

CASA and the Geography of Inclusion

September 13, 2018

CASA is tasked with advancing bold solutions that match the scale of the housing crisis--solutions that protect, preserve and produce housing for hundreds of thousands of Bay Area residents. The draft CASA compact proposes a suite of big ideas that could dramatically rewrite the future of housing availability and affordability in the Bay Area. If we do this right, the CASA proposals will improve housing conditions for all residents, while also ensuring that our future moves us towards increased racial equity and fair housing and does no harm to existing communities by spurring or exacerbating the destabilizing processes of gentrification and displacement.

CASA recognizes that inclusion means inclusion everywhere—in every neighborhood—in a manner that recognizes our historic land use patterns and finds a way to include more housing in every neighborhood. Communities that have effectively excluded new housing at a range of incomes must include a greater range of housing types and income levels and so become more inclusive. Lower income communities that have lacked access and voice in the planning process and are now being displaced and driven out of the region as existing homes turn over or new developments arrive, deserve a chance to stabilize and plan their communities to create a more inclusive future.

CASA Geography Working Group

To promote constructive dialogue among CASA members on how to appropriately balance market-rate development at a regional scale with tenant protections and affordable housing preservation and production in the Bay Area's most vulnerable communities, an informal "Geography" working group was convened. The group met from May to September 2018 and was comprised of the CASA working group facilitators, market rate developers, anti-displacement/tenant rights advocates and affordable housing experts. The Geography working group sought to thread a needle among various policy proposals under consideration at CASA to address the existing conditions and unique needs of communities vulnerable to gentrification and displacement pressures while promoting the construction of new homes and inclusion throughout the Bay Area. The work of the group has been supported by the CASA consultant team, MTC staff, as well as two research centers based at the University of California Berkeley - the Center for Community Innovation and the Turner Center for Housing Innovation. The Geography of Inclusion proposal is the result of these conversations.

Understanding the Geography of Housing Inclusion and the different roles of different places in addressing the housing crisis

Every part of the Bay Area has a role to play in addressing the housing crisis--but these roles are not the same everywhere. Our cities, towns and communities face different challenges, driven by very different histories, economic drivers and existing policies. This proposal suggests refinements to CASA Action Plans to respond to these different geographic conditions and land use histories. More specifically, it is intended to address several dynamics:

- Uneven Growth and Concentrated Development in Gentrifying Low-Income Communities of Color:** As a region, we have a massive shortage of new affordable and market rate housing, which contributes to the current housing crisis. While some jurisdictions have been quite successful in producing new housing, others have not. In some cases, underproduction has been driven by cool market conditions where new construction does not attract rents high enough to

make projects “pencil out.” As construction costs continue to rise partially driven by a labor shortage precipitated by 2008 Great Recession, many Bay Area jurisdictions are unable - even if willing - to attract new market-rate residential construction. While in “hot market” areas, much of the housing development is focused on “urban infill” areas that significantly overlap with existing low income and communities of color.

- **Limited Neighborhood Options and Voice in Low Income and Communities of Color:**

Excluded from many traditionally high-opportunity neighborhoods, Bay Area communities of color and low-income people have had few housing options, contributing to segregation and the growth of racially/ethnically concentrated neighborhoods and cities. Many of these neighborhoods have been cut off from resources, for instance by redlining, which made it hard to get loans in communities of color, and by more contemporary forces such as lending practices steering families of color into subprime loans and subsequent losses. These neighborhoods have often also been denied voice in planning processes. In West Oakland, the memory of the destruction of the Black community’s heart (7th street) to build BART still reverberates, as do other forced redevelopments around the region. Many of these same communities are still struggling for control and voice as their neighborhoods are systematically targeted for gentrification. These struggles are intensified by the growth patterns described above, which have limited growth outside of relatively few transit-adjacent urban centers which are highly correlated with historically low-income communities of color especially along major rail transit lines.

Over half of Bay Area neighborhoods are at risk of gentrification, displacement or exclusion--with almost half a million renter households at risk.¹ Additionally, while over a quarter million homes are still relatively affordable for lower-income renters, and many more for low-income homeowners, these homes are at risk of becoming unaffordable. Many of these homes are concentrated in the lower-cost parts of our region, which are seeing some of the fastest cost increases.

- **Exclusionary Zoning Practices:** In other areas, zoning tools limit construction of new housing, especially multi-family, more affordable, and rental housing. Historically, explicitly racist planning tools, such as racially restrictive covenants,² explicitly excluded people of color (especially Blacks, Asians, Latinos) from many parts of the region until declared unconstitutional.³ This legacy was preserved by continued housing and lending discrimination, and ostensibly “race-neutral” zoning policies that were designed to exclude small lots, small and attached housing

¹ Using 2011-2015 data, Miriam Zuk, Director of the Urban Displacement Project and the Center for Community Innovation at UC Berkeley and a consultant to CASA, estimates that 447,828 low-income renter households currently live in neighborhoods that are at risk of gentrification or displacement, undergoing displacement, or in advanced gentrification or exclusion (more details retrieved from <http://www.urbandisplacement.org/>). This number—and the preservation-related number of units occupied by and affordable to low-income households—represents a change from the goals submitted in September 2017 due to updated data (2011-2015 vs. 2009-2013). The number of households at risk of displacement increased and the number of units occupied by and affordable to low-income households decreased. MTC and ABAG estimate that 160,000 “lower-income” households living in priority development areas, transit priority areas, and high-opportunity areas are at risk of displacement (as of year 2010, Plan Bay Area’s baseline year). MTC estimates that “Based on the proposed Plan’s performance target analysis for displacement risk, an additional 107,000 lower-income households are anticipated to be at risk of displacement in year 2040 under the proposed Plan, resulting in a total of 267,000 lower-income households at risk of displacement in PDAs, TPAs, or high-opportunity areas [in 2040].”

² The last of which was not legally removed in the Bay Area until 2007: <https://www.mercurynews.com/2007/08/18/racist-remnant-struck-from-covenant/>

³ Association of Bay Area Governments, “Toward Opportunity: Fair Housing and Equity Assessment of the San Francisco Bay Area.”

forms typical of pre-war pre-zoning infill communities, and thereby effectively banning lower-income families and renters from many neighborhoods and entire cities by limiting lower cost production or prioritizing commercial development without appropriate housing. These zoning changes have been strongly supported by local elected officials and their voters. Recent studies demonstrate that the most active participants in the local government planning process in many regions in the U.S are typically older, wealthier, typically-whiter homeowners who oppose new housing on the grounds that it will change their neighborhoods, resulting in exclusionary outcomes for people who lack resources to purchase or rent exclusively priced homes.⁴ Some of the more egregious examples of this include:

- Zoning that only allows single-family large-lot development or that prohibits new apartment buildings even near transit, or that block the ability of homeowners to add new units on their own properties.
- Planning departments and commissions that refuse to approve new housing or demand reductions in densities or heights despite existing zoning.
- Jurisdictions that do allow multifamily housing, but only in areas that are very difficult to develop.
- Jurisdictions with acres of developable land slated to be big box retail centers and commercial office parks with thousands of new jobs, and no housing at all for any of the workers at the different wage levels.

These practices have effectively priced out and excluded many lower and middle-income families from accessing neighborhoods of opportunity or driven them out of the region altogether.

Communities cannot function without families and workers in a variety of jobs and at a variety of incomes. If the Bay Area seeks a diverse inclusive future consistent with our values, our housing future must be similarly diverse and inclusive.

- **Promoting more “missing middle” housing types.** Much of the “Geography” proposal focuses on promoting more “missing middle” housing types everywhere as relatively more affordable market-rate housing type. Today due to numerous factors, the private market is unable to provide new construction that is affordable to anyone but the highest earners. As development costs continue to increase and traditional affordable housing subsidies fall and stop at 80% AMI⁵ more and more households are falling in the “gap” that is unserved by either the market rate or affordable housing industry. “Missing Middle” households (80-150% AMI) make up much of the population, must move into what used to be low income neighborhoods to find housing they can afford causing gentrification, and they are entirely unserved by most new construction. While the private market historically provided housing for middle income households (20 years ago 120% AMI WAS market), this no longer holds true in the core Bay Area, as locations available to build housing affordable to middle income households have been either built out or zoned for high density development.

Smaller homes offer an opportunity to expand the not only the diversity of price points and unit types, but also to diversify the types of development entities, contractors, sources of capital, and the labor force in the construction industry able to build smaller homes. This could have the additional benefit of expanding pipelines for labor and modular construction that can then stabilize efficiency and labor force swings in the larger industry. For more detail on the Missing Middle please see Appendix B.

⁴Association of Bay Area Governments, “Toward Opportunity: Fair Housing and Equity Assessment of the San Francisco Bay Area.”; Debbie Gruenstein Bocian, Keith S. Ernst, and Wei Li, Race, Ethnicity and Subprime Home Loan Pricing, *Journal of Economics and Business*, 60, 110-124 (2008); Rothstein, Richard “The Color of Law: A Forgotten History of How Our Government Segregated America.” 2017; The White House “Housing Development Toolkit” 2016.

⁵ Tax credits, for example, are only available for units rented at rates below 80% AMI

Recent local and statewide debates around the targeting of market-rate development have reduced these complex and place-based histories to a seemingly straightforward but unfortunately highly simplified debate between those who favor further market-rate development and those who do not which masks the nuance that must be had to inform these conversations around growth and development. To that point, the concept of “local control” is a central consideration for CASA especially understanding how that authority has been used to further exclusion in wealthier white homeownership communities and where its removal only further marginalizes already excluded low-income communities of color. Creating a future that reflects our values of diversity and inclusion calls us to create a more nuanced and more inclusive approach to house the Bay Area.

