation (EVC).
- Attendees of the League of Cities 2015 Planning Commissioners conference.

Five hundred planning directors and commissioners; sixty-four Councils of Government officials, and, stakeholders, housing developers, and experts with knowledge of innovative housing projects were asked to take the survey.

Survey Findings

A total of 82 responses were received between mid March 2015 to end of June 2015 from individuals who were employed in the following sectors: 71% Public; 14% Private; and 15% Non Profits.

Need: Question 7 of the survey asked if there was a need for housing affordable to low and moderate-income households in their region and to estimate the level of need. 52 respondents answered as follows:

- 65% High
- 25% Moderate
- 6% Low
- 4% None

Some 90% of respondents identified a high or moderate need for housing for this income group.

A respondent from the City of Cupertino, South Bay Area said:

“Housing for moderate income workers in Cupertino is virtually nonexistent.”

A respondent from the City of Lindsay in the Central Valley noted:

“Our local projects that are targeted for the low to moderate income population are generally backed by some sort of assisted funding mechanism. Without assistance, home ownership and sometimes even apartment rental is incredibly difficult to achieve for the low to moderate income population.”

This person went on to comment:

“when the preference to target low to moderate income population is over-

exercised we neglect the development of moderate to high income housing. This leaves communities over saturated with a population that struggles to obtain basics like food and clothing for their families and thus have virtually nothing left over for extras like movie theaters, shopping malls, new cars, etc. that increase local tax dollars and the need for new businesses that could also provide new jobs.”

A preponderance of respondents were in major metropolitan areas and on the California Coast. There were very few responses from the Central Valley. Some Central Valley respondents noted that with the demise of RDA funding communities are at a standstill and little affordable housing is being created. It appeared that: ***In areas of California where land values are high the motivation and ability to leverage and innovate to create needed housing is higher.***

Respondents who were employed by the Council of Government and were regional representatives did not have project suggestions. City level officials were able to identify and suggest possible projects. This corroborates the observation that housing is a local matter and those working at the local level on land use matters are most in touch with what is happening in housing construction.

Project level knowledge is localized and those working at the city level are well aware of housing developments in their region.

Survey Question 8 asked about projects that met the research criteria. 72 projects were suggested from which 27 that indicated a high level of innovation were noted on a matrix for further study. Projects that obviously had been funded primarily by State and Federal funds (TCAC, CalHFA, and CDLAC) were eliminated. The matrix was the key tool used to identify a shorter list of projects for detailed, case based investigation.

3. Experts Advisement

The study team contacted survey or professional network-recommended housing experts in the private sector, academia, and various state and local agencies. These experts were involved in housing support, evaluation, and, assessment and were leaders in the design and construction industry. Phone and face-to-face follow up interviews were conducted on exemplary projects. Telephone interviews with planning staff at the local jurisdiction were also completed. The objective was to obtain information on key actors – developers, designers, and regulators – on project specifications, and on significant location and funding parameters.

4. Student Research

Twenty-three students in CRP 442: Planning and Housing a class at Cal Poly State University San Luis Obispo were assigned the task of researching a project that met the study criteria. They selected a case from the matrix or identified others through their independent investigation. Final student projects were reviewed and a few were selected for further study. Student contributors to the ten cases are noted in the acknowledgements.

Notes:

¹ The Jack Kemp Excellence in Affordable and Workforce Housing Awards established in 2008 are to recognize exemplary developments that demonstrate creativity in expanding housing opportunities for America's working families and featuring projects that cater to for a range of incomes, particularly households earning below 120 percent of area median income (AMI), or mixed-income developments that serve households below 60 percent of AMI. See

<http://uli.org/programs/awards-competitions/jack-kemp-awards/>

Housing Innovations

Background

Dear Housing Expert,

We are a Cal Poly San Luis Obispo research team charged with identifying innovations in housing design, regulation, or finance. Your response will help inform the 2015-25 California Statewide Housing Plan. This survey should take about ten minutes of your time.

We are asking information on projects built without direct federal or state government subsidies offering affordable housing units for rent or sale for families earning between low and moderate-income (51% and 120% AMI). (Please also include innovative projects serving families earning over 120% AMI that also provide more than 20% units for families earning between 51% and 120% AMI.)

