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No Vacancy: How to Increase the Supply and Reduce the Cost of Rental Housing in Silicon Valley

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WORKING PAPER NO. 96-251

**NO VACANCY: HOW TO INCREASE
THE SUPPLY AND REDUCE THE COST
OF RENTAL HOUSING IN SILICON VALLEY**

These papers are preliminary
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stimulate discussion and
comment. Therefore, they
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By

John Landis
Mary Hill
Diana Marsh

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No Vacancy:
How to Increase the Supply and Reduce the Cost of Rental Housing in Silicon Valley

by

John Landis,
Mary Hill
and
Diana Marsh

Department of City and Regional Planning,
University of California at Berkeley

Working Paper 96-251
June 1996

*Sponsored by the
Santa Clara County Housing Action Coalition
which is comprised of a broad range of organizations and individuals who have,
as a common goal, the vision of affordable, well-constructed and appropriately-located housing.*

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Purpose and Scope

This report was prepared for the Santa Clara County Housing Action Coalition by researchers at the Fisher Center for Real Estate and Urban Economics at the University of California at Berkeley. It reflects a growing concern that a lack of rental housing opportunities coupled with corresponding increases in apartment rents pose a threat to the long-term economic development and quality-of-life of Santa Clara County. The purpose of this report is three-fold: (i) to better understand recent trends in the Santa Clara County rental housing market; (ii) to identify the nature and causes of those trends, in particular, the relationships between the development approvals process, rental housing supplies, and rent levels; and, (iii) to identify appropriate public and private policy approaches to moderating recent rent increases and increasing the long-term supply of rental housing in Santa Clara County.

This report focuses exclusively on local market conditions and policy issues. It does not consider national or statewide trends and issues deemed to be beyond the scope of Santa Clara policy-makers—some of which are extremely important. Issues not considered include: the availability or lack of availability of construction and mortgage credit; the effects of federal and state tax policy, especially Proposition 13; and increasing litigation surrounding common-interest community liability issues.

The opinions expressed herein are solely those of the authors.

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NO VACANCY:

How to Increase the Supply and Reduce the Cost of Rental Housing in Silicon Valley

I. Introduction

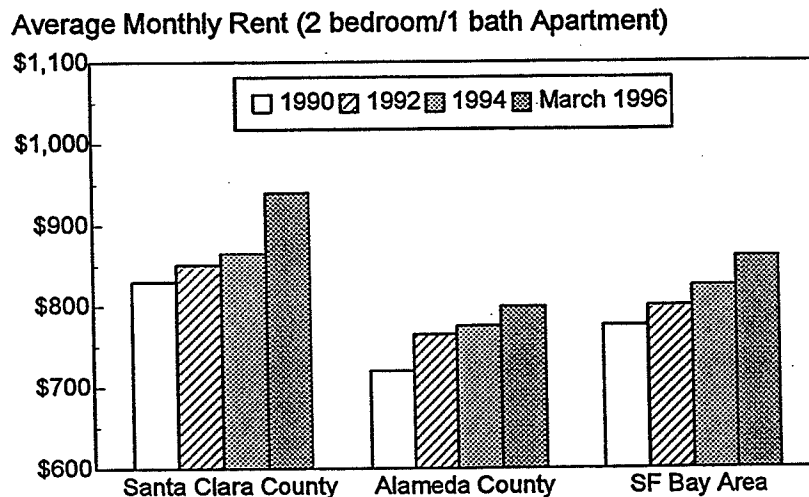
The news from Silicon Valley these days is pretty good. The economy is booming. Employment is growing, incomes are up, and Silicon Valley companies continue to lead the worldwide high-tech revolution.

Also up--a lot--are housing prices and apartment rents. Between January 1995 and March 1996, Santa Clara County¹ median apartment rents increased by 11 percent. Median home prices, as reported by the California Association of Realtors, increased by 4.5 percent. While good news for apartment owners and home-sellers, these increases were bad news for households seeking apartments and for potential homebuyers. Recent housing price and rent increases in Santa Clara County dwarf all other parts of the Bay Area and the state.