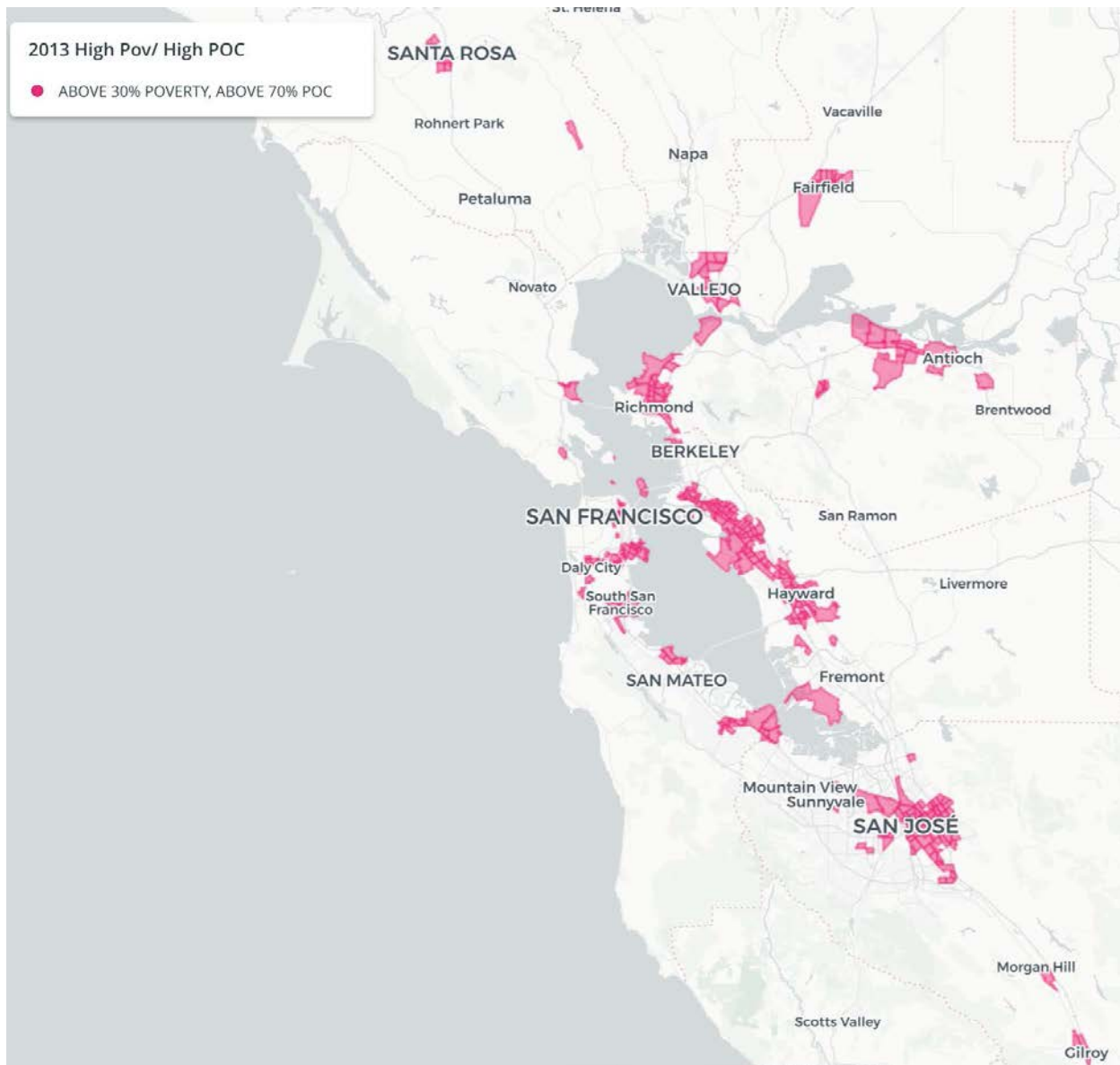
What does this mean for CASA?

The vast majority of CASA action items are proposed to be applied across the region, and don’t require geographic variation. For example, just-cause standards, or 1 for 1 replacement of rental units, should be “place” neutral. Other policies would be applied across the board, but implementation or resources should be targeted to get the most bang for the buck or ensure equity, such as funding for the preservation of existing affordable units and evictions defense funding. However, a smaller subset of proposed potential policies need careful attention and proactive guidance in order to be successful in communities that have traditionally been left out of or marginalized by planning processes.

Sensitive Census Tracts Designation

To balance the Bay Area’s need for greater housing production while targeting limited resources and preserving community voice for those who have traditionally been left out, the CASA “geography” working group is proposing a “Sensitive Census Tract” designation. Places that are identified as “Sensitive Census Tracts” will be able to temporarily opt out of certain CASA market-rate housing production recommendations, and may opt instead for community planning processes to set policy in their communities. In addition, such places will have a carve out of future resources to fund evictions defense, the preservation of existing deed-restricted and unrestricted affordable units including creation of ADUs, and a dedicated portion of regional affordable housing production funding. The “Geography” working group came up with the Sensitive Census Tract designation following close consultation with two UC Berkeley research centers – the Center for Community Innovation and the Turner Center for Housing Innovation. The research teams provided the Geography working group with data and mapping support, while the Geography working group deliberated on which publicly-available data sets best captured what practitioners know to be sensitive communities. The research by UC Berkeley and the various data layers that were considered in coming up with this designation can be found in Appendix A.

Definition of Sensitive Census Tracts: Census tracts that based on 2009-2013 American Communities Survey 5-year data - have more than 30% of households living in poverty (living below 200% of Federal Poverty Level), and where at least 70% of households are non-white. These thresholds come from the ‘concentration thresholds’ used by MTC’s Communities of Concern in Plan Bay Area 2013 and Plan Bay Area 2040. Sensitive Census Tracts may or may not be at high displacement risk. The underlying data defining Sensitive Census Tracts will be updated every four years with each new iteration of Plan Bay Area by the Association of Bay Area Governments and the Metropolitan Transportation Commission.



Sensitive Census Tracts in the Bay Area

Most Policies are Applied Everywhere

- Protection and Preservation Policies apply in all areas (Rent Stabilization/Price Gouging, Just Cause Eviction, 1-1 Replacement of all affordable units both restricted and unrestricted)
- Production policies except as qualified below to ensure that all communities provide greater inclusion of smaller more naturally affordable housing forms and to ensure that all communities allow a minimum missing middle density around transit consistent with the Sustainable Communities Strategy and Plan Bay Area.
- Streamlining and entitlement reform except as qualified below to ensure that all communities provide expedited approvals of housing projects including a range of types and affordability levels in all neighborhoods.
- Missing middle densities as a minimum. See table 1 below:

Table 1. Minimum Densities and Streamlining in the Bay Area

Location/Lot size	Upzoning	Streamlining
SROs and Mobile Home Parks	None	None
All Single family lots regardless of size	ADU and a JADU (2 ADUs) per Single Family lot (including new minimum rear yard cottage)	Ministerial approvals for these in 90 days or deemed approved
All multi-family lots regardless of size	ADUs in unused MF space and rear yard areas	
For sites along transit corridors (within a ½ mile of bus, rail, or ferry rail service with 15 minute headways at peak times)	<p>Above plus “Missing Middle Densities” defined as 36 tall', lot coverage 75%, 4' side setbacks, no parking minimums, including products such as duplexes, fourplexes, etc.</p> <p>Housing overlay for sites zoned commercial with a low FAR or with current institutional uses to allow the minimum “missing Middle densities” above</p> <p>No density limit within the development envelope, and no additional height increase through the State Density Bonus</p>	<p>Streamlining eligible (if eligible for SB 35)</p> <p>Locking both fees and Community Benefits at application completeness, and establishing firm entitlement-expiration period of 24 month consistent with the Permit Streamlining Act</p>
100% Affordable Housing (at 80% AMI or below)	Eligible for upzoning up to 75' if within ½ mile of high quality transit	Streamlining eligible

Note that the policies under consideration, such as missing middle zoning and ADUs, will dramatically expand production. And that these gains will be especially pronounced in places where the development

market is not currently active (since other places are already building to these basic multi-family standards). Communities will control the overall design and character of their neighborhoods as long as they meet minimum baseline densities, while being pushed to ease opportunities for this type of low-scale and nearly “invisible” infill to address the region’s housing crisis. Local demolition controls will not be overridden, to ensure that these “infill” policies do not result in demolition of existing sound housing. This proposal also considerably expands tenant protections and housing preservation--setting a floor across the region.

Sensitive Census Tracts may choose whether to temporarily opt out for a period of up to 4 (four) years from certain CASA compact reforms, and may choose instead to conduct a focused and resourced community planning process. Sensitive census tracts may opt out of:

- Streamlining of large market-rate projects (over 20 units/large lots) – with such projects subject to a “use it or lose it” streamlining provision of 2 years
- Market-rate Housing overlay on commercial (includes office, retail, not industrial) or (ii) institutional where current zoned FAR below 1.5 to missing middle densities
- Increase of base densities above 36’
- Sites may not be “opted out” of densities above missing middle or streamlining when these sites are governed by local plans adopted within the last 5 years that currently allow missing middle or greater heights and densities (no reductions in local densities). In these cases, streamlining of projects consistent with missing middle densities and 2018 SB 35 affordability requirements would still apply. In other words, no downzoning. However, further upzoning or streamlining policies beyond the standards in the local plans would not be imposed.

Sensitive Census Tracts will also receive priority consideration for future available funding for:

- Tenant Protections (a portion of regional funds available for eviction defense, rental and relocation assistance)
- Preservation Funding (for acquisition and rehabilitation of both deed-restricted and unrestricted affordable units, livability repairs for existing unrestricted affordable units)
- Affordable housing production funding (a portion of regional affordable housing production funds will be dedicated to sensitive census tracts, in addition to portions dedicated to high opportunity neighborhoods and a generally competitive portion)
- Funding for a robust community-based planning process (with clear guidelines for genuine community ownership/engagement)
- Targeted assistance to lower income homeowners to build wealth and stability under missing middle upzoning/ADU policies

Proactive Planning in Sensitive Census Tracts

This proposal is designed to encourage places most likely to be impacted by certain aspects of the CASA Compact enough time to engage in a meaningful, and resourced, planning process that preserves community voice while still addressing the 3Ps of protections, preservation, and production.

The Geography working group proposes the following process for proactive community planning in Sensitive Census Tracts:

1. If the Sensitive Census Tract is identified on the map maintained by MTC/ABAG they will have 1 year from the date of the adoption of the legislation to opt out. The decision to opt out will be made by the local legislative body (city council or board of supervisors) and must involve community consultation from residents of the Sensitive Community.