This work is being undertaken for the California Department of Housing and Community Development. Thank you for your assistance.

Please note that questions with * must be answered.

*** 1. Your Name (responses will be kept anonymous unless we obtain express permission from you to attribute quotes.)**

*** 2. Name of organization where you work.**

*** 3. What type of entity is it?**

Private Sector

Public Sector

Non-Profit

Other (please specify)

*** 4. Your Position**

*** 5. Your Email address**

*** 6. Your Phone number**

Housing Innovations

Identify Innovative Projects

We are looking for innovative housing projects that have been constructed without direct public subsidy (e.g. grants / below market loans and designed to fit their local economic, demographic and geographic context.)

***7. Is there a need for housing affordable to low, moderate income households in your region? If yes, please estimate the level of need.**

- high
- moderate
- low
- none

Other (please specify)

***8. Please name a project built in recent years without direct federal or state government subsidies which provides units for rent or sale to low and moderate-income families (51% and 120% AMI). Please provide the project location - name of the city or county. If none, please insert not applicable.**

Project 1

Project 2 (optional)

Project 3 (optional)

9. Is this project for rent or ownership? Is it located near work centers or public transport?

	For rent or ownership?	Close to employment center and/or public transit? (optional)	Estimated distance (optional)
Project 1	<input type="text"/>	<input type="text"/>	<input type="text"/>
Project 2 (optional)	<input type="text"/>	<input type="text"/>	<input type="text"/>
Project 3 (optional)	<input type="text"/>	<input type="text"/>	<input type="text"/>

Housing Innovations

10. Which design approaches or characteristics were instrumental in the success of these projects?

	Adaptive Reuse	Small by Design	Modules / Components	Manufactured Homes	Flexible Use of Space	Green/Sustainable
Project 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Project 2 (optional)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Project 3 (optional)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other Design Approaches or characteristics

11. What innovative funding sources/strategies were used to reduce overall project cost? Please check all that apply to each project.

	Innovative Funding Sources	Market-Rate to Affordable Unit Subsidy	Deferment of Development Costs	Land Donation	Cooperative Financing	Do Not Know
Project 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Project 2 (optional)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Project 3 (optional)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other Innovative Funding Sources/Strategies

12. What regulatory incentives were used to make the project feasible? Please check all that applies to each project.

	Innovative Regulations	Parking Reduction	Density Bonus	Height Increase	Setback concession	Reduced Plot Size	Fee Waiver or Deferral	Streamline Permitting
Project 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Project 2 (optional)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Project 3 (optional)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Name Innovative Regulations

Housing Innovations

Additional Information

13. Please provide us with the names of other housing experts, developers, or researchers who we might approach for information.

*** 14. May we contact you for a follow-up interview or discussion?**

Yes

No

15. Additional comments and/or suggestions

Thank you for your time and effort in taking this survey.

We would appreciate it if you would send the following link to others you think could offer useful information:

<https://www.surveymonkey.com/r/CalPolyHousingSurvey>

Appendix 2: Matrix of 38 Projects

38 projects were identified for investigation from the examination of:

- Projects suggested by survey respondents, reviewed, and screened for conformance to income and subsidy criteria.
- Projects suggested in interviews with developers, government and non-profit officials.
- Review of the literature, white papers and reports from online sources.
- Projects identified by 24 students in the CRP 442 Class on Housing and Planning.

These projects were located throughout California. See Map 1.

Preliminary Survey of Innovative Housing Projects in CA:
Low and Moderate Income Households (51-120% AMI)



Map 1: Location of 38 Projects. Red dots indicate 10 Selected Projects
Source: Research Team

Projects were assessed for excellence along the parameters of innovation in design, finance and regulation as illustrated below.

