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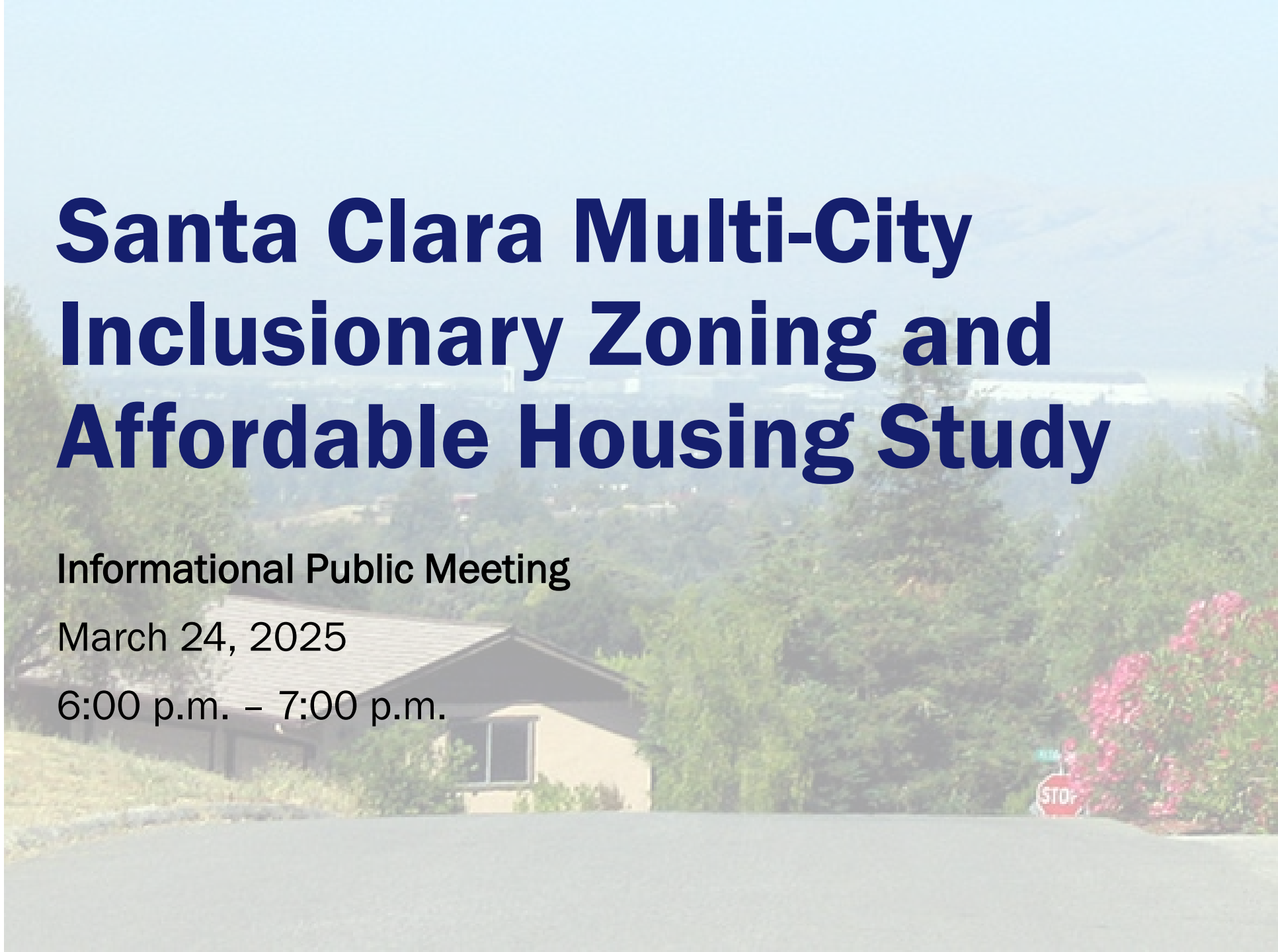
Santa Clara Multi-City Inclusionary Zoning and Affordable Housing Study



Informational Public Meeting

March 24, 2025

6:00 p.m. – 7:00 p.m.