- a. Local legislative body must hold at least one public hearing on whether or not to opt out and such a hearing must be requested through a signed petition from at least 20 residents of a census tract identified as a Sensitive Community.
2. If a Sensitive Census Tract chooses to opt out:
 - a. The Sensitive Community will have 4 years to conduct a robust community plan. Community plans may ultimately choose NOT to have any market-rate upzoning/housing overlays above missing middle and density above 55' on transit corridors.
 - b. If the Sensitive Community does not adopt a local plan within 4 years, then CASA Minimum Density /streamlining will apply. Sensitive Census Tracts may receive an additional 2-year extension for cause.

Additional conversations are needed

While the Geography working group made significant strides in defining Sensitive Census Tracts and identifying other areas where there was substantial agreement, it has not yet reached agreement on the broader overarching geography framework that will guide certain key questions in the overall compact. Rather than attempt to settle these various matters at this table, the group at this time is focusing on areas where there was consensus and to continue discussion on areas that will require more exploration, discussion and debate as part of the overall CASA Compact negotiations.

Next Steps

The Geography of Inclusion proposal significantly expands housing production as well as tenant protections and housing preservation--setting a floor across the region. If enacted, it will represent a dramatic shift in the way that the Bay Area has historically grown. The proposal, however, is unlikely to be a panacea for all concerns brought up through the CASA process and is meant to be considered as part of the overall CASA compact negotiations. All groups impacted by CASA, more broadly, will have to weigh whether the overall compact contains enough protections, preservation, and production proposals to meaningfully address the Bay Area's housing crisis. The Geography of Inclusion proposal is an important component of those negotiations and we encourage all CASA stakeholders to weigh in on this proposal as part of the overall CASA Compact negotiations. This and other CASA proposals are subject to change through the overall Compact negotiations based on the input gathered through outreach to stakeholders.

To 'get it right', we are all compelled to be as thoughtful and objective and patient to ensure that proposed CASA Compact policies will result in inclusive solutions to the Bay Area's housing crisis, to address both displacement and gentrification in many communities, the dramatic underproduction of housing in other communities, and doing no harm to existing low-income communities of color in the process.

Appendix A

CASA Geographies - Mapping to Inform Targeting of Upzoning and Streamlining Policies

Objective

This document serves as supplementary explanatory material to an interactive map that the Center for Community Innovation (CCI) developed, using data from CCI and the Turner Center.

The interactive map can be found [at this link](#), and this document serves to explain its structure.

The purpose of this map is to provide the CASA Geographies working group with data as they work to identify areas that may receive some additional protections¹ in the face of specific CASA action plan policies on upzoning or streamlining.

The data layers in the map were included at the request of the CASA Geographies working group, and do not represent a UC-Berkeley (CCI and/or Turner Center) recommendation about which data should be considered to inform the targeting of upzoning and/or streamlining.

Using the map

Checkboxes next to layer names on the top left of the map allow the user to turn layers on and off. Pop-ups provide detailed data on a specific tract.

Note: the map images included will be replaced by final, stylized images by the time of the September CASA Technical Committee meeting, but the content of the maps will not change.

¹ These additional protections are to be determined - they may take the form of an extended community planning process under upzoning or streamlining. For purposes of clarity in this document, we have referred to areas that might receive this differential application of upzoning or streamlining as “special protection areas.” This name has not been vetted or agreed upon by CASA stakeholders, and should be considered a placeholder.

Data layers

The following layers are represented in the map. The key layer that the CASA Geographies working group selected to inform special protection areas for upzoning and streamlining policies is the layer on high-poverty, high share people of color tracts (2016). Other layers provide background information on transit. All data sources are listed, and are linked where layers are publicly available.

2016 High Poverty, High Share of People of Color Tracts -- layer demonstrating tracts that - as of 2016, based on 2012-2016 American Community Survey (ACS) 5-year data - had more than 30% of households living in poverty (living below 200% of Federal Poverty Level), and where more than 70% of households are minorities. These thresholds come from the 'concentration thresholds' used by MTC's Communities of Concern in [Plan Bay Area 2013](#) and [Plan Bay Area 2040](#) (2017 version). (Source: [MTC](#), underlying data from American Community Survey)

Transit Priority Areas (TPAs) -- layer for areas within a ½ mile of a Major Transit Stop (see details below). *Intended to be a layer that can be toggled on on top of other layers as a cross-reference. Visually, TPA boundaries highlight underlying layers.*

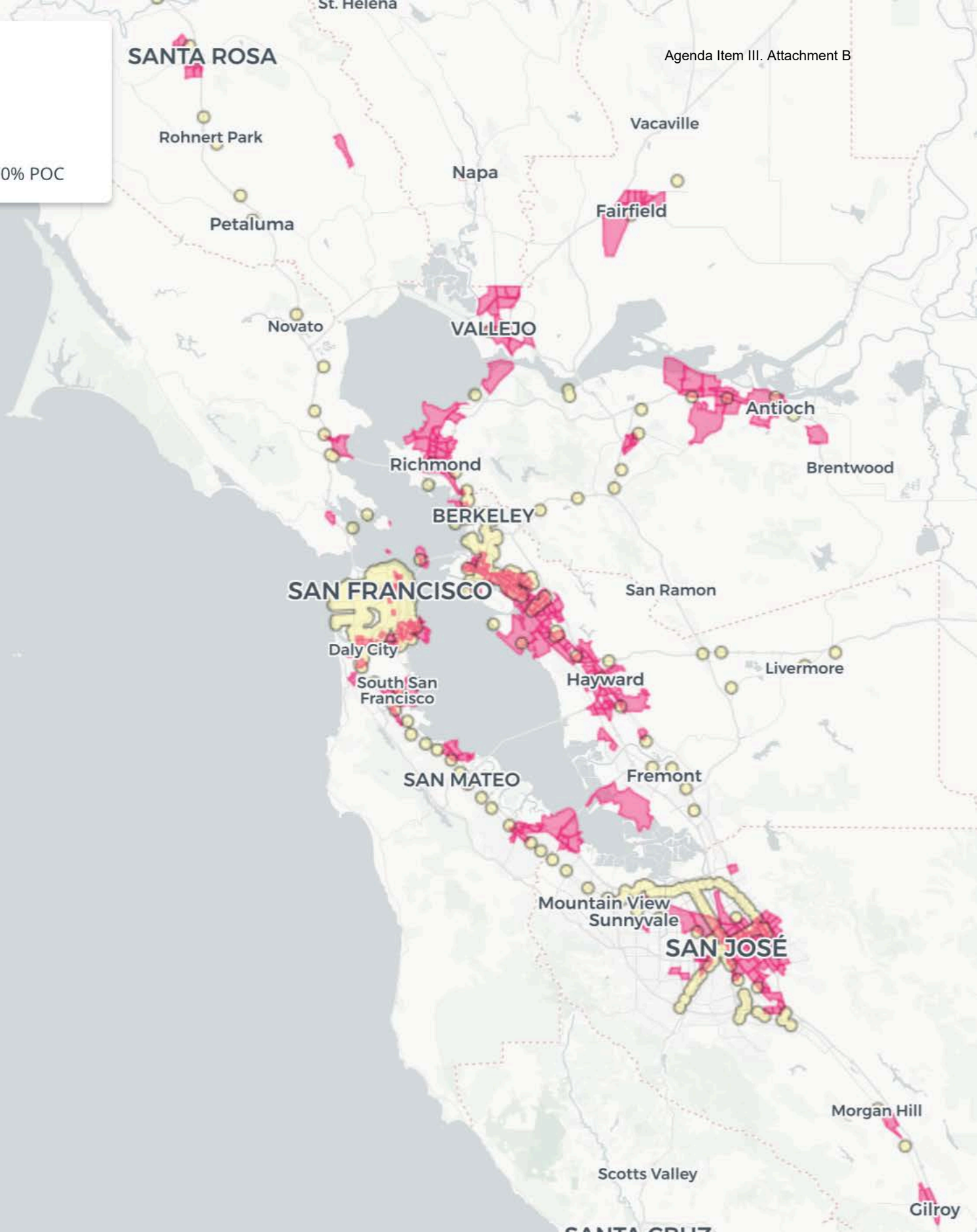
Transit Priority Areas (TPAs) are defined in the [California Public Resources Code, Section 21099](#) as those areas within 1/2 mile of a Major Transit stop, defined as any of the following: existing rail stations; planned rail stations in an adopted RTP; existing ferry terminals with bus or rail service; planned ferry terminals with bus or rail service in an adopted RTP; intersection of at least two existing or planned bus routes with headways of 15 minutes or better during both the morning and evening peak periods. More details on the development of the TPA dataset are available [here](#). (Source: [MTC](#))

Transit Corridors -- layer for areas along existing fixed-route bus corridor with headway of 15 minutes or better during both the morning and evening peak periods; or fixed-route bus corridor with headway of 15 minutes or better during both the morning and evening peak periods in an adopted Regional Transportation Plan (RTP). This dataset was developed using several data sources that include Planned Transit Systems identified in the Plan Bay Area 2040 Regional Transportation Plan, Existing Transit locations extracted from the 511 Regional Transit Database, and manual editing conducted by the Spatial Modeling team at the Metropolitan Transportation Commission. Note that the corridor alignments were developed using the best available data or, when necessary, by identifying the shortest route between two consecutive stops on that service. (Source: [MTC](#))

Transit Priority Areas (TPA)