Categories of Innovation

The 38 projects were assessed for innovations along the following parameters:

Design

1. **Smaller by design** (unit design, lot design, building configuration design – terrace, duplex, shared spaces etc.)
2. **Manufactured homes, modules or components** (to bring down cost of materials, labor, construction and fabrication so as to reduce time for construction, improve use of energy and enhance sustainability.)
3. **Flexible design** (units or site plans that accommodate expansion and contraction of house; allow a flexible multi-purpose use of space; be designed to accommodate changes in diversity of family size, type, composition, and to enable aging in place by incorporating the principles of universal design,.)
4. **Adaptive reuse** (of generic structures such as strip mall shopping centers, industrial or warehouse structures, older hotels/motels, and other buildings and infrastructure that have been rendered obsolete as a result of changes in economic production and changing land values and use.)

Design analysis included an examination of projects for strategies that included mixed use, small lot, multifamily and higher density designs.

Regulation

The regulatory categories examined appeared in several jurisdictions and were detailed to fit with, and respond to, the local context in quite specific ways. They included relaxation of parking requirements, density and height increases, setbacks and plot size reduction as well as streamlining approvals and deferring fees.

Finance

Financial strategies considered include innovative ownership, tenancy and rental arrangements such as shared ownership/occupancy in co-ops/co-housing, house-sharing, ancillary dwellings and live-work arrangements.

Findings from Matrix of 38 Projects

The 38 selected projects were analyzed on their innovations in design, regulation and finance as illustrated in the matrix which follows. The overview findings are:

Appendix 2A: Matrix of 38 Projects Investigated (1 of 2)