The sources of these rent and price increases lie in the economics of housing demand and supply in Santa Clara County. On the demand side, many of the new workers and households who have migrated to Silicon Valley during the past ten years have had high enough incomes to afford more expensive apartment rents. By competing with each other for a limited supply they have helped push up rents. The key phrase here is limited supply. *Not enough housing in general, and apartment buildings in particular, have been built in Santa Clara County during the last five years to accommodate the County's burgeoning economic base.*

Despite the attention and efforts of business leaders and public policy-makers, Silicon Valley's jobs-housing balance has worsened in recent years, and the result has been an accelerating increase in rents and housing prices.

Figure 1:
Apartment Rent Trends: 1990-1996; Santa Clara County
vs. Alameda County and the Bay Area



Source: Real Facts, 1996

The reasons for the supply shortage are four-fold. During the early 1990s, a national credit crunch--brought on by a federal re-regulation of the banking industry in the aftermath of the savings and loan debacle--limited the ability of homebuilders and apartment developers to obtain the capital they needed to finance new residential construction. Although nationwide in scope, the credit crunch was compounded in California by the state's own economic woes.

A second problem is more basic. Except for San Jose, every incorporated municipality in Santa Clara County lacks sufficient zoned land to accommodate projected housing development. In a few jurisdictions, this lack of land is real: the city is virtually built-out. In other cases, community plans have over-allocated land for non-residential development, and under-allocated it for housing.

The third problem concerns the open-endedness of the development approvals process. Depending on the community, the size and location of the project being proposed, and the concerns of neighbors, the issuance of appropriate development approvals can take as little as four months or as long as three years. These variations in approval times remain despite the best efforts of many local officials to streamline the approvals process.

The fourth and final problem is more complicated still. The economics of development in Santa Clara County (and indeed in much of coastal California) are pushing toward higher residential densities. High-density housing--particularly high-density rental housing--is popular with many groups, but one group it is rarely popular with are neighbors. As a result, while most Silicon Valley residents recognize the overall importance of having adequate supplies of affordable rental housing, few residents want to see such projects located in their neighborhoods. When local concerns over project density and ownership are raised--as they usually are--they add time and complexity to the development approvals process, and make it difficult for developers to respond to increases in market demand.

This report, prepared for the Santa Clara County Housing Action Coalition, takes a more detailed look at all of these issues. We begin by looking at the job and housing trends that have characterized Silicon Valley since 1980; we pay special attention to what's been happening in the Valley during the last two years. In the next section we look at why apartment construction has been falling; we consider the availability of developable land, the potential for higher-densities, and the bias against apartment projects. Next, we examine the development approvals process in several Silicon Valley cities as it is actually practiced. We consider the parts of the process that are working and the parts that are not. We conclude with a series of concrete suggestions for reforming the planning and development approvals process to make it fairer, more efficient, and more timely.

The problems of high housing prices and high rents are certainly not new to Silicon Valley. Business leaders, public officials, and public policy analysts have been warning about the threat of high housing costs to the region's economic future for more than a decade. Yet because of the Valley's unique entrepreneurial character and economic resilience, the threat never seems to have quite materialized.

We look at the situation a little differently. High housing costs *did change* the Valley during the 1980s. Together with other factors, they contributed to an exodus of manufacturing capacity and many lower-wage production workers. In some instances, those who left were replaced by higher-wage engineers, managers, and software developers--workers who were able to afford the region's higher housing costs. High-tech companies remained in the Valley, *albeit with a different workforce than they had during the early 1980s*. As we look ahead to the year 2000, we wonder whether that level of flexibility still remains, and whether today's generation of Silicon Valley businesses and workers will do as well in adjusting to still-rising housing prices and rents.

II. Why Silicon Valley Apartment Rents Are Rising

Any student of Economics 101 knows that prices rise when demand exceeds supply. Usually, rising prices send a signal to suppliers to increase production (or for new suppliers to enter the market). In the long-run, often after only a few months, prices decline, sometimes to a point below their initial level.

This dynamic no longer applies to the Silicon Valley apartment market. Rising rents and falling vacancy rates are not leading to increased construction. To understand why this has happened, and in particular, why it has happened *now*, we need to look at the larger Santa Clara County economy.

Growth by Downsizing: Job Trends in Silicon Valley between 1985-1995

Between 1985 and 1995, the Santa Clara County economy was transformed from the inside out. Silicon Valley's largest employers in 1985 included national aerospace and missile firms; established computer, instrument, and semiconductor manufacturing firms; and a variety of computer component manufacturers. In 1985, Santa Clara County's four largest manufacturing sectors (Industrial Machinery, Electronic Equipment, Transportation Equipment, and Instruments and Related Equipment) employed nearly a quarter of a million workers in more than 1,800 separate business establishments.

