



21 Elements

Getting Started

Site Strategies Analysis: Overview + Insights

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BAIRD + DRISKELL
COMMUNITY PLANNING

ECONorthwest
ECONOMICS • FINANCE • PLANNING

Josh Ellsworth
Geospatial
Consulting





Site Policy Strategies Process & Methods Overview

21 Elements: “Getting Started” Overview

Getting Started has three major components

- Site Strategies Analysis
- Assistance with Sites Inventory baseline (*not discussed today*)
- Middle Housing Best Practices (*not discussed today*)
- + ADU Policies, Practices + Projections (*not discussed today*)

21 Elements: “Getting Started” Overview

Site Strategies Analysis

- Provides initial assessment of potential strategies for RHNA 6
- Indicates market feasibility of high-level policy ideas and potential for adding housing capacity
- Helps guide next steps on sites and rezoning analysis

Today is a high-level overview of what we did and learned; we will meet one-on-one to review jurisdiction-specific results and review/refine your existing sites inventory

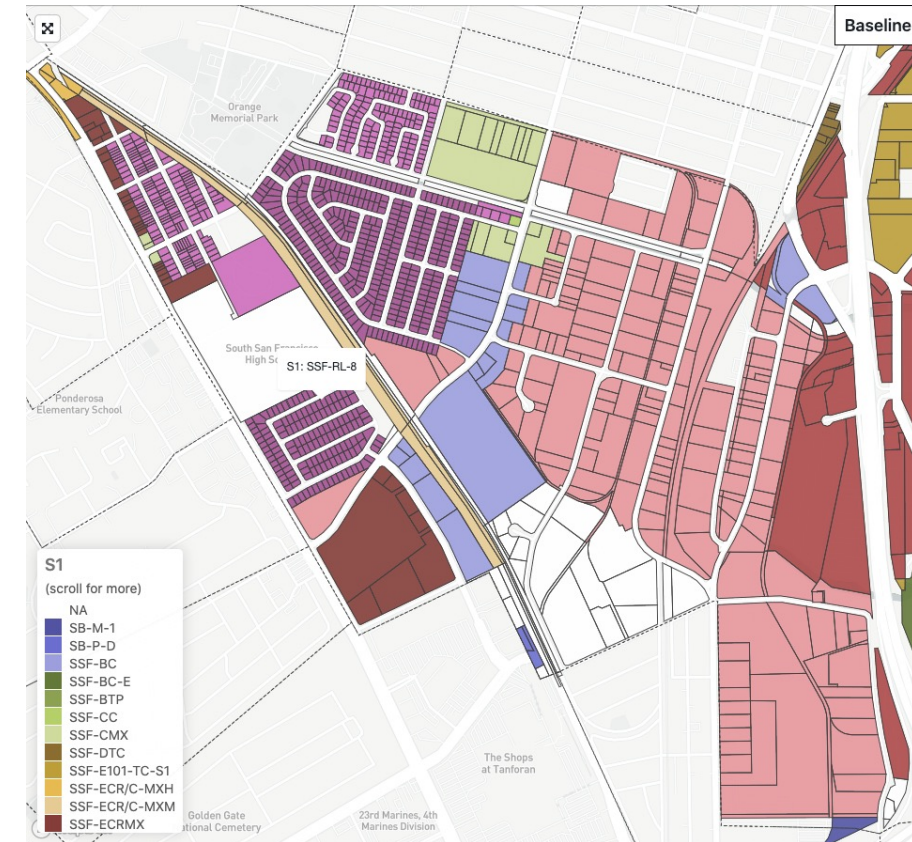
Why Evaluate Site Policy Strategies?

- HCD requires the capacity portion of the sites inventory methodology be based on “**market feasible**” capacity
 - **Utilization:** Jurisdictions must justify assuming maximum allowed density or adding capacity on under-developed sites; Must make adjustments to reflect realistic / achievable density in zones; Jurisdictions can assume the low end of the range if minimum densities exist
 - **Likelihood:** Must demonstrate that there is a realistic chance, based on market conditions, that a site will develop (or redevelop) in the 6th Cycle
- HCD requires impediments analysis if more than 50% of lower income capacity is on non-vacant sites



Today's Agenda

1. Site strategies evaluation approach
2. Cross-jurisdiction insights from the strategies evaluated
 - *which strategy types were most and least impactful?*
3. Next steps



What Types of Strategies Were Evaluated?