Region	Northern California	Sacramento Area	San Francisco Bay Area											Central Valley			Central Southern California	
Project Number	1.X	2.1	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9	3.10	3.11	3.12	4.1	4.2	4.3	5.X
Project Name		Sawmill Heights	Emerald Vista	Parc on Powell	Star Intersection	Lesley Gardens	Half Moon Village	Anton Napa Apartments	1600 Market Street	Venn Apartments	Mosso	The Panoramic	2008-2070 Bryant Street	Market Gateway Apartments	Woodbridge Apartments	Gateway Terrace	Pacheco Village	
City		Truckee	Dublin	Emeryville	Emeryville	Half Moon Bay	Half Moon Bay	Napa	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Jose	Merced	Merced	City of Los Banos	
Address		7646 Highlands View Road, Truckee, CA 96161	6900 Mariposa Circle, Dublin, CA 94568	1333 Powell Street, Emeryville, CA 94608	3706 San Pablo Ave Emeryville, CA 94608	701 Arnold Way, Half Moon Bay, CA 94019	801 Arnold Way, Half Moon Bay, CA 94019	703 Saratoga Drive, Napa, CA 94559	1600 Market Street, San Francisco, CA 94102	1844 Market St San Francisco, CA 94102	900 Folsom Street, San Francisco, CA 94107	1321 Mission Street, San Francisco, CA 94103	2000-2070 Bryant Street, San Francisco, CA 94110	535 South Market Street, San Jose, CA 95113	3028 Willowbrook Drive, Merced, CA 95348	410 Leshar Avenue, Merced, CA 95340	2241 Gilbert Gonzalez Jr Dr, Los Banos, CA 93635	
Developer		East-West Partners	Eden Housing, Inc. & KB Home	Archstone Smith	Josh Corzine (650) 849-1669		MidPen Housing Corporation	St. Anton Partners (Anton Development Company & St. Anton Capital)	Brian Spiers Development		Avant Housing (AGI Capital Group and TMG Partners)	Panoramic Interests (Patrick Kennedy, owner)	Nick Podell Company	CORE Development, Inc.		Adroit Development	Corporation for Better Housing	
Architect		Don Mackey Architect	BAR Architects	Kava Massih Architects				Garber Resmussen Architects	Forum Design		Architect International private	Kwan Henmi Architects	Richard Beard, BDE Architects	The Steinberg Group		KTGY Group, Inc.	John O. Cotton Architects	
Non-profit, for profit, cooperative		for profit	non-profit/for-profit	for profit				For-Profit	for profit			for profit			Non-profit			
Type		96 units (dorm style; up to 380 residents)	378 units: 50 rental units for seniors, 130 rental units for families, 128 townhomes for sale, 70 homes for sale	166 units; 21 units below market rate; 3 flex units; retail; 3 live/work units	190 residential units	Senior Center	160 senior housing units: 149 1-bedroom, 11 2-bedroom	134 units: 40 1-bedroom, 74 2-bedroom, 20 3-bedroom	24 below market rate units (1 to 2 bedroom 504 to 917 sq ft.) & 3,600 sq. ft. retail	113 unit residential (14 affordable)	282 rental units, 9 stories, with retail on first-floor	160 units; up to 400 beds; 80 student rental housing units for CCA; 80 market rate units; mixed use	276 units: 44 units (below market rate)	54 units: 13 Live/work lofts, 20 1-bedroom apts., 14 2-bedroom apts., 7 2-bedroom townhomes.	75 units: 1-bedroom, 2-bedroom, 3-bedroom	66 units: 2-bedroom, 3-bedroom, 4-bedroom	105 units	
Project Affordability		\$950 studios; 2-bedroom \$1,225; 3-bedrooms \$1,400; 4-bedroom \$1,500	Senior \$526-876; 1-4 bedroom apts. \$526-1,491; affordable homes \$354,000 (avg.); market homes \$612,500 (avg.)	(income dependant) Studio \$788-1,770, 1-bedroom \$898-2,020, 2-bedroom \$1,005-2,267, live-work \$2,267, 3-bedroom \$2,514	Studio \$2151-2313; 1-bedroom \$2664-2848; 2-bedroom \$3659-3878			\$1,777 - \$2,498/mo	\$201,345 - \$223,906	1-bedroom \$3,209-\$4,767; 2-bedrooms \$4,160-\$4,925; 3-bedroom \$5,484-\$5,535	Below market units: \$899 to \$1,139	Student \$1,522, Micro-unit \$1,575		\$1,825 (studio) - \$2,765 (2-bedroom w/office)			1-bedroom \$333-388, 2-bedroom \$338, 3-bedroom \$391-542, 4-bedroom \$404	
AMI		100% below 120% AMI, 12 units below 80% AMI	180 units (30-55% AMI); 50 senior units, 130 rental units; 14 homes (60-120% AMI)	166 units: 13 units (<120% AMI), 8 units (<50% AMI)	29 units of very low income			all units below 80% AMI			15% below 120% AMI	12% of units required affordable; 100% at 90% AMI or below (estimated)		120% AMI, market rate units			105 units (very low and low)	
Proximate to workplace		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Proximate to public transport		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
rental, ownership		rental	ownership + rental	rental	rental	rental	rental	rental	ownership	rental	rental/ownership	rental		rental	rental	rental	rental	
Cost of Project		\$26 million	\$135,516,800	\$41,491,288				\$4,700,000				\$50 million construction loan (land/development cost?)		\$12.5 million			\$18 million	
Length of Project (mo/yr to mo/yr)		completed 2006	07/11 - 12/12	under construction (as of 10/2015)			phase 1: 02/14, phase 2 summer 2015	late 2012 - 03/14: two phases			partially completed 2015	12/14 - 06/15		completed 04/00		10/12 - 10/13	completed 01/09	
Design Characteristics			✓	✓					✓			✓			✓	✓		
Adaptive Reuse			✓	✓											✓	✓		
Small by Design		✓							✓			✓						
Modules/Components																		
Manufactured Homes																		
Flexible use of Space		✓		✓			✓				✓	✓		✓	✓			
Green/Sustainable		✓	✓	✓				✓	✓	✓	✓	✓		✓	✓			
Regulatory Innovation																		
Innovative Regulations		✓	✓	✓				✓	✓		✓	✓						
Parking Reduction		✓	✓	✓			✓	✓	✓		✓	✓						
Density Bonus			✓	✓		✓	✓	✓	✓		✓	✓		✓	✓			
Height Increase		✓		✓			✓	✓	✓		✓	✓						
Setback Concession			✓	✓			✓	✓	✓		✓	✓						
Reduced Plot Size			✓															
Fee Waiver or Deferral				✓				✓						✓	✓		✓	
Streamline Permitting				✓										✓	✓		✓	
Finance																		
Innovative Funding sources		✓	✓	✓			✓	✓			✓	✓		✓	✓	✓		
Market Rate to Affordable Unit Subsidy			✓	✓	✓			✓	✓	✓	✓			✓				
Deferment of Development Costs								✓						✓		✓		
Land Donation		✓												✓			✓	
Cooperative Financing														✓	✓			
Don't know													✓					
Case Number		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	