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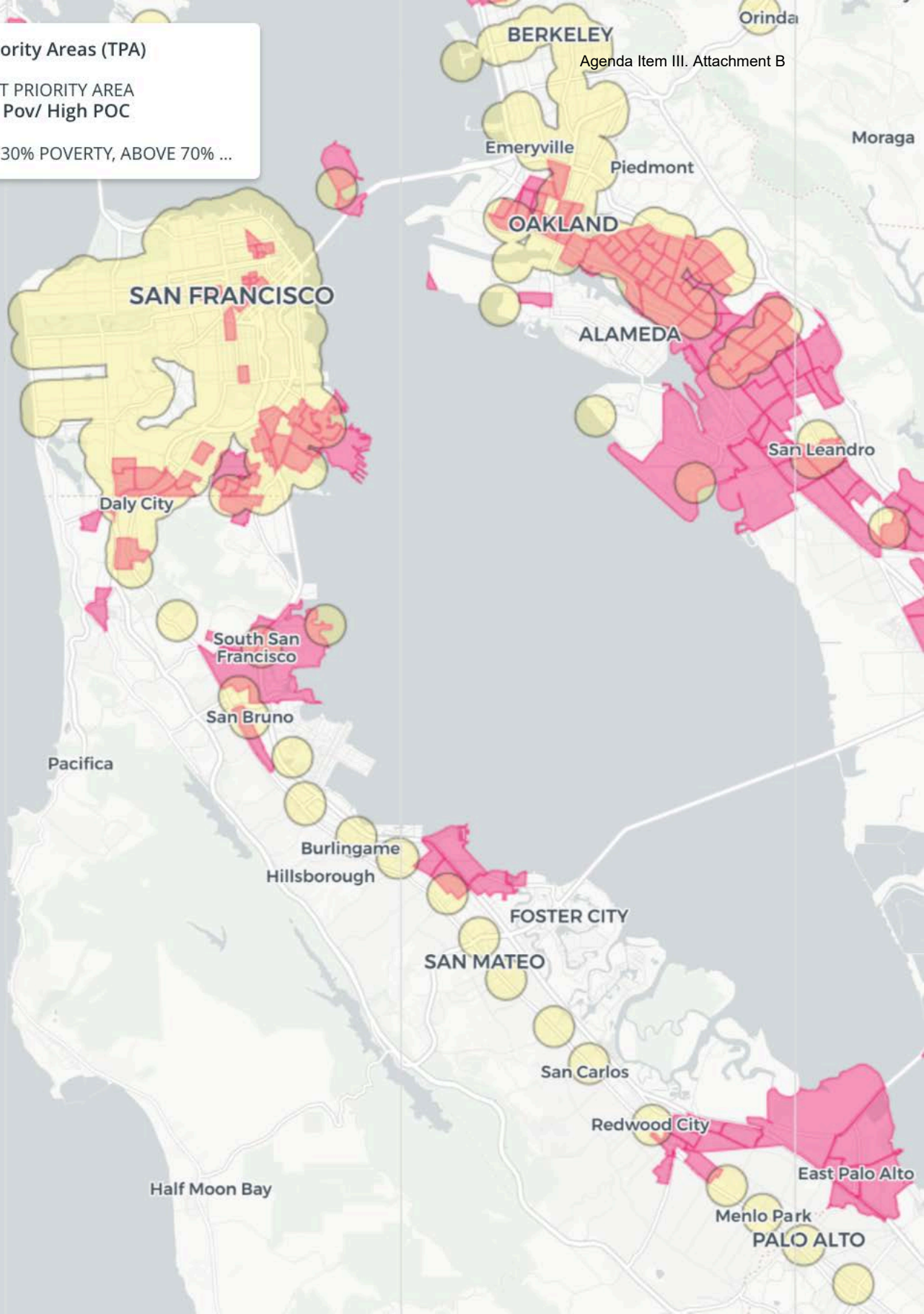
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Transit Priority Areas (TPA)

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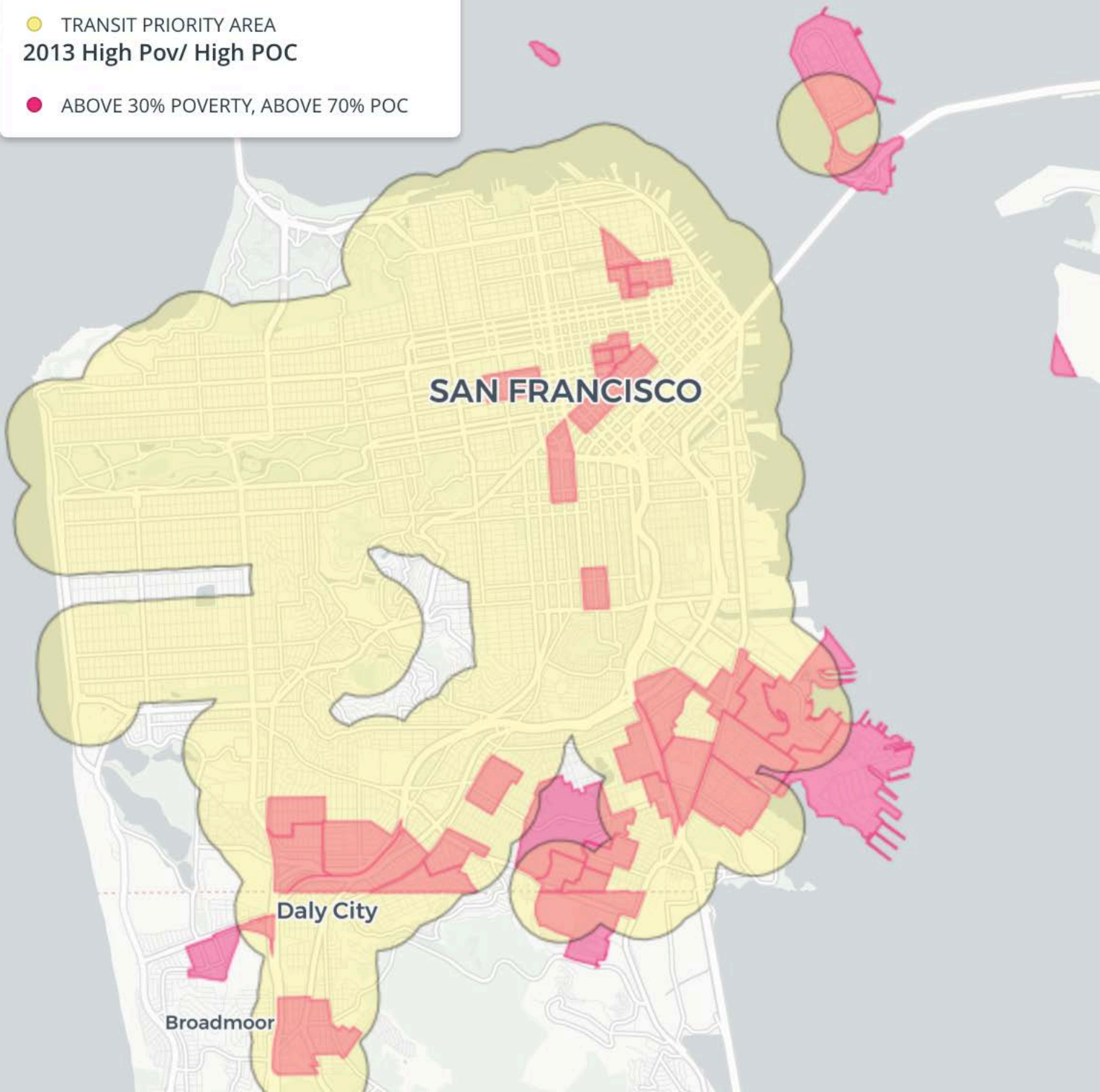
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Transit Priority Areas (TPA)

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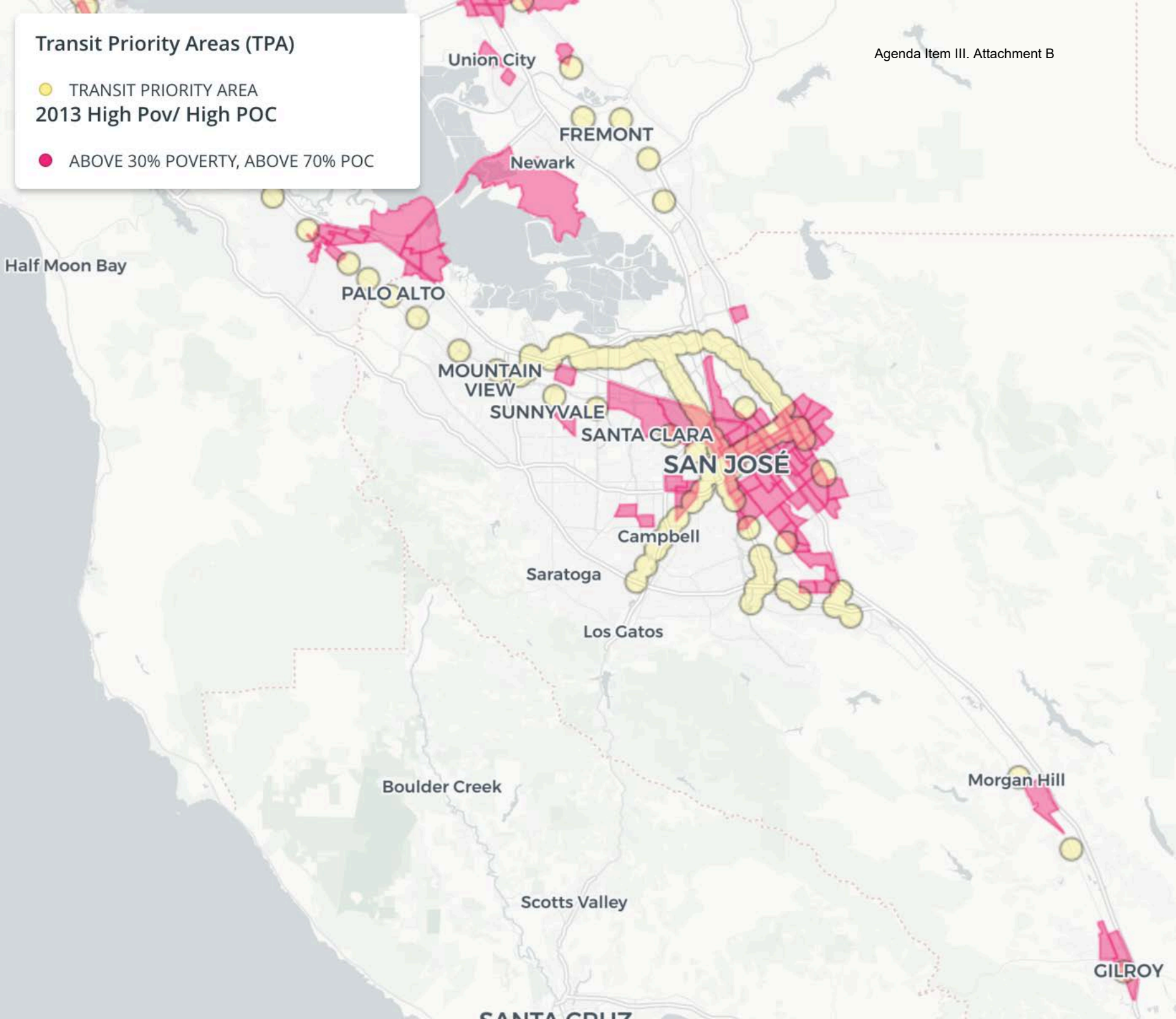
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Transit Priority Areas (TPA)

