



Best Practices for Missing Middle Housing in Santa Clara County:

Creating housing opportunities for moderate Income Households (July 2019)

Actions that allow for modest sized homes:

Recommendation	Rationale
Zoning at higher densities on single family lots that encourages smaller units	Adapting zoning codes to higher densities that encourage ADU development or redevelopment of sites to build at medium density levels. ¹ Allows for transitional densities, lowers site development costs and allows residents access to high value community amenities.
Improve the functionality of existing tools, such as Accessory Dwelling Unit ordinances.	423 ADUs were permitted throughout Santa Clara County in 2018. ² This is a significant increase in production from previous years largely due to changes in State legislation that led to ordinance updates. More can be done to continue to incentivize development and streamline the process for interested homeowners. Additional incentives, including impact fee relief substantially reduce costs for homeowners interested in building an ADU.
Incorporate smaller units affordable to middle income households in larger developments.	Unlike traditional affordable housing development, Missing Middle housing should be able to be established without requiring ongoing, long-term subsidies. By easing zoning restrictions on unit sizes and configuration, cities can promote higher density housing that incorporates a mix of unit sizes including units targeted for middle income households.

Leveraging opportunities in large scale development:

Recommendation	Rationale
Leverage zoning changes in Specific Area Plan and major developments.	Through specific plan processes, or significant General Plan amendments, there is an opportunity to leverage public benefits, beyond standard inclusionary housing requirements, for “missing middle” housing. More expensive market rate units, made possible by rezoning, can subsidize the lower priced units. Incorporating middle income units should be considered as an addition, and not in-lieu of, existing inclusionary requirements that are targeted to lower-income households. Alongside zoning changes, other

¹ Opticos, How to Regulate; <http://missingmiddlehousing.com/about/how-to-regulate/>

² SV@Home; ADUs Permitted in Santa Clara County 2017 vs. 2018; <https://siliconvalleyathome.org/resources/#secondary-dwelling-units>

	incentives such as fee waivers, proximity to transit, could help make moderate income development feasible.
Allow mid-rise development by right within ½ mile of transit corridors.	Mid-rise development, such as apartment or condominium complexes generally no higher than four stories, can serve as a transitional density between single-family neighborhoods and higher density development directly adjacent to transit corridors. Action should be considered at both the State and local level to create streamlining and by-right zoning opportunities for this type of missing middle housing when located in areas near transit. ³
Prioritize affordable development on surplus or underutilized public land	Public land is a valuable resource for additional housing development. When jurisdictions sell or lease land, they are required by the State to first offer the land to affordable housing developers. ⁴ Multifamily, mixed income buildings are a key type of development that would be appropriate and have units set aside for incomes between 80-150% of AMI. There are also multiple local initiatives by school boards to build housing for teachers and staff on underutilized property. ^{5 6}

Flexible Funding:

Recommendation	Rationale
Identify opportunities to promote new public/private financing at moderate income levels	Funding sources are needed to encourage “missing middle” housing development. However, these initiatives should not come at the expense of other affordable housing programs targeted at lower income households. New funding sources should be established targeted at this group in addition to existing programs for low, very-low, and extremely-low income households.
Reinforce existing homeownership programs	The “missing middle” covers a diverse section of the population and efforts need to be made to create both rental and ownership opportunities at this income level. Homeownership down payment assistance programs have been an important financing tool for the “missing middle” historically, and efforts should be made to build these programs up especially in this expensive market. Programs exist currently at both the State and local level. CalHFA has a variety of loan programs to support homeownership. The Housing Trust of Silicon Valley provide homeownership assistance, and the

³ Committee to Housing the Bay Area, Casa Compact, December 2018 <https://mtc.ca.gov/our-work/plans-projects/casa-committee-house-bay-area/casa-meeting-schedule>

⁴ [California Surplus Land Law \(Section 54220-54232 of the California Government Code\)](#)

⁵ Kendal, Marisa 2018; Turn schools into teacher housing? Unique Idea; Mercury News <https://www.mercurynews.com/2018/10/06/turn-schools-into-teacher-housing-bay-area-community-up-in-arms-over-unique-idea/>

⁶ <http://www.supportteacherhousing.org/#work>

	City of San Jose has also dedicated \$10 million to Missing Middle housing solutions including homeownership.
Increase Funding Sources at the Local Level	Accessing adequate funding is an effective incentive to spur additional middle income housing development. While some funding sources exist, they are limited in their scope, and additional opportunities need to be considered to adequately address the needs of the “missing middle.” Measure A was passed in Santa Clara County in 2016. As part of the funding package, \$150 million of the \$950 million bond is to be used for rental and ownership housing for moderate income households (50%-120% AMI). ⁷
Target State Funding that Incentivizes Underdeveloped Housing Types	The State creates funding opportunities through new and existing programs. One option is subsidies for the creation of underdeveloped housing types such as duplexes and cottages. In addition, a current proposal in the State legislature hopes to amend the tax code to provide a property tax exemption for properties of five or more units that commit to restricting rents between 80% and 120% of AMI. ⁸

⁷ Building Homes, Changing Lives 2016 Measure A Affordable Housing Bond, 2018 https://www.sccgov.org/sites/osh/HousingandCommunityDevelopment/AffordableHousingBond/Documents/2016MeasureAImplementationSummary_Sept2018.pdf

⁸ State of California, Assembly Bill 1734, 2019; http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200AB1734