- **Up to Three Rezone Scenarios**
 - *Strategies that Expand the Inventory of Sites Where Housing Is Allowed*
- **Up to Four Upzone Scenarios**
 - *Strategies that Allow More Housing on Sites Where Housing Is Already Allowed*
- **Up to Three Additional Scenarios**
 - *Changes to parking requirements*
 - *Modified (or new) inclusionary zoning requirements*
 - *Modified housing fees*

What types of things did you test?

■ Rezones / Upzones

- Increasing allowed density, and allow additional residential uses, in previously single-family zones, either citywide or in specific areas (e.g., Atherton, Burlingame, Pacifica)
- Allowing residential in previously commercial-only zones (e.g., Pacifica, Portola Valley, Redwood City, South San Francisco)
- Allowing residential on publicly-owned / institutional parcels (e.g., Atherton, Hillsborough, Menlo Park)

■ Additional Scenarios

- Reducing minimum parking requirements near transit (e.g., Brisbane)
- Reducing impact fees for affordable housing units (e.g., East Palo Alto)

How Were Site Strategies Defined?

Each jurisdiction submitted strategy concepts, data and shape files based on their Site Strategy Worksheets

Site Strategies

- Worksheets describing each strategy
- Designated target areas

Zoning Map

- Existing zoning
- Proposed zoning

Zoning Code

- Allowed uses
- Development Standards

Policies

- IZ Policies
- Parking Policies

What Do Site Strategy Evaluations Reveal?

- Indicates the change in market-feasible unit capacity enabled by each strategy:

Market-feasible unit capacity under proposed strategy

minus

Market-feasible unit capacity of existing policies

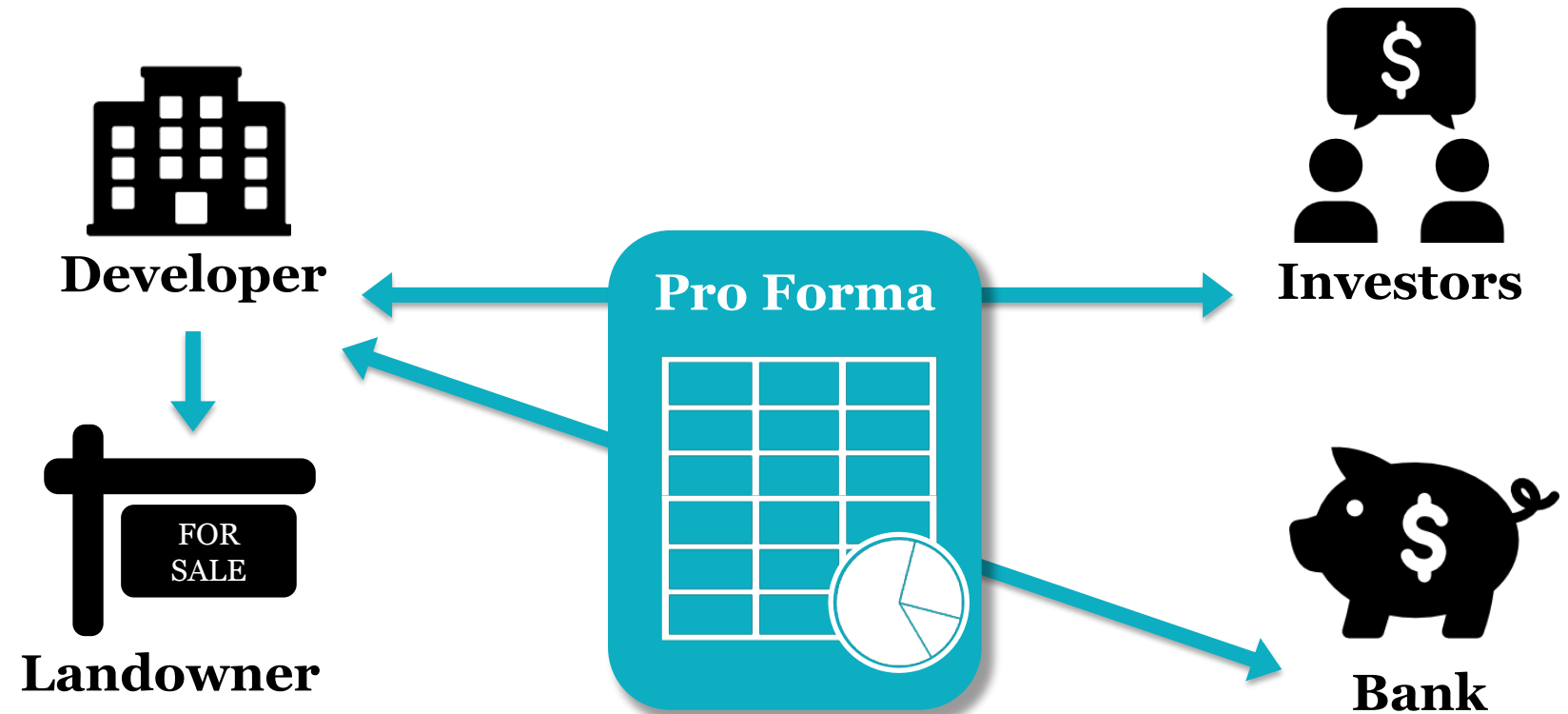
equals

Capacity change (net new units) from implementing the strategy

- If two policy strategies achieve a similar capacity boost, we estimated the net construction value per acre resulting from each strategy

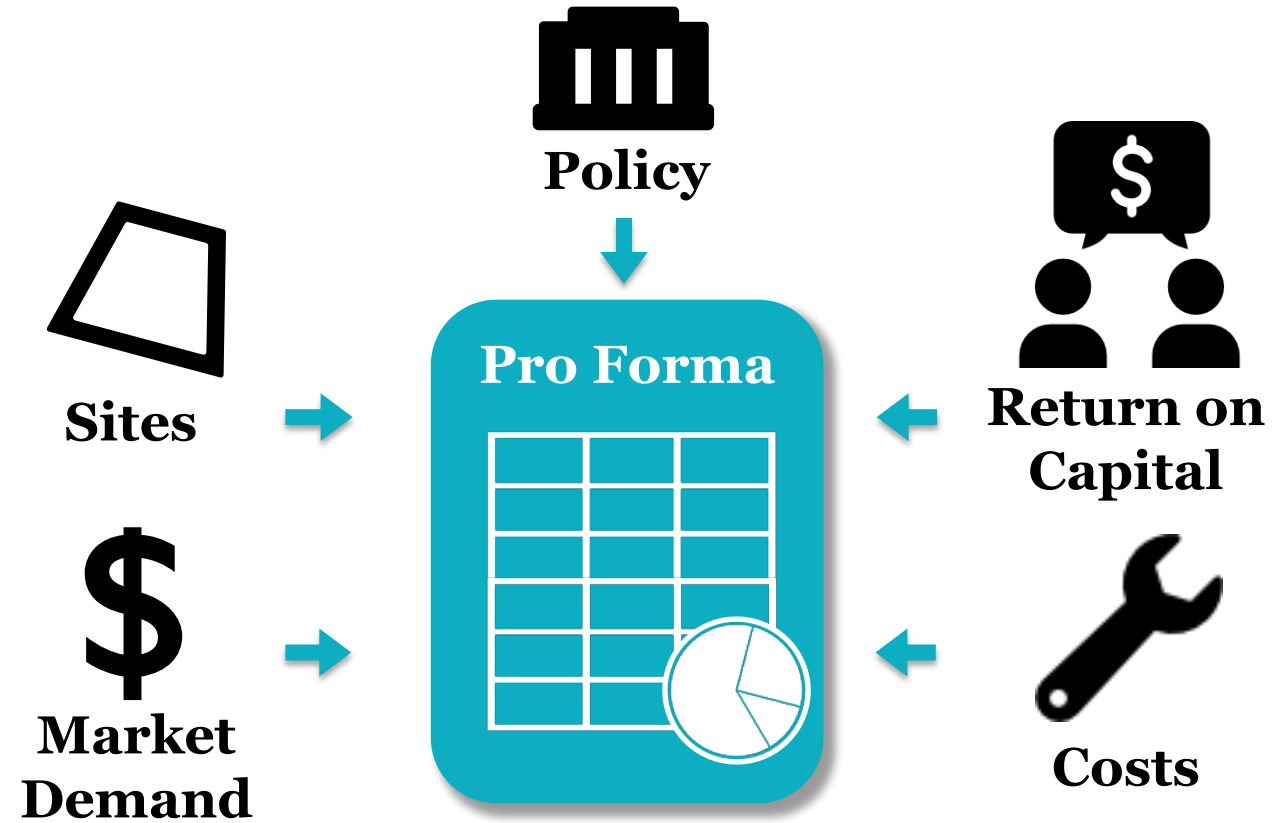
Market-feasibility of Site Strategies Tested with Pro Formas