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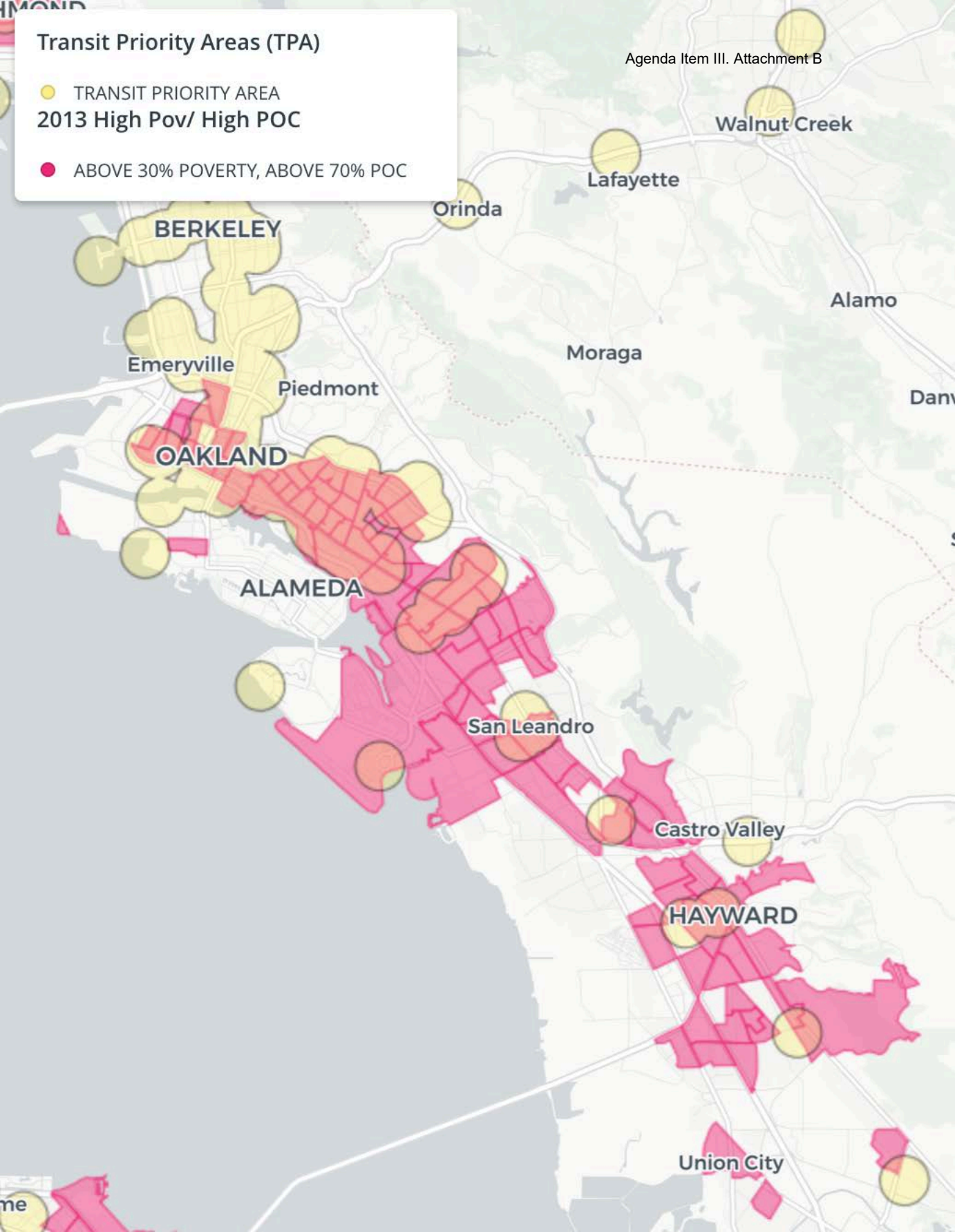


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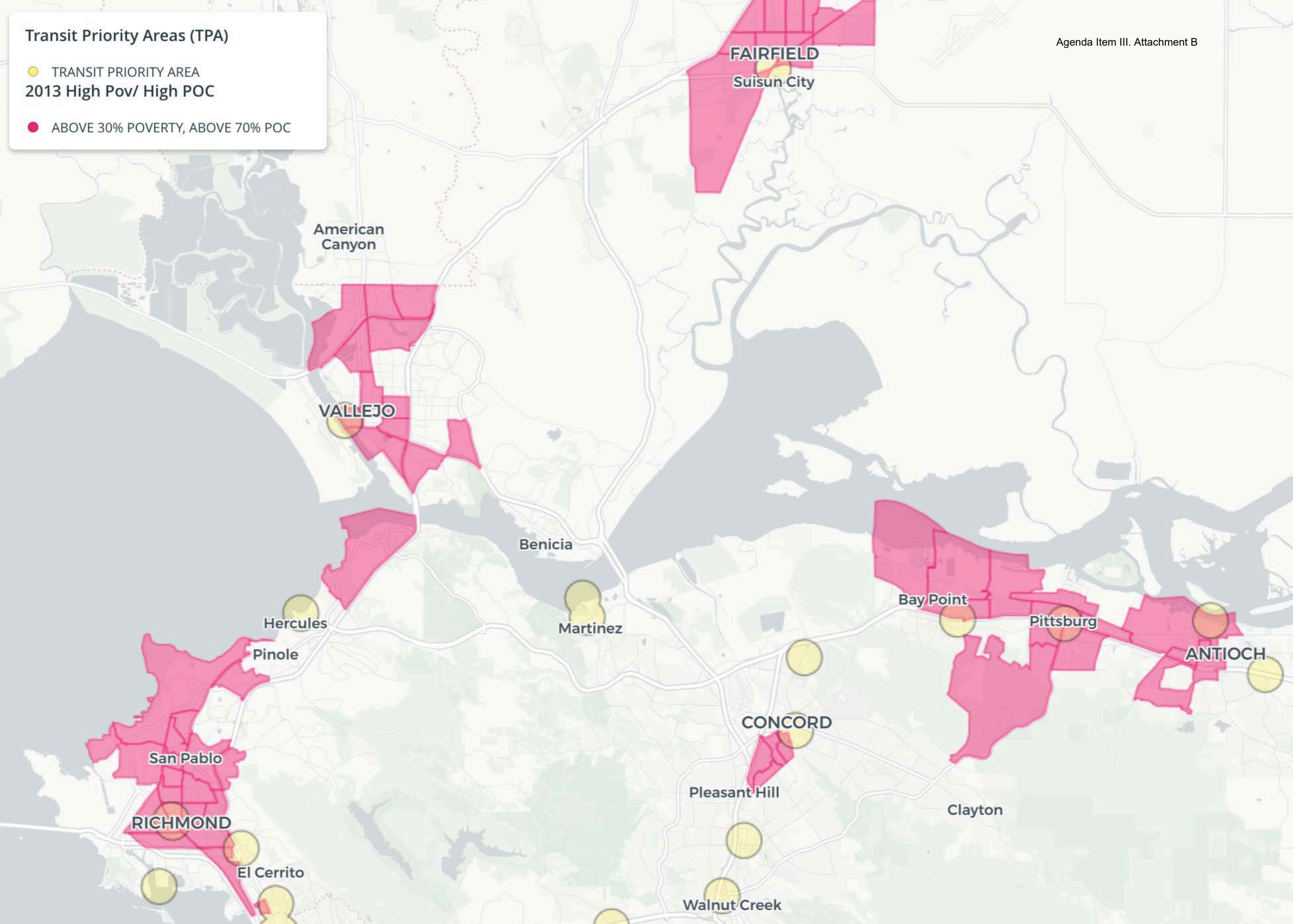