Throughout the 1980s, manufacturing production and real output increased significantly in Santa Clara County. Also up were the number of businesses: between 1985 and 1993 the number of manufacturing establishments in Santa Clara County grew by nearly 5%.

One thing that did not grow was manufacturing employment. As Figure 2 shows, total manufacturing employment in Santa Clara County declined continuously from 273,200 in 1985, to 229,600 in 1995. Three of Silicon Valley's four high-tech manufacturing sectors suffered

significant job declines between 1985 and 1995: Industrial Machinery (-2,900 jobs), Electronic Equipment (-29,600 jobs), and Transportation Equipment (mostly Aerospace: -15,700 jobs); only the Instruments and Related sector gained jobs (+7,800).

The factors behind these job losses varied by industry. Aerospace job losses occurred because of federal cutbacks in defense expenditures. The national and California recessions adversely affected some firms; others were forced to downsize because of competition. A number of stable and expanding firms re-located workers and manufacturing capacity out of the region--in part as a result of high housing prices. Improved technology and increased automation allowed many companies to produce more, but with fewer workers.

The Boom Begins

In 1995 this long-term trend of job declines dramatically reversed itself. Instead of growing with fewer workers--as had been the case throughout the 1980s--the economy began adding thousands of new jobs. According to the U.S. Bureau of Labor Statistics, between January 1995 and February 1996, the number of jobs in the Electronic Equipment sector grew by 10,100, or by 13%. Employment in the Industrial Machinery sector grew by 4,700, or 8% over the same one-year period. Jobs in the Instruments and Related sector continued their long-term growth trend, rising by 800, or 2%. Only the Transportation Equipment sector continued to experience job losses.

High-tech manufacturing is the engine that drives the Santa Clara County economy, and as manufacturing employment rose, so too did employment in other sectors. Construction and Business Service jobs grew 16% and 15%, respectively between January 1995 and February 1996. Other sectors that experienced significant job gains included Wholesale Trade (+3,800

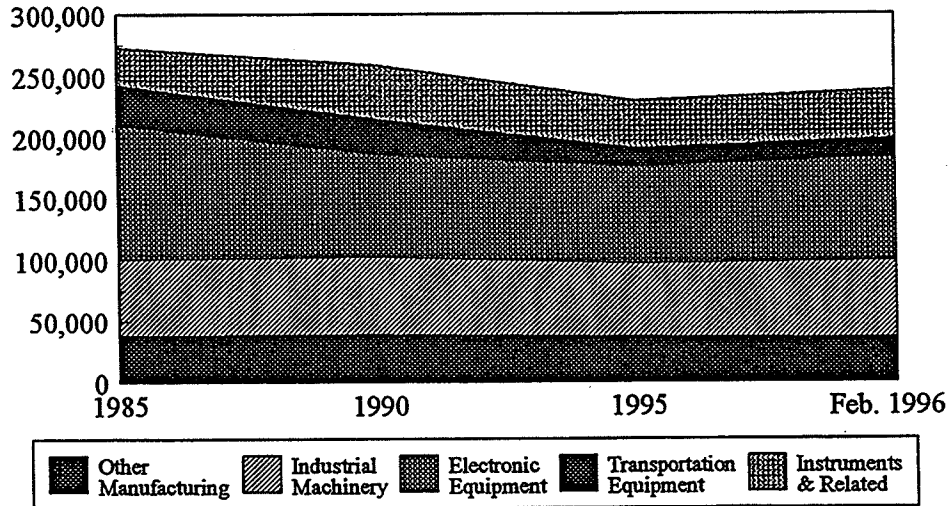
Table 1 : Santa Clara County Employment Trends: 1985 - February 1996