Today's Agenda

- Introduction to the study:
  - Study Purpose, Background, and Objectives
  - Analysis Approach
  - Project Schedule
- Answers to your questions → Submit questions via the chat
- Survey and email for feedback and input

Consultant Team and Participating Jurisdictions

Consultant Team

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Kristy Wang
Principal

Josh Ellsworth
Consulting Senior Associate

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Derek Braun
Principal

Jake Cummings
Senior Associate

Participating Jurisdictions

City of Gilroy — A community with a spice for life

Los Altos Hills, California

Town of Los Gatos — Incorporated 1887

City of Mountain View

City of Santa Clara — The Center of What's Possible

Sunnyvale

Purpose, Background, and Objectives

The study will provide recommendations for policy tools used to produce affordable housing

Informs local policies that require new, private development to contribute to affordable housing

Depending on the policy, the contribution could be either:

- fees to help fund new affordable housing and/or
- building affordable housing as part of a new housing development

In this study "**affordable housing**" refers to housing that is:

- Offered at below market rents or sales prices
- Targeted to certain household income levels
- Offered only to households that qualify based on their income

Ira D. Hall Square, MidPen Housing, Sunnyvale

The study addresses two requirements applied to housing projects and one applied to commercial projects

Residential impact fees
for small residential projects

- Applied to individual single-family homes and smaller scale residential developments (fewer than 10 units)

Inclusionary requirements & in-lieu fees
for larger residential projects

- Require larger projects to offer a percentage of the housing at below market rates (or pay an in-lieu fee)

Commercial linkage fees
for non-residential development

- Applied to office, R&D, hotel, retail, and/or industrial development

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Fee revenues typically fund 100% affordable housing projects, while inclusionary policies provide on-site affordable units in a mixed-income project

Residential impact fees
for small residential projects

Inclusionary requirements & in-lieu fees
for larger residential projects

Commercial linkage fees
for non-residential development

Fee revenues

Other Sources of Affordable Housing Funding

Municipal Affordable Housing Trust Fund

Dedicated Affordable Housing Developments

Inclusionary Housing Units

Mixed-income Housing Developments

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The multi-jurisdiction approach achieves cost efficiencies for each community

	Residential Nexus Study	Residential Feasibility / Inclusionary Study	Commercial Nexus & Feasibility Study
Gilroy	●	●	●
Los Altos Hills	●	●	○
Los Gatos	○	◯	●
Mountain View	○	◯	●
Santa Clara (city)	●	●	●
Sunnyvale	○	●	◯
Total Jurisdictions	**3**	**4**	**4**

Key

- ● Studying policy for first time implementation
- ● Studying updates to existing policy via this project
- ◯ Current policy in place, not participating in study
- ○ No current policy, not participating in study

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The goal is to *recommend* a carefully considered set of policies for the six jurisdictions

Legally Defensible

- State law requires residential impact fee and commercial linkage fee programs to be supported by a **nexus study**

Financially Feasible

- Have a measurable effect on the region's affordable housing need
- But without being so onerous that private development becomes unprofitable and can't be built

Coordinated

- Wherever possible, the policies should employ consistent standards and make sense:
  - ➢ in relation to one another
  - ➢ in relation to similar policies in nearby communities not participating in the study

Analysis Approach

“Nexus studies” are required to establish residential impact fees and commercial linkage fees