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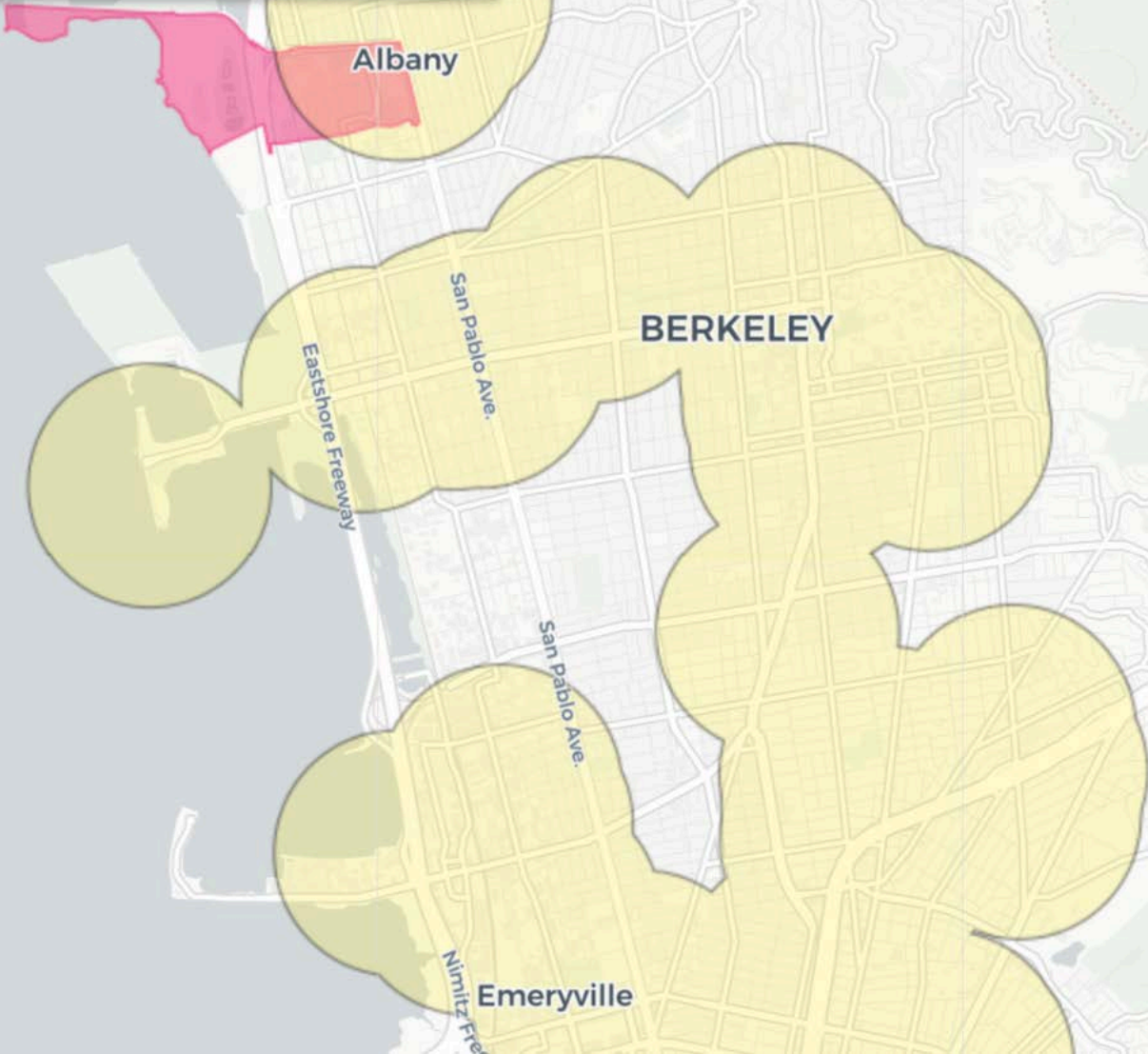
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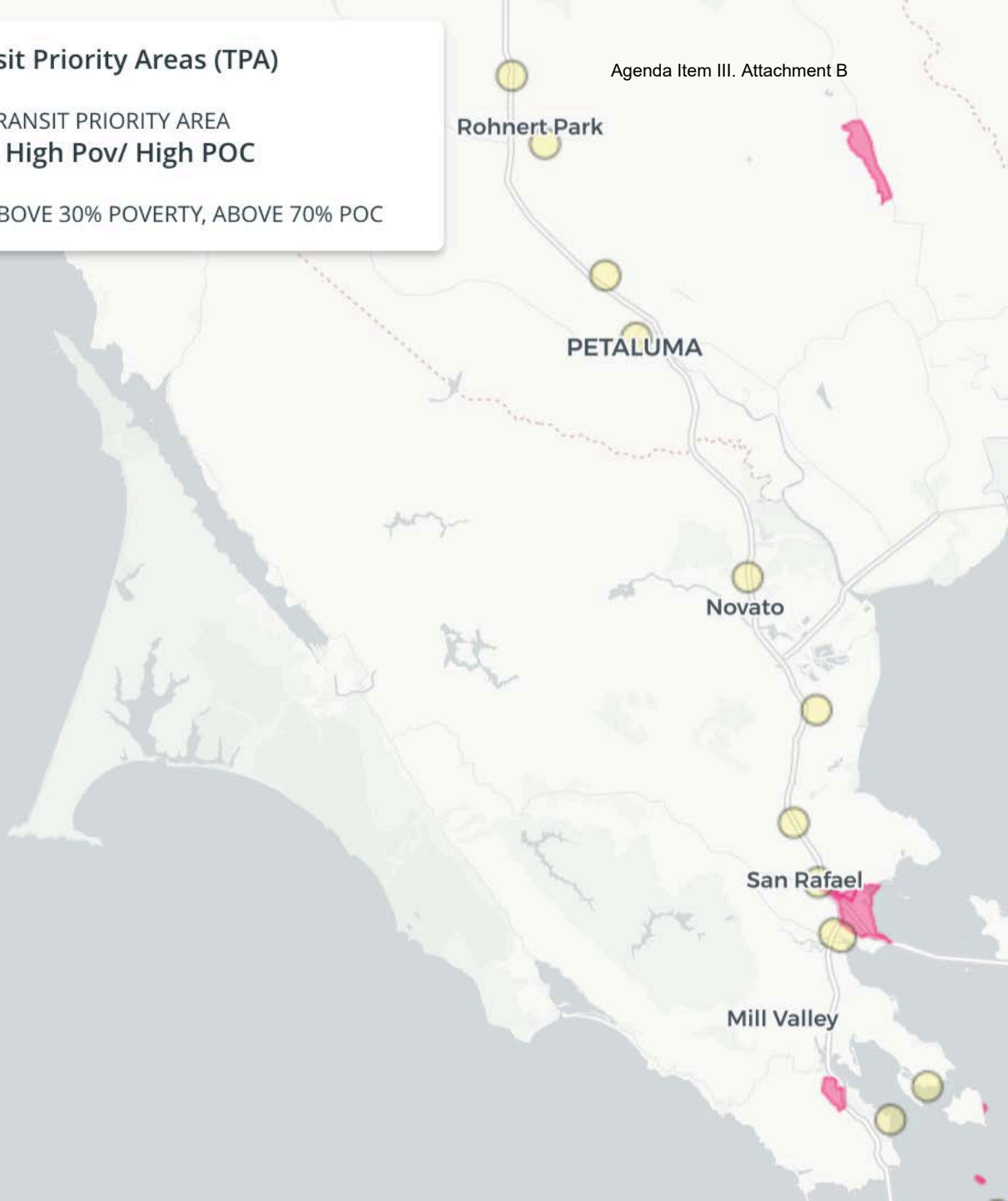
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Novato