Sector/Industry Group	Average Employment				Average Annual Percent Change		
	1985	1990	Jan-95	Feb-96	1985-90	1990-Jan 95	Jan 95-Feb
Agriculture	4,700	4,900	3,100	3,300	0.8%	-8.7%	6.5%
Mining	100	250	100	100	20.1%	-16.7%	0.0%
Construction	2,900	29,530	23,800	28,600	59.1%	-4.2%	20.2%
Manufacturing	273,200	258,220	222,600	238,200	-1.1%	-2.9%	7.0%
Industrial Machinery	62,600	63,300	57,300	62,600	0.2%	-2.0%	9.2%
Electronic Equipment	109,900	83,400	74,900	85,600	-5.4%	-2.1%	14.3%
Transportation Equipment	31,900	29,100	16,400	14,600	-1.8%	-10.8%	-11.0%
Instruments & Related	31,000	43,600	38,500	39,500	7.1%	-2.5%	2.6%
Transport/Public Utilities	21,600	22,210	23,000	23,900	0.6%	0.7%	3.9%
Wholesale Trade	39,100	52,900	46,900	51,300	6.2%	-2.4%	9.4%
Retail Trade	107,400	116,100	115,900	119,300	1.6%	0.0%	2.9%
Finance-Insurance-Real Estate	30,800	31,630	28,400	28,200	0.5%	-2.1%	-0.7%
Services	184,300	214,390	247,300	271,800	3.1%	2.9%	9.9%
Business Services	na	58,000	86,300	99,300	na	8.3%	15.1%
Engineering & Management	na	35,100	32,600	34,400	na	-1.5%	5.5%
Government	80,700	89,360	86,800	87,100	2.1%	-0.6%	0.3%
Total	744,800	819,490	797,900	851,800	1.9%	-0.5%	6.8%

Source : California Employment Development Department

**Figure 2:
Santa Clara County Manufacturing Job Trends: 1985-Feb. 1996**

Average Yearly Manufacturing Employment



Source: California Employment Development Department

jobs), and Retail Trade (+1,200 jobs). Overall, Santa Clara County employment grew by 42,400 between January 1995 and February 1996.

Wage and Income Growth

Recent job increases have been accompanied by rising wages and incomes (Figure 3). While information on managerial and professional salaries is difficult to come by, the U.S. Bureau of Labor Statistics does report average hourly wages by manufacturing sector. Between 1990 and 1995, BLS reports that average hourly wages in the Electronics Equipment sector--the largest manufacturing sector in Santa Clara County--rose from \$13.60 per hour to \$14.86 per hour, adjusted for inflation.² Over the same period, wages in the Industrial Machinery sector rose by a comparable amount. Despite tremendous job losses, average hourly wages in the Transportation Equipment sector rose from \$16.85 in 1990, to \$20.44 in 1995. Even more pronounced was the jump in wages in the Instruments and Related sector, which rose from \$13.37 per hour in 1990, to \$19.20 per hour in 1995³.

Wage rates such as those published by BLS aren't the same thing as income, although the two do tend to be related. Between 1980 and 1990 real per capita income in Santa Clara County rose 31%, while (inflation-adjusted) median household income and median family income rose 26% and 23% respectively.

Apartment Rent Trends

The combination of job and wage growth was quickly reflected in rising apartment rents and home prices. According to Real Facts, average apartment rents jumped 7.4% from 1995 through the first quarter of 1996. (According to the San Jose Real Estate Board, county-wide median existing home prices rose at a slightly slower rate of 4.5% during the same period). For homeowners tired of four years of declining home values, these increases were welcome. For renters, they came as something of a shock.

In fact, they signal a return to what has come to be "business-as-usual" in the Santa Clara County housing market: too many dollars chasing too few homes and apartments.

Santa Clara County housing prices and apartment rents first started climbing in the late 1970s. According to the U.S. Census Bureau, the monthly rent on the median apartment in Santa Clara County rose from \$308 in 1980 to \$715 in 1990--a 42% increase, after accounting for inflation.

Rents and rent increases varied widely by city. Rents increased at a faster rate than the countywide average in Saratoga, Morgan Hill, Gilroy, and Cupertino; and at a slower rate in Campbell and Los Gatos (Figure 4). Median monthly rents in San Jose, the city which includes half of the county's apartment units, rose from \$295 in 1980, to \$692 in 1990.