Overview of Innovations	
# of projects	% of projects
9	24%
12	32%
1	3%
0	0%
13	34%
19	50%
17	45%
13	34%
25	66%
9	24%
15	39%
6	16%
8	21%
11	29%
24	63%
17	45%
7	18%
6	16%
7	18%
6	16%

KEY	
Featured Housing Case	
Amplifying Housing Case	
Innovation by Case	✓

Appendix 2B: Matrix of 38 Projects Investigated (2 of 2)

Region	Central Coast											Greater Los Angeles Area									San Diego			
Project Number	6.1	6.2	6.3	6.4	6.5	6.6	6.7	6.8	6.9	6.1	6.11	7.1	7.2	7.3	7.4	7.5	7.6	7.7	7.8	7.9	8.1	8.2		
Project Name	Pike Place Apartments	Las Lomas Village	Vintage Walk	Green Park	Design Center	Moylan Terrace	Wineman Hotel	Rockview Place	Accessory Dwelling Units	Hannon Assembled Apartments	Del Monte Manor	Azulon	Waterstone Apartments	14051-14061 Hope St.	Charles Street Terrace	Fair Oaks Court	Avalon San Dimas	Rodney Fernandez Gardens	Trinity Lane	The Orchards	Kalos	Mission Apartments		
City	Arroyo Grande	Atascadero	Buellton	Grover Beach	Sand City	San Luis Obispo	San Luis Obispo	San Luis Obispo	Santa Cruz	Seaside	Seaside	Costa Mesa	Garden Grove	Garden Grove	Moorpark	Pasadena	San Dimas	Santa Paula	Santa Paula	Santa Paula	San Diego	San Diego		
Address	Pike Street + Elm Street, Arroyo Grande, CA 93420	9245 Ciruela Way, Atascadero, CA 93422	597 Ave of the Flags, Buellton, CA 93427	South 16th Street + Farroll Road, Grover Beach, CA 93443	600 Ortiz Ave. Sand City, CA 93955	851 860 Humbert Avenue, San Luis Obispo, CA 93401	849 Higuera Street, San Luis Obispo, CA 93401	189 Rice Street, San Luis Obispo, CA 93401	City developed Ordinance, enable home owners	1773 Waring Place Seaside, California 93955	1466 Yosemite Street, Seaside, CA 93955	1500 Mesa Verde Drive East, Costa Mesa, CA 92626	12662 Dale Street, Garden Grove, CA 92841	14051-14061 Hope Street, Garden Grove, CA 92843	396 Charles St. Moorpark, CA 93021	608 North Fair Oaks Avenue, Pasadena, CA 91103	205 North San Dimas Canyon Road, San Dimas, CA 91773	210 West Santa Barbara Street, Santa Paula, CA	269 West Santa Paula Street, Santa Paula, CA 93060	220 West Main Street, Santa Paula, CA 93060	3795 Florida Street, San Diego, CA 92104	1825 Hancock Street, San Diego, CA 92110		
Developer	Peter Burtness, Annie Roberts	Mike Zappas & Gaylen Little	Monary Property Co., Bermant Development Co., Housing Authority of Santa Barbara			Innovative Housing	Vahdani	Habitat for Humanity of San Luis Obispo County	Home owner				Brandywine Homes	Hung The Quach M.D. (714) 839-8770 & Brandywine Homes	Heritage Housing Partnership (HHP)	Avalon Bay Communities, City of San Dimas	Cabrillo Economic Development Corporation	Habitat for Humanity			Community Housing Works	San Diego Housing Commission + AMCAL Multi-Housing, Inc.		
Architect	Steven Puglisi Architecture		Peikert Group Architects, LLP			RRM Design	Craig Smith, CRSA Architecture	Micah Smith, LGA Architecture, Inc.	Plug in designs offered for profit				LSA Architects			Moule & Polyzoides	KTYG Group, Inc.				M.W. Steele Group	Withee Malcom Architects		
Non-profit, for profit, cooperative			non-profit/for-profit			non-profit	for profit	non-profit	for profit							non-profit	for profit	for profit			non-profit	non-profit		
Type	28 units: 5 studio units, 23 2-bedroom units	100 units: 20 one-bedroom, 60 two-bedroom, & 20 three-bedroom units (2 very low income & 8 moderate-income)	27 units: 10 commercial units, 11 homes, 6 affordable apartment units	66 units		80 units: 2 very low, 13 low, 14 moderate income	48 "efficiency" units, commercial units	3 units: 3 bedroom, 1.5 bath	1 unit per single family home lot	133 units (85 Section 8 assisted living units)		224 unit senior residential rental development	25 units: 16 2-bedroom units, 9 3-bedroom units	34 unit with 30% affordable housing density	20 Two, and Three Bedroom Units; 50,194 sq. ft.	44 units: 1-bedroom, 2-bedroom, 3 bedroom attached townhomes	134 units	90 affordable for farm workers and low-income families		20 units: 20 1+bedroom senior housing units	83 units: 24 1-bedroom units, 32 2-bedroom units, 26 3-bedroom units	85 units: 79 2-bedroom units, 6 3-bedroom units		