San Rafael

Mill Valley

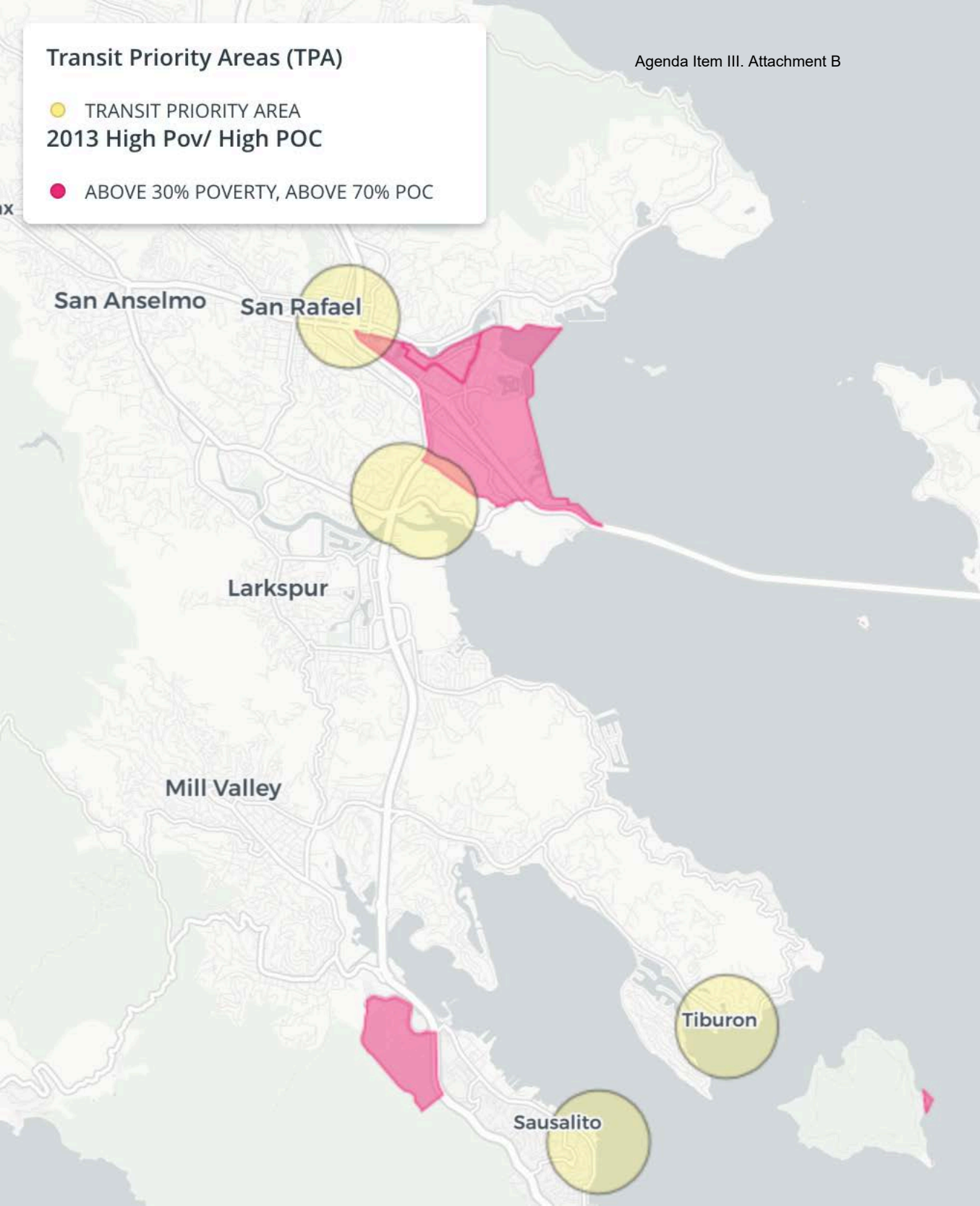


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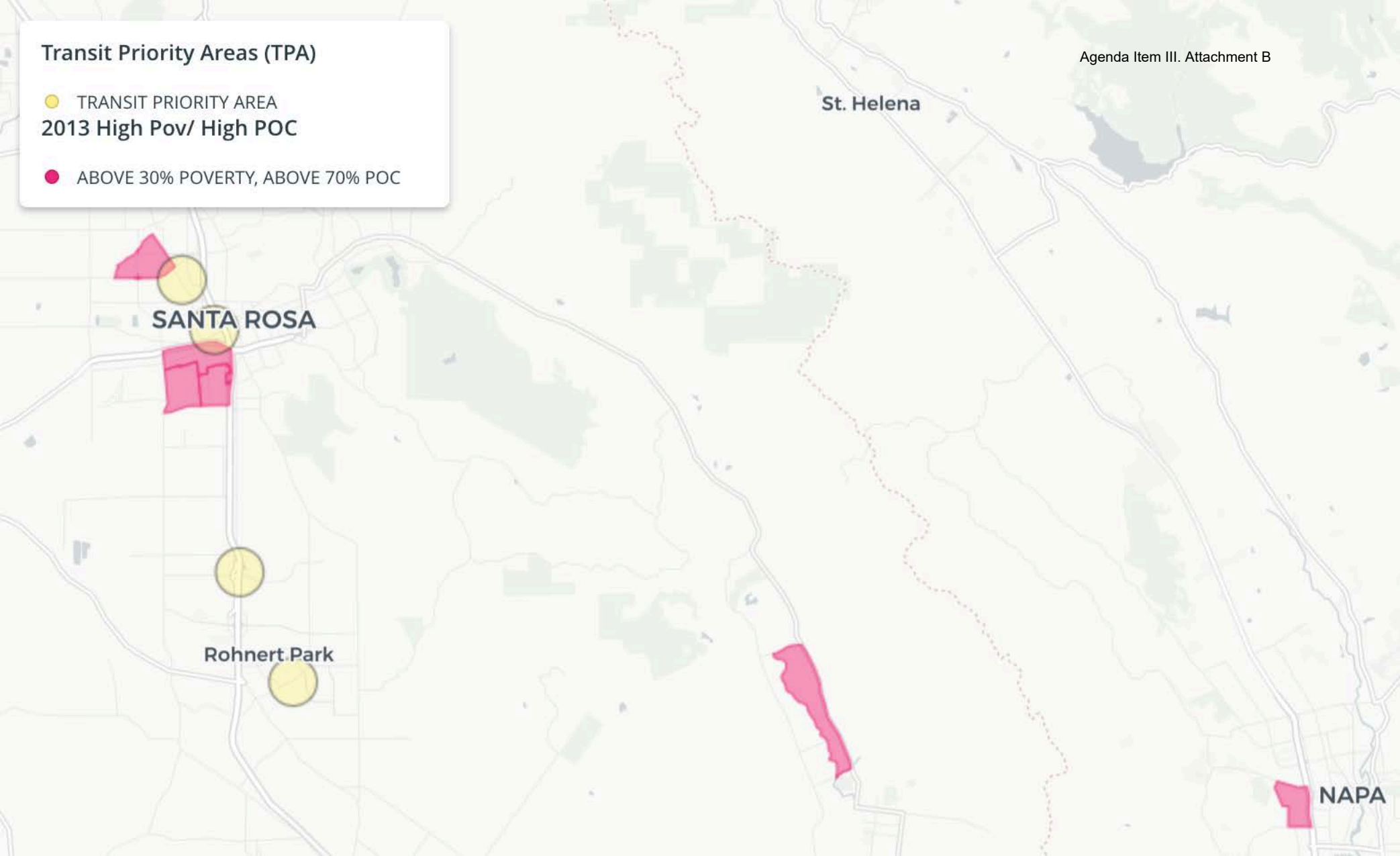
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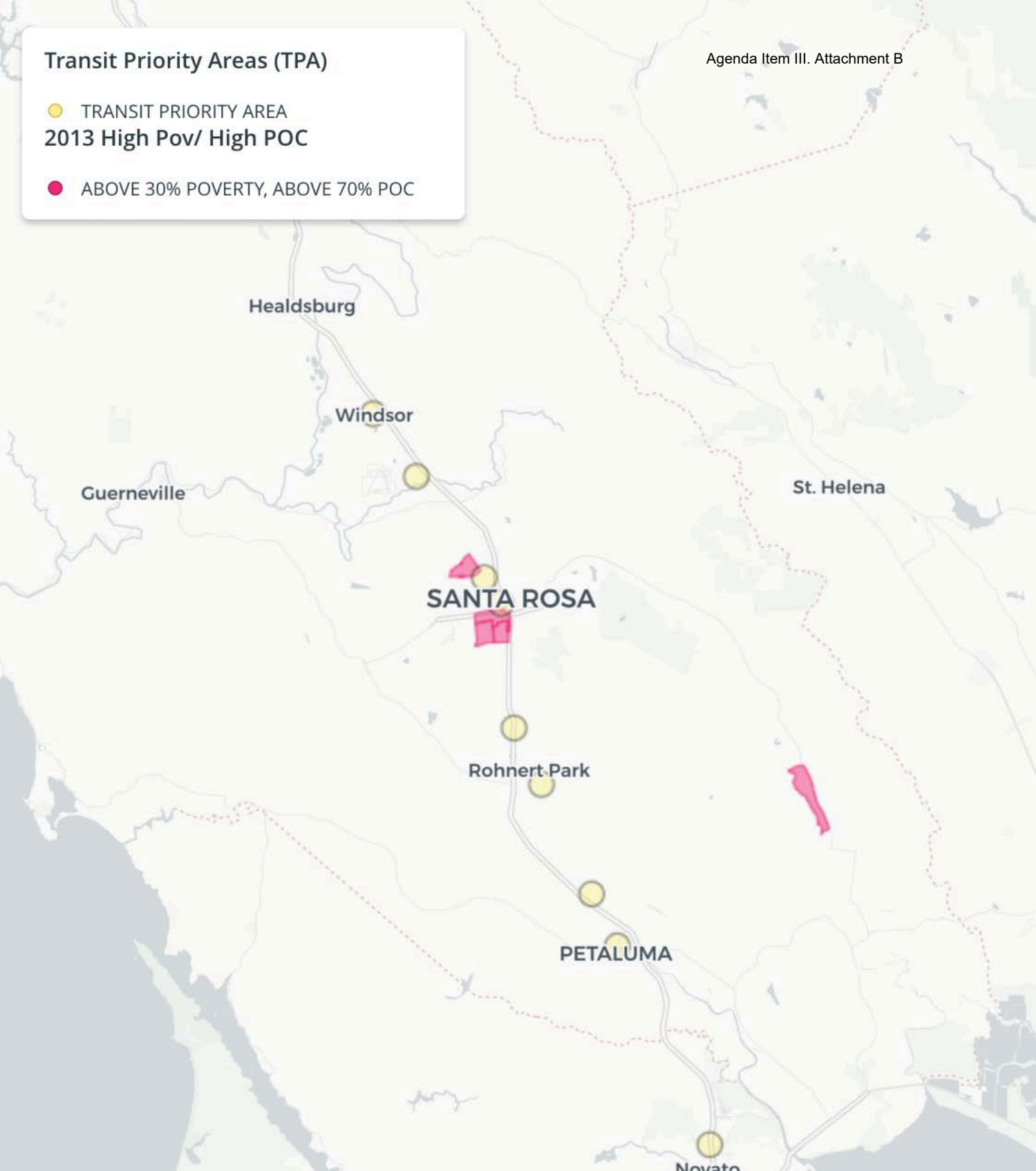


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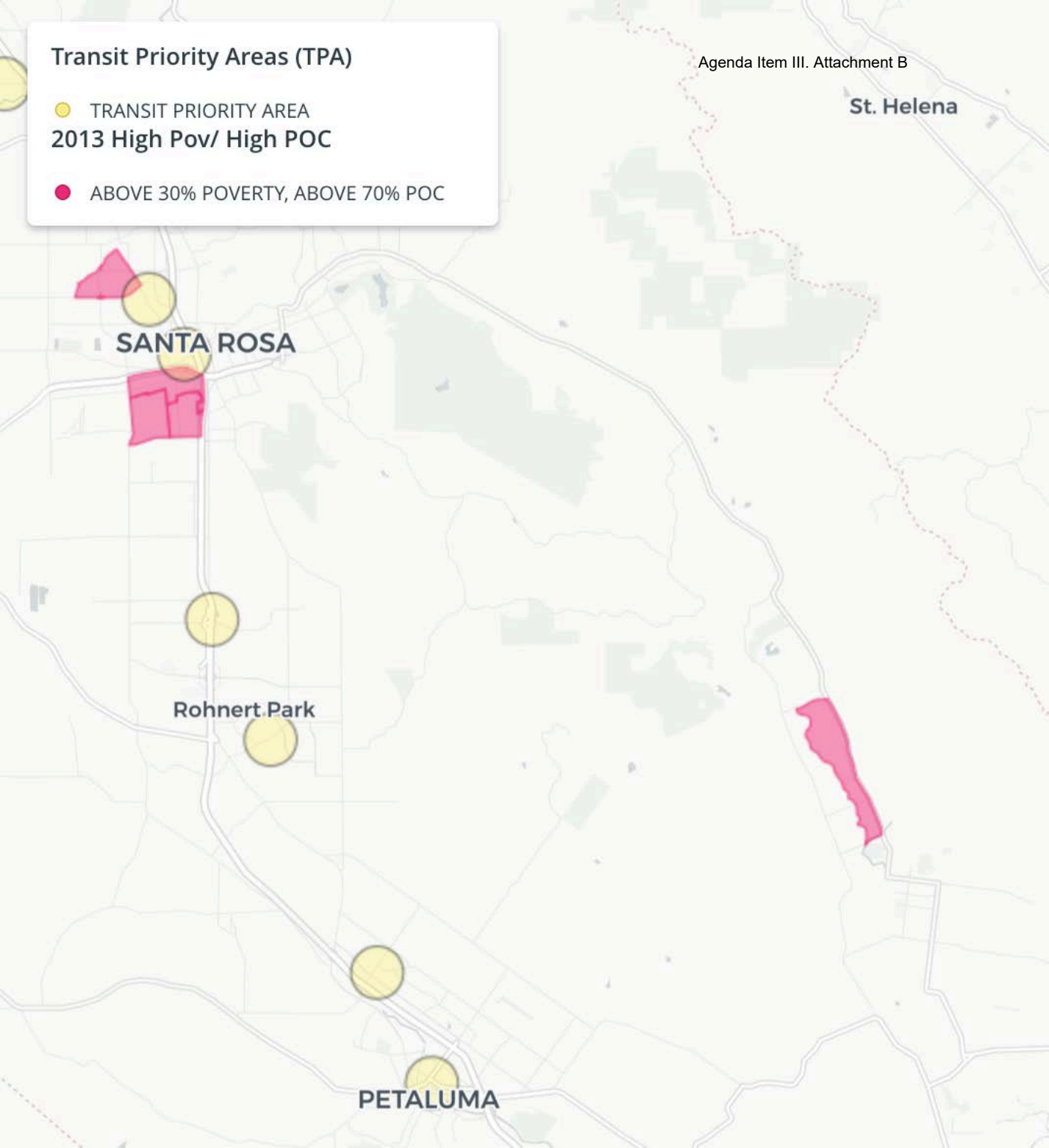
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St. Helena

SANTA ROSA

Rohnert Park

PETALUMA



APPENDIX B

Production Measure #8: Create a greater variety of housing opportunities in more neighborhoods and cities, especially “Missing Middle”

Core Problem: Not enough housing is being produced that is affordable to middle income households

Issue #1: Existing land pattern and zoning: The rapid expansion of the suburbs after World War II led to a land pattern of predominantly single-family detached homes that is no longer sustainable in areas proximate to job centers or affordable for most households. As the Bay Area population continues to increase, the land pattern that was developed to serve the population of 40 years ago cannot respond to the increased regional demand for housing or changes in how we live as families, single adults, and seniors. In addition, exclusionary zoning measures like minimum lot and home sizes, initially put in place to keep out low-income households and people of color, now function to exclude nearly all but the highest income earners. Most of us have forgotten that before WW II, many “family” neighborhoods included triplexes, duplexes, and a range of housing forms. In most Bay Area cities, the majority of land acreage is zoned for low density living. Even in San Francisco 72% of the city’s privately owned land is zoned R1H and R2H, which puts the burden of population growth on 28% of remaining land parcels that also include includes business, industrial, institutions, and mixed use housing sites ((1.1.2017 Family Friendly Design Whitepaper, SF Planning Department). A complete Bay Area housing solution must revisit product types that cost less to build and can accommodate changing families at a range of incomes while retaining neighborhood character and gently adding density.