Precise estimates of post-1990 rent increases are more difficult to come by. According to Real Facts, between 1990 and 1995, the average rent on a one-bedroom apartment in Santa Clara increased at an annual rate of only 1.3%.⁴

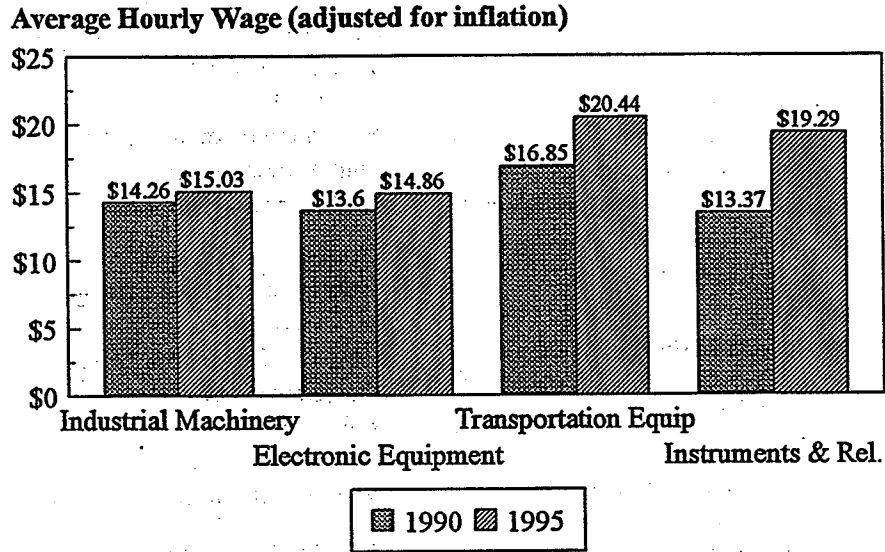
After five years of only minimal increases, apartment rents skyrocketed in 1995; between 1995 and the first quarter of 1996, average one-bedroom rents jumped 7.7%. As Table 2 shows, rents for one- and two-bedroom units have increased at a much faster rate than rents on studios and three-bedroom units.

Housing Affordability

Unless incomes keep pace, rising rents and housing prices almost always translate into reduced housing affordability. Rental affordability declined continuously through the 1980s, stabilized during the early 1990s, and has now again begun to decline.

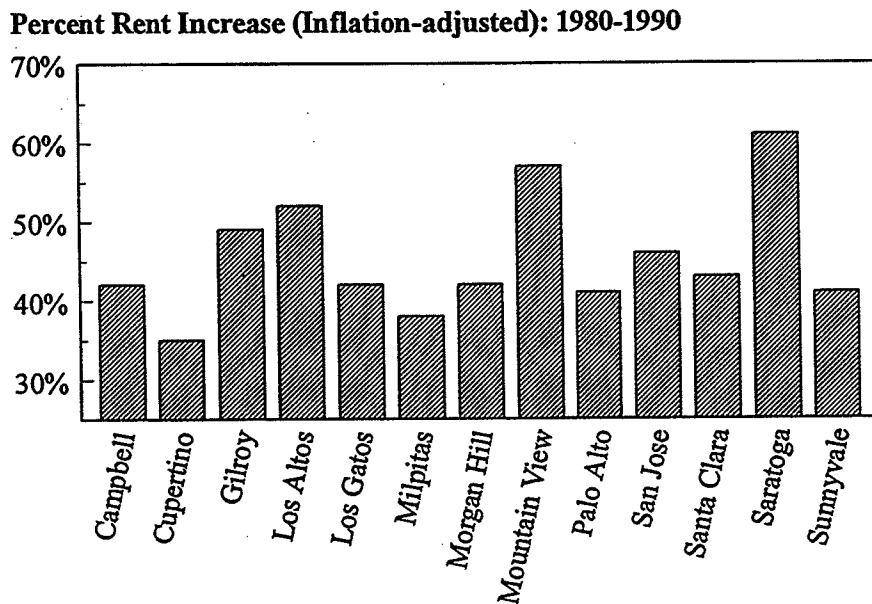
Countywide, the ratio of median apartment rents to median household income rose from 15.8% in 1979, to 17.8% in 1989. Because rent and income distributions both tend to be skewed (that is, there are proportionately more low-rent apartments than

Figure 3: Santa Clara County Average Hourly Manufacturing Wages: 1990, 1995



Source: US. Bureau of Labor Statistics, 1996

Figure 4: Santa Clara County Rent Increases, by City: 1980-1990



Source: 1980, 1990 Census of Housing

high-rent apartments, and lower-income households than higher-income households), these types of estimates gloss over what are real affordability problems.