Project Affordability	studio \$1,000-1,200, 2-bedroom \$1,500-2,000	1-Bedroom \$1195; 2-Bedroom \$1405-1530; 3-Bedroom \$1590-1615	2 low & 4 very low-income			below market rate: starting at \$162,900	\$809/mo (below market rate units)	\$115,000	studios and one bedrooms, 450 sq.ft.	1-Bedroom \$966; 2-Bedrooms \$1,217; 3-Bedrooms \$1,775; 4-Bedrooms \$1,984			2-bedroom \$1,085-1,730, 3-bedroom \$1,177-2,028	low-moderate income families	\$506 - 1046	\$100,000 (low), \$225,000 (moderate), \$450,000 (below 150% AMI)	\$639-1,592/mo					\$854 - \$1,139		
AMI	80-120% AMI	50% of County Median = Very low income; 120% of County Median = Moderate income	50-120% AMI initially			80 units: 29 units below 120% AMI	48 units: 23 units (market), 23 units (51-80% AMI), 2 units (on-site staff)	30 - 60% AMI	market rate	Less than 50% AMI (Extremely Low, Very Low, and Low Income)			25 units: 21 market units, 4 low-income units		\$26,700 to \$48,950 for a four person household income	44 units; 33 low/mod (80-120% AMI); 3 workforce (120-150% AMI); 4 market rate; -- 9 existing units rehab	134 units: 16 units (<110% AMI)				83 units: 82 affordable (9 units below 50% AMI, 73 units below 60% AMI)	85 units: 9 units (50% AMI), 75 units (60% AMI)		
Proximate to workplace																								
Proximate to public transport																								
rental, ownership	rental	rental	ownership/rental	ownership	rental	ownership	rental	ownership	rental	Rental	Rental	rental	rental	rental	Rental	ownership	rental	rental	ownership	rental	rental	rental		
Cost of Project	\$4.25 million						\$5,750,000		depends; garage conversions cheapest							\$9.3 Million					\$2.5 million	\$28 million +	\$27 million	
Length of Project (mo/yr to mo/yr)	projected end of 2015		completed 2007			phase 1-5 complete; phases 6-7 under construction in 2015	completed 2009	03/13 - 09/13	ongoing program; most ADUs built in one year or less												completed 2013	completed 2012	Overview of Innovations	
Design Characteristics																							# of projects	% of projects
Adaptive Reuse																							9	24%
Small by Design																							12	32%
Modules/Components																							1	3%
Manufactured Homes																							0	0%
Flexible use of Space																							13	34%
Green/Sustainable																							19	50%
Regulatory Innovation																								
Innovative Regulations																							17	45%
Parking Reduction																							13	34%
Density Bonus																							25	66%
Height Increase																							9	24%
Setback Concession																							15	39%
Reduced Plot Size																							6	16%
Fee Waiver or Deferral																							8	21%
Streamline Permitting																							11	29%
Finance																								
Innovative Funding sources																							24	63%
Market Rate to Affordable Unit Subsidy																							17	45%
Deferment of Development Costs																							7	18%
Land Donation																							6	16%
Cooperative Financing																							7	18%
Don't know																							6	16%
Case Number	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38		

KEY	
Featured Housing Case	
Amplifying Housing Case	
Innovation by Case	✓

Appendix 3: Matrix of 10 Selected Projects

The analysis of the 38 projects along the indicators of innovation in the matrix led to a prioritization of projects that had responded creatively and with innovation to distinct geographical and/or locational conditions. The following 10 projects were selected for further examination.