Issue #2: Current planning and growth accommodation eliminates housing variety: Modern planning and legislative efforts are focused on concentrating housing growth along transportation corridors and around transportation nodes in a worthy effort to reduce greenhouse gas emissions. However, this has effectively homogenized development into high-density product types that are the most expensive to construct from the market rate perspective and require the most subsidy to deliver even middle income units much less between 120 and 150% AMI much less affordable homes. Low-cost housing is now constructed and occupied further and further into the urban periphery, with a particular focus on family housing being created in the central valley, leading instead to increased emissions due to the lengthy “mega commutes” faced by households displaced from the core Bay Area.

Recent decades in zoning and planning have focused on housing density (how many households or units) rather than form—is the building 2 or 3 stories? For example, the 2½-story building shown in the image is located on a 100’ x 140’ lot and is 90 units per acre. This is not the immediate image that comes to the mind when this kind of density is described. And yet 90-units to the acre can be achieved in 2-3 story buildings that could compliment many lower density residential or commercial streets, perhaps on or larger lots, and create attractive dense infill to help meet chronic regional need for housing and for housing that suits a range of family incomes and types.



Issue #3: Economics of high density housing create “barbell effect” of housing delivery: Drastic reductions in State and Federal funding, fierce competition for developable land near transportation nodes, and skyrocketing construction costs have made it harder than ever to construct viable market rate or affordable multi-family projects. Thus, market rate unit sizes have been shrinking to be affordable to even the highest income renters – at rents in excess of \$3,500 per month – and cannot provide space for families. Affordable units eligible for subsidies are typically restricted to households earning less than 80% of AMI, which is leaving the vast majority of the

population unserved at any price. The end result is that the high cost and complexity of large multi-family buildings concentrates development capital, labor, and skill to create very high-priced or highly-subsidized housing that is inherently more vulnerable to market cycles and saturates demand for expensive homes while also not producing an adequate number of affordable homes and nothing for the “missing middle”.

Smaller homes offer an opportunity to expand the not only the diversity of price points and unit types, but also to diversify the types of development entities, contractors, sources of capital, and the labor force in the construction industry able to build smaller homes—and lots more homes than can be built by the larger traditional builders. This could have the additional benefit of expanding pipelines for labor and modular construction that can then stabilize efficiency and labor force swings in the larger industry.

Issue #4: Housing for households at higher AMI levels are requiring subsidy to be constructed. While 20 years ago, middle income housing was built in market rate projects, today due to numerous factors, the private market is unable to provide new construction that is affordable to anyone but the highest earners. As development costs continue to increase and traditional affordable housing subsidies fall and stop at 80% AMI) more and more households are falling in the “gap” that is unserved by either the market rate or affordable housing industry. Tax credits, for example, are only available for units rented at rates below 80% AMI. The “missing middle” households make up the majority of the population, must move into what used to be low income neighborhoods to find housing they can afford causing gentrification, and they are entirely unserved by most new construction. While the private market historically provided housing for middle income households (20 years ago 120% AMI WAS market) , this no longer holds true in the core Bay Area, as locations available to build housing affordable to middle income households have been either built out or zoned for high density development. Given the costs to construct mid-rise and high-rise projects and the lack of public subsidy, **it must be understood that middle income housing affordable to families between 100% and 180% of AMI cannot be widely constructed in the core Bay Area without developing lower cost missing middle housing products.**

Core Solution: The Bay Area must deploy a greater diversity of landowners, builders, sources of capital, and product types to solve the complexity of the housing crisis. A part of this must be re-creating “Missing Middle” housing types that were common before the widespread adoption of single family zoning after World War II.

“Missing Middle” product types include small, 2-4 unit buildings that can fit on smaller lots throughout existing lower density residential and commercial neighborhoods in up to 3 stories. These buildings are simpler and cheaper to construct — they are built mostly of wood and have complex construction like parking podiums, elevators, fire/life safety systems, back-up generators, or ADA requirements internal to the structure, and therefore result in a much lower cost to build. These products are the only way to create sustainable, naturally-occurring affordable housing in high-opportunity communities and one of the few ways to stabilize rapidly-gentrifying neighborhoods. Missing Middle housing can be constructed at one-third of the cost of a 4-7 story building, making these units more affordable by design. As of the 2010 American Community Survey by the US Census, there are 1,482,618 single family detached housing units in the Bay Area. If just 25% of those lots allowed for a duplex instead of a 1-unit detached home, an additional 370,655 housing units could be added to the Bay Area housing stock in a product that would not substantially interfere with the context of the surrounding neighborhoods. This number would obviously rise if triplexes and 4-plexes were allowed as well. These can be constructed on privately owned sites with no subsidy, on low density commercial strips, or on widely distributed publicly owned sites at a lower land cost to be even more affordable perhaps in partnership with non-profit builders.

Specific Solutions:

The primary barriers to creating more missing middle housing types are zoning rules designed to exclude multifamily housing from single family or low density neighborhoods or commercial sites, local resistance to allowing for multi-family product types even ones that fit in gently in 2-3 stories even on public land, added costs and fees from local codes, and California’s strict liability and subdivision laws that create legal and process challenges for attached homeownership products. Each of these is outlined in more detail below:

Solution #1: Convene an MTC/ABAG committee that focuses on creating more missing middle housing:

- Establish a “package” of recommendations and priorities for encouraging missing middle housing.
- Focus on messaging strategy for known community concerns: demolition of SFDs, density, traffic.
- Determine funding/subsidy sources to encourage missing middle housing.
- Needs to be complimentary to Plan Bay Area and AB 32/SB 375.
- Recommendations to follow the solution ideas outlined below and to be reported back by 1.1.2019
- Ongoing staffing at ABAG/MTC to deploy solutions and support local agencies as these changes begin to take effect.

Solution #2 Expand zoning to allow more missing middle housing, particularly in high opportunity areas:

- Support State and local efforts to remove zoning barriers for missing middle housing (increased lot coverage minimums; reduced parking standards; reduced setbacks; increased density on corner lots; micro-units/tiny homes and co-housing.
- Support current 2018 session ADU legislation that allows more ADUs, including in single and multi-family buildings and rear yard cottages, eliminates impact fees elements, creates a small homes building code chapter to reduce cost while ensuring safety modeled on recent efforts by State of Oregon. Frequent, short term rental of ADUs may need to be addressed so they are used as homes.
- Require product-based rather than density based zoning modifications for housing element certification
- Establish density bonus structure that allows for increased units, but no increase in building envelope to encourage smaller, more affordable units.
- Consider exempting units <650sf.
- Require rezoning for missing middle housing types for housing element certification

Solution #3: Assist cities to allow for incremental density increases in SFD-only zones

- CASA/Bay Area Metro study and document best practices locally to encourage “missing middle” housing types (including ADUs, carriage homes, flag-lots, small lot subdivisions and shared driveways)).
- Encourage Turner Center to study best practices, and effectiveness of missing middle zoning changes on increasing income diversity in existing neighborhoods and document where existing missing middle housing is located, functioning and successful.
- CASA/Bay Area Metro to hold/fund “high-touch assistance to local governments in the form of education workshops and charrettes around ADUs missing middle housing and “product-based” rather and density-based zoning (described above) to demonstrate missing middle compatibility with existing SFD land uses.
- CASA/Bay Area Metro provide funds to allow for jurisdictions to study and modify zoning codes to allow for missing middle housing.

Solution #4: Encourage State and cities to adjust fees so that they do not discourage space-efficient housing or small developers.

- Square footage, not density-based fees.
- Fee waivers on projects < 5 units, allow small homes building code, allow small projects to achieve streamlining under SB35.
- State/regional funding or incentives to backfill fees waived by cities for projects < 5 units.
- Grant a State density bonus for missing middle housing rented or sold between 100% and 150% of median income applied to projects < 50 units.

Solution #5: Facilitate ownership opportunities

- Encourage State to modify unique strict liability standard, deposit requirements, clarify vertical subdivision rules so more condos can be feasibly built.

Solution #6: Deploy more types of land for missing middle housing sites

- Require local agencies to allow residential uses up to 4 stories tall on public land and in commercial areas

including parking lots and retail sites within 1/2 mile of public transit at reduced cost to deed restricted middle and affordable housing projects. Deploy more public land for affordable and missing middle housing.

Desired Goal: Expanding missing middle housing will create more rental and ownership opportunities and diversify the availability of housing for a range of renters and buyers with no public subsidy in a form that can be delivered in the “character” of existing neighborhoods. As missing middle housing does not require institutional capital to construct, it can be metered in at all times in the development cycle by builders that are closer to their respective communities and thus “smooth out” the delivery of housing units over time and expand the construction labor force perhaps improving gender parity. This strategy is to be used in addition to – not to the exclusion of – current efforts to place higher density projects near transit and other production and preservation measures.

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