- Pro forma models are the “lingua franca” of real estate development

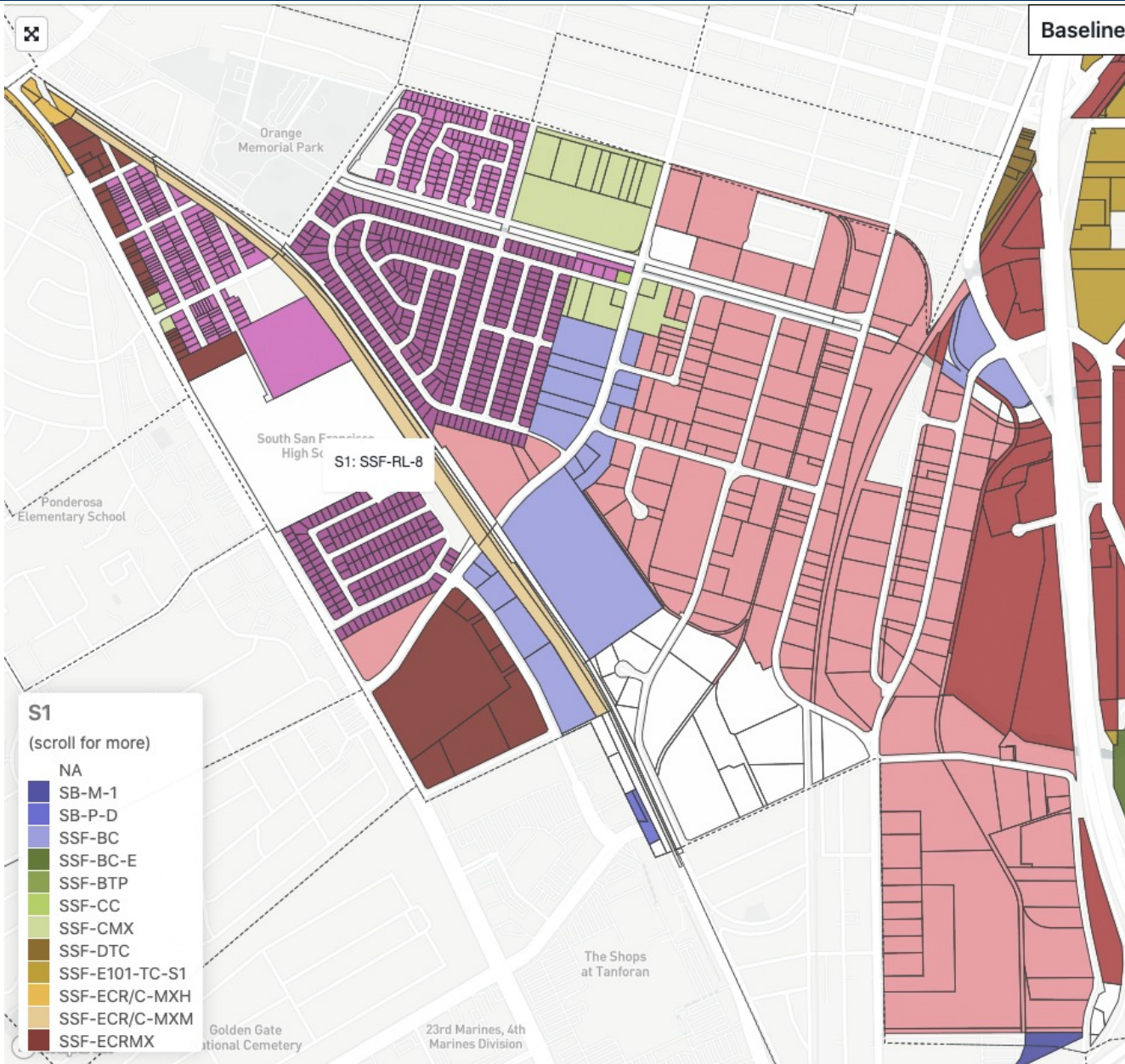


Pro formas incorporate policy impacts

- Strategies were analyzed with zoning-sensitive **pro forma models** to evaluate development feasibility