Map 2: Geographic Location of 10 Selected Projects
Source: Research Team

Parameters of the detailed analysis included the following:

1. Design Aspect of Project and Site

- Specifications
- Materials
- Site design
- Materials of construction
- Method of construction
- Energy and water conservation (passive and active), and
- Amenities that have yielded benefits in terms of access

2. Regulatory Context of Project and Site

In zoning and land use particularly with reference to

- Parking,
- Density,

- Heights,
- Orientation,
- Sustainable site design,
- Setbacks,
- Landscape standards
- Processing of permits and fee structures

In building codes with reference to

- Site design,
- Green building,
- Minimum sizes of habitable rooms,
- Number of allowed habitable rooms,
- Performance code based approaches

3. Ownership/Tenancy Structure and Project Financials

- Market/sub-market mix of units and cross subsidies
- Areas of sweat equity
- Shared ownership or rental structures

The 10 Projects were analyzed and scored for innovation in design, land use, planning/regulation, ownership/occupancy structure, cost sharing and financing, community participation and decision making for efficiency and economy, life-cycle sustainability and energy conservation, green design and water conservation, and flexibility in occupancy to accommodate evolving household structure.

Site Visits and Interviews

Site visits were made to selected high scoring projects and interviews completed in-person or by telephone of public officials, site managers, staff in design and construction firms, and developers. On site work included:

- Photo documentation of context and project
- Detailing specifics of innovation areas
- On-site observations of project use, circulation and overall function

Information from site visits was recorded in notes on site and through photo documentation. Case studies clustered in the San Francisco Bay Area and in the Central Coast area yielded comprehensive insights about the kinds of policies, approaches and strategies that were working in the region.