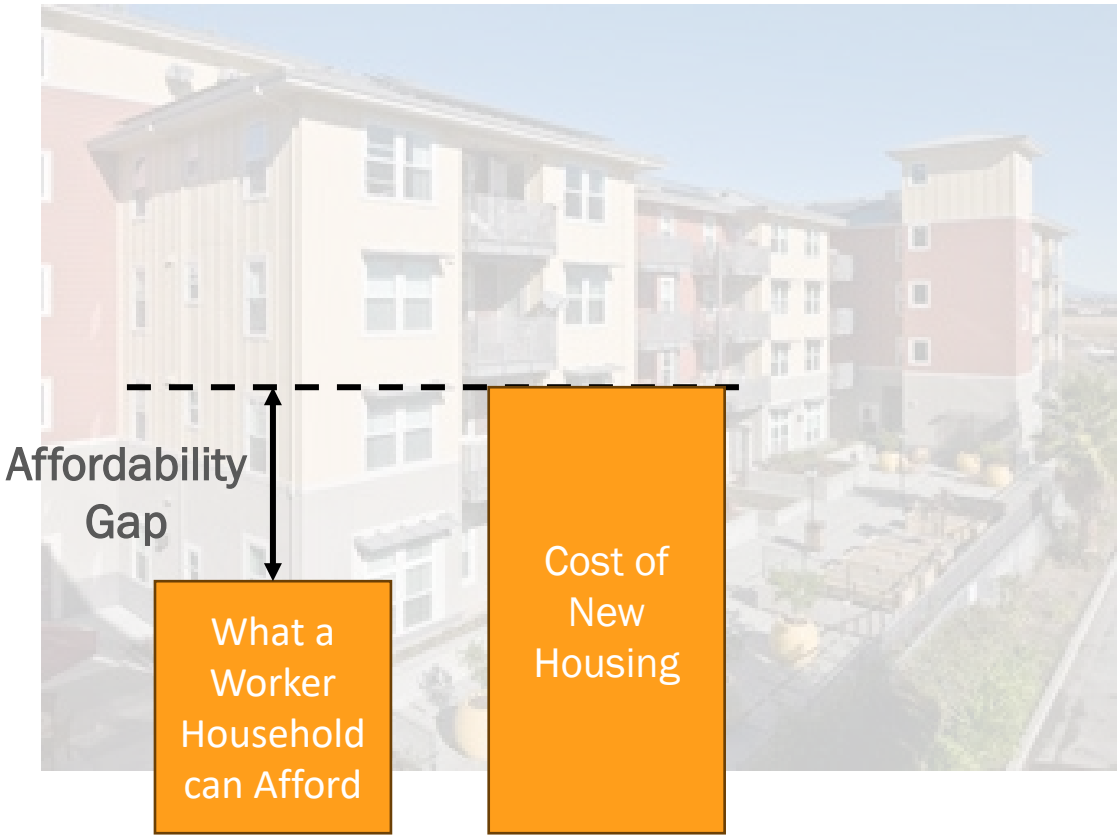
- The nexus study is an economic model
- Both market rate residential and commercial development will tend to generate new employment in the area
- A portion of the new worker households are unable to pay for housing, creating demand for affordable housing

Residential Nexus Study

Commercial Nexus Study

The nexus studies connect new households and employment with affordable housing funding needs

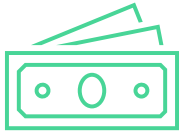
- The nexus studies estimate **the affordability gap** that needs to be filled for all the new worker households to be able to afford housing in the area
- The "maximum justifiable fee" = a fee that would cover the entire affordability gap for all new housing demand created by the new development
- In practice, the fees are generally set at a fraction of the maximum justifiable fee



Inclusionary housing policy analyses consider affordability levels and alternative compliance options

- An Inclusionary Requirement Consists of:
  - A percentage set-aside for affordable units within a market rate housing development
  - Income levels targeted for the affordable units
- The requirement can sometimes be met through alternative means:

In-lieu Fees



Partnerships / Land Dedication

Off-site Affordable Units

- No nexus requirement

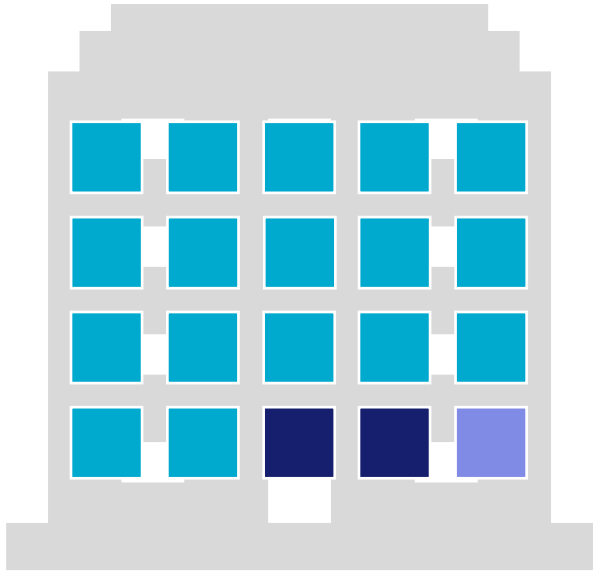
Example Residential Development

- 20 total units
- 15% inclusionary requirement:
  - 10% Low Income
  - 5% Very Low Income

Market Rate Units

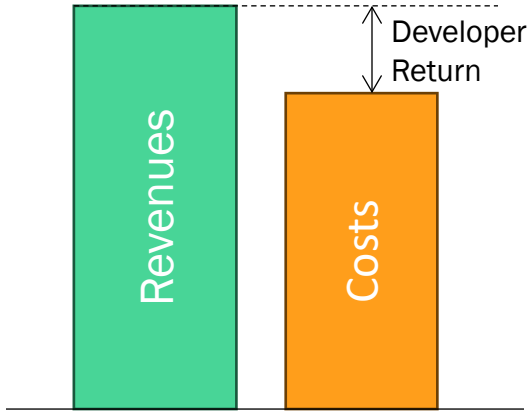
Low Income Units

Very Low Income Unit



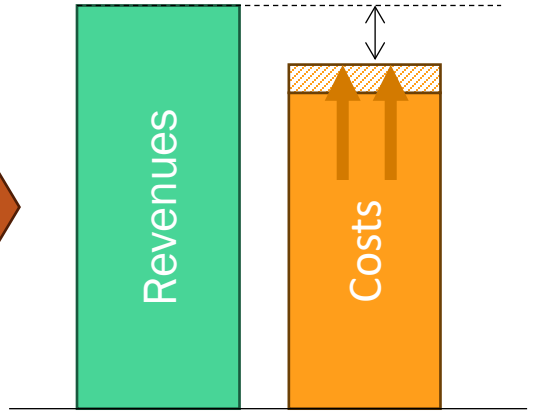
Financial feasibility analysis examines the ability of development to contribute toward affordable housing

Private developments need to achieve a certain minimum developer return to attract investment and get built

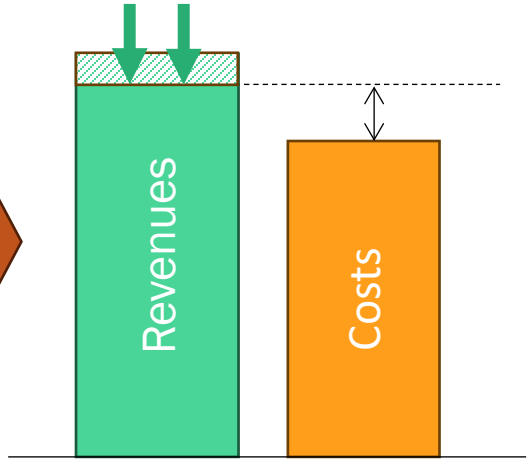


Development Financials

Additional fees will add to costs



Inclusionary requirements will decrease revenues



Strategic Economics will analyze these impacts and recommend fee and inclusionary policies at levels that consider feasibility of new development

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The study includes a multi-step process to develop recommendations

MAXIMUM JUSTIFIABLE FEE (BASED ON NEXUS STUDIES)

FINANCIAL FEASIBILITY & PEER CITY POLICY ANALYSIS

COMMUNITY ENGAGEMENT & CITY POLICY PREFERENCES

RECOMMENDED FEES AND INCLUSIONARY POLICIES

The study recommendations will be finalized this fall

Responses to Questions

Please add questions to the chat

Please share your thoughts!

Please take our survey *right now*:

https://forms.gle/oS5t3Xr28L2UTQv18

Survey isn't working? Want to share more thoughts or ask more questions? Reach us at:

stakeholderfeedback@strategiceconomics.com

THANK YOU!