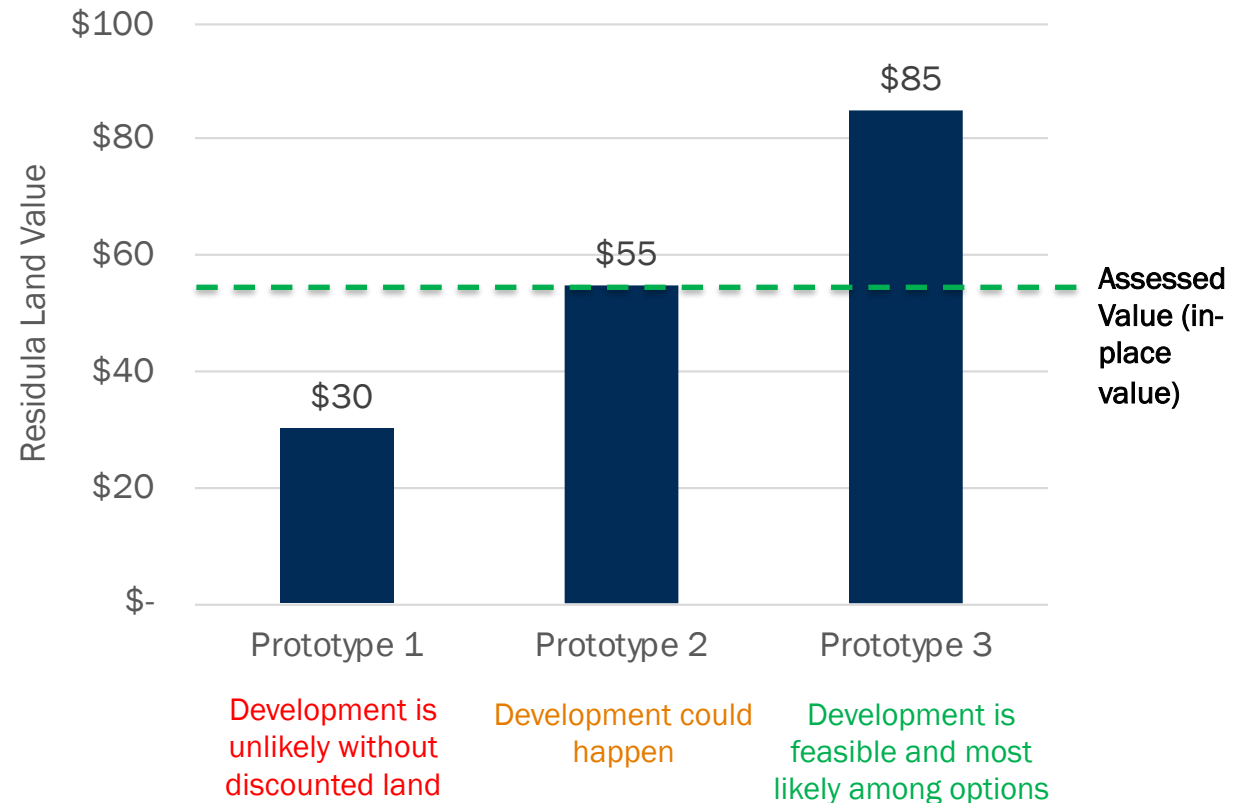
How Was Housing Capacity Estimated?



- Evaluated across all parcels
- Accounted for in-place values
- Estimated the market feasible capacity on each parcel
- Summed parcel results to measure jurisdiction-wide capacity impact of strategy

How Was Housing Capacity Estimated?

- Pro forma compares expected revenues (rents, leases, prices) against expected costs (land, labor, materials, returns)
- Determines **residual land value**
 - Essentially the amount a developer can pay for a site if they construct a particular building



Going From This Analysis, to Your RHNA 6 Site Inventory

- While we will provide you with unit counts, you should use these as an indication of the *order of magnitude impact* from alternative strategies (this is a high-level analysis!)
- Where strategies had little (or negative) impact, we will provide some interpretation of why, so you can factor into next steps if desired
- While the analysis reflects market feasibility, other factors must be analyzed for a site to be included in your inventory

Going From This Analysis, to Your RHNA 6 Site Inventory

You will need to consider:

- Affirmatively furthering fair housing
- Political will / public realities of each strategy
- Site-specific constraints and suitability
- Implementation steps, capacity, and timeline
- Tradeoffs between policies (if conflicting or overlapping)
- Pairing policy strategies to reach RHNA



Site Policy Strategies Cross-Jurisdiction Insights

Top Level Insights

Factors that limited results:

- Existing in-place values
- Narrow ranges for minimum and maximum entitlements (e.g., DUA)
- Policies targeting one development type simultaneously impacted other development options

Factors that increased results:

- Increasing higher-density residential entitlements, especially relative to non-residential land uses allowed
- Reducing parking minimums
- Limiting single-family as an allowed use to reduce competition

Multifamily density minimums can lower capacity

■ Strategy

Limiting small-scale multifamily development where large-scale is allowed

- *Daly City*
- *Foster City*
- *Pacifica*
- *South San Francisco*

■ Insight

Eliminating viable small-scale multifamily options while allowing infeasible large-scale options resulted in no net new unit capacity and sometimes yielded capacity reductions

Allowing multifamily is not a guaranteed success

- **Strategy**

Adding multifamily while maintaining other allowed land uses (e.g., single-family, office)

- *Brisbane*
- *East Palo Alto*

- **Insight**

Other land uses and lower density residential might be more valuable than multifamily, which, in our modeling, resulted in no net new unit capacity

Allowing residential on commercial sites can work

■ Strategy

Allowing multifamily in zones that previously only allowed commercial uses

- *Redwood City*
- *San Bruno*
- *San Mateo County*

■ Insight

Allowing residential in commercial zones sometimes resulted in more capacity. This was especially true when entitlements increased for residential uses only.

Paired entitlement changes worked best

■ Strategy

Allowing more uses while relaxing standards.

- *Atherton*
- *East Palo Alto*
- *Menlo Park*

■ Insight

Allowing more land uses increased unit capacity most effectively when also relaxing standards, particularly when relaxing only housing standards

Parking reductions work where demand is low

- **Strategy**

Reducing parking near transit.

- *Burlingame*
- *Menlo Park*
- *South San Francisco*

- **Insight**

Developers will generally provide the least amount of market feasible residential parking to help financial feasibility of projects, but only if allowed.

Reducing fees, especially affordable-only, was ineffective

■ Strategy

Reducing impact fees on all units or on inclusionary affordable units

- *Atherton*
- *Brisbane*
- *Burlingame*
- *Menlo Park*
- *San Bruno*
- *South San Francisco*

■ Insight

Reducing fees increases the financial feasibility of development, especially LIHTC projects, but modeling indicated that, in most cases, it did not result in greater unit capacity

Recent ADU production provides many jurisdictions with a solid RHNA foundation

■ Strategy

Use HCD's "safe harbor" methodology to project ADU production based on recent trends (avg. & max)

- *Atherton*
- *Hillsborough*
- *Pacifica*

■ Insight

2021 production figures will be key in determining base range for meeting RHNA

Allowing multiple ADUs per site can add a modest bump to projected ADU production

▪ Strategy

Allow more than one JADU and one ADU on each residential property (based on size, or in general)

- *Atherton*
- *Woodside*

▪ Insight

Seattle's experience shows a 6% uptake after a change allowing >1 ADU on a property (39 of 646 ADU permits since 2019)

Guidance memo: ADU policies, practices + projections

■ Strategy

- Determine overall capacity
- Document recent trends
- Project potential additional production based on tiers of action (based on capacity, trends and other local factors)

■ Insight

Housing element update process provides opportunity for cross-jurisdiction collaboration on pro-ADU policies and practices

IZ is influential and can shape housing capacity

■ Strategy

Imposing different set-aside requirements

- *Brisbane*
- *Burlingame*
- *Foster City*
- *Menlo Park*
- *Milbrae*

■ Insight

San Mateo County's strong market can support IZ in many contexts; local IZ can encourage state bonus; minimum unit thresholds can encourage small-scale development

Limiting single-family can improve housing capacity

■ Strategy

Removing single-family as an allowed use in zones

- Burlingame
- Pacifica
- Portola Valley

■ Insight

Single-family is a valuable development type.

Removing single-family as an allowed use can reduce market competition for denser residential developments.

Key Things to Consider

To increase market-feasible capacity:

- Remove parking minimums
- Increase residential entitlements relative to others
- Allow residential more places
- Calibrate ranges between min and max entitlements to market context

Generally good practices that do not have major capacity impacts:

- Reduce fees for affordable housing
- Adopt pro-ADU policies
- Carefully calibrate IZ policies



Site Policy Strategies Next Steps

What Happens Next

You will receive...

- PDF of this presentation; *plus*
- Jurisdiction-specific results for site strategies tested; *plus*
- Working draft of ADU guidance memo; *plus*
- Request for existing element's sites inventory in GIS or Excel format and key contact person; *plus*
- Invitation to schedule one-on-one

Also, regional Missing Middle working group will launch in July!