Appendix 3: Matrix of 10 Selected Projects

Region	Sacramento Area	San Francisco Bay Area				Central Coast				Greater Los Angeles
Project Number	2.1	3.2	3.7	3.9	3.10	6.3	6.6	6.7	6.9	7.5
Project Name	Sawmill Heights	Parc on Powell	1600 Market Street	Mosso	The Panoramic	Vintage Walk	Moylan Terrace	Wineman Hotel	Accessory Dwelling Units	Fair Oaks Court
City	Truckee	Emeryville	San Francisco	San Francisco	San Francisco	Buellton	San Luis Obispo	San Luis Obispo	Santa Cruz	Pasadena
Address	7646 Highlands View Road, Truckee, CA 96161	1333 Powell Street, Emeryville, CA 94608	1600 Market Street, San Francisco, CA 94102	900 Folsom Street, San Francisco, CA 94107	1321 Mission Street, San Francisco, CA 94103	597 Ave of the Flags, Buellton, CA 93427	851-860 Humbert Avenue, San Luis Obispo, CA 93401	849 Higuera Street, San Luis Obispo, CA 93401	City developed Ordinance,enable home owners	608 North Fair Oaks Avenue, Pasadena, CA 91103
Developer	East-West Partners	Archstone Smith	Brian Spiers Development	Avant Housing (AGI Capital Group and TMG Partners)	Panoramic Interests (Patrick Kennedy, owner)	Moriarty Property Co., Bermant Development Co., Housing Authority of Santa Barbara County	Innovative Housing	Vahdani	Home owner	Heritage Housing Partnership (HHP)
Architect	Don Mackey Architect	Kava Massih Architects	Forum Design	Architect International	Kwan Henmi Architects	Peikert Group Architects, LLP.	RRM Design	Craig Smith, CRSA Architecture	Plug in designs offered	Moule & Polyzoides
Non-profit, for profit, cooperative	for profit	for profit	for profit	private	for profit	non-profit/for-profit	non-profit	for profit	for profit	non-profit
Type	96 units (dorm style: up to 380 residents)	166 units; 21 units below market rate; 6 flex units; retail; 3 live/work units	24 below market rate units (1 to 2 bedroom 504 to 917 sq ft.) & 3,600 sq. ft. retail	282 rental units, 9 stories, with retail on first-floor	160 units; up to 400 beds; 80 student rental housing units for CCA; 80 market rate units; mixed use	27 units: 10 commercial units, 11 homes, 6 affordable apartment units	80 units: 2 very low, 13 low, 14 moderate income	48 "efficiency" units, commercial units	1 unit per single family home lot	44 units: 1-bedroom, 2-bedroom, 3 bedroom attached townhomes
Project Affordability	\$950 studios; 2-bedroom \$1,225; 3-bedrooms \$1,400; 4-bedroom \$1,500	(income dependant) Studio \$788-1,770, 1-bedroom \$898-2,020, 2-bedroom \$1,005-2,267, live-work \$2,267, 3-bedroom \$2,514	\$201,345 - \$223,906	Below market units: \$899 to \$1,139	Student \$1,522, Micro-unit \$1,575	2 low & 4 very low-income	below market rate: starting at \$162,900	\$809/mo (below market rate units)	studios and one bedrooms, 450 sq.ft.	\$100,000 (low), \$225,000 (moderate), \$450,000 (below 150% AMI)
AMI	100% below 120% AMI, 12 units below 80% AMI	166 units: 13 units (<120% AMI), 8 units (<50% AMI)	all units below 80% AMI	15% below 120% AMI	12% of units required affordable; 100% at 90% AMI or below (estimated)	50-120% AMI initially	80 units: 29 units below 120% AMI	48 units: 23 units (market), 23 units (51-80% AMI), 2 units (on-site staff)	market rate	44 units; 33 low/mod (80-120% AMI); 3 workforce (120-150% AMI); 4 market rate; 1 commercial; -- 9 existing units rehab
Proximate to workplace	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Proximate to public transport	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
rental, ownership	rental	rental	ownership	rental/ownership	rental	ownership/rental	ownership	rental	rental	ownership
Cost of Project	\$26 million	\$41,491,288	\$4,700,000		\$50 million construction loan (land/development cost?)			\$5,750,000	depends; garage conversions cheapest	
Length of Project (mo/yr to mo/yr)	completed 2006	under construction (as of 10/2015)		partially completed 2015	12/14 - 06/15	completed 2007	phase 1-5 complete; phases 6-7 under construction in 2015	completed 2009	ongoing program; most ADUs built in one year or less	
Design Characteristics										
Adaptive Reuse		✓						✓	✓	✓
Small by Design	✓		✓	✓	✓	✓	✓	✓	✓	✓
Modules/Components										
Manufactured Homes										
Flexible use of Space	✓	✓		✓	✓	✓	✓	✓	✓	✓
Green/Sustainable	✓	✓	✓	✓	✓		✓	✓	✓	✓
Regulatory Innovation										
Innovative Regulations	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Parking Reduction	✓	✓	✓	✓	✓		✓	✓	✓	✓
Density Bonus		✓	✓	✓	✓	✓	✓	✓	✓	✓
Height Increase	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Setback Concession		✓	✓	✓	✓	✓	✓	✓	✓	✓
Reduced Plot Size							✓		✓	✓
Fee Waiver or Deferral							✓	✓		
Streamline Permitting		✓				✓	✓	✓	✓	
Finance										
Innovative Funding sources	✓	✓		✓	✓	✓	✓	✓	✓	✓
Market Rate to Affordable Unit Subsidy		✓	✓	✓		✓	✓	✓		✓
Deferment of Development Costs								✓	✓	
Land Donation	✓						✓		✓	
Cooperative Financing						✓				
Case Number	1	2	3	4	5	6	7	8	9	10

KEY	
Featured Housing Case	
Amplifying Housing Case	
Innovation by Case	✓

Overview of Innovation	
# of projects	% of projects
4	40%
9	90%
0	0%
0	0%
7	70%
8	80%
9	90%
8	80%
9	90%
8	80%
9	90%
3	30%
2	20%
5	50%
9	90%
7	70%
2	20%
3	30%
1	10%