According to federal affordability standards, renters should pay no more than 30% of their incomes for rent. As Table 3 shows, nearly a third of renters in Santa Clara County paid more than 35% of their income in rent in 1990⁵. The problem of rent over-payment was even more severe for low-income renters: County-wide 78.6% of renters with incomes less than \$20,000 paid more than 35% of their income for rent in 1989. Among renters with incomes above \$35,000, the problem of rent overpayment was far less severe: countywide, only 4.3% of these higher-income renters overpaid for rent.

Renters were not the only people to suffer a decline in housing affordability during the 1980s. Countywide, the ratio of median home value⁶ to median household income increased from 4.61 in 1979, to 6.01 in 1989. (For the U.S. as a whole, this ratio declined from 2.8 in 1979 to 2.6 in 1989, indicating a relative gain in housing affordability.) Among Silicon Valley cities, homeownership affordability declined the most in Cupertino, Mountain View, Los Gatos, Palo Alto, Santa Clara, and Sunnyvale.

Homeownership affordability improved significantly throughout Santa Clara County between 1990 and 1994 as a result of falling homes prices and declining interest rates. The affordability picture began deteriorating again, however, in mid 1995, and as of today, Santa Clara County is California's least affordable metropolitan area.

Falling Off the Homeownership Ladder

The net result of these changes is that many middle-class Santa Clara County households are falling further and further behind in their quest to become homeowners. For reasons explained below, their rents keep increasing even as their prospects for making it onto the first rung of the

homeownership ladder keep diminishing.

Examples work better than statistics to illustrate this point. Consider the following four cases: a single police officer with an annual income of \$45,000; a young software engineer recently out of graduate school earning \$60,000; a married-couple/dual-income household with an annual income of \$100,000 and no children; and a four-person family with one wage-earner making \$150,000 per year. All are assumed to be recent movers into Santa Clara County, and all are looking to purchase a home. The family household previously owned a home; the other three households did not.

Assuming a current mortgage interest rate of 7 percent, and applying a gross-income qualifying ratio⁷ of .28, the police officer could qualify for a maximum mortgage of \$130,295. Using the same standards, the software engineer, the married-couple, and the family household could qualify for maximum mortgages of \$173,727, \$289,544, and \$434,316 respectively.

Homeownership affordability is determined both by mortgage amount and by downpayment. Assuming a 15% downpayment, the single police officer could afford to buy homes priced at \$150,000 or less. The software engineer could qualify to buy homes priced \$233,000 or less. The married-couple household could afford a maximum home price of \$333,000. The single-worker family with an income of \$150,000 could afford homes priced \$499,500 or less (Table 4).

To determine where in Santa Clara County these four households could potentially buy a home, we compared their maximum home purchase prices with median single-family home prices, as reported by the Santa Clara County Real Estate Board⁸. For the county as a whole, the median single-family home price in 1995 was \$255,000 (Figure 5). Among the county's major sub-markets, median single-family home prices were lower than this in Milpitas (\$217,000) and San Jose (\$222,000) and higher everywhere else.⁹

Condominium prices are significantly lower than single-family home prices. Countywide, the

Table 2 : Santa Clara County Apartment Rent Trends: 1989-1996

Year	Real Facts Average Apartment Rents by Apartment Type					NREI Gross Rent/SQFT	Bay Area CPI
	All Apts.	Studios	1-bdrm	2-bdrm	3-bdrm		
1990	\$801	\$596	\$722	\$948	\$1,095	13.1	128.5
1991	809	593	731	957	1,128	13.0	136.7
1992	830	616	750	989	1,152	12.9	140.3
1993	833	616	752	995	1,159	12.8	145.1
1994	843	624	757	1,021	1,157	13.7	147.0
1995	852	634	770	1,017	1,188	15.1	149.4
1996:1	915	652	829	1,106	1,246	na	152.1
Annualized % Change: 1990-95	1.2%	1.2%	1.3%	1.4%	1.6%	2.8%	3.1%
% Change 1995 - January 1996	7.4%	2.8%	7.7%	8.8%	4.9%	na	na

Sources : Real Facts; National Real Estate Investor

Table 3: Percent of Renter Households Paying More than 35% of Their Income in Rent, by Household Income, 1989

City	Renter Incomes					
	below \$10,000		\$10,000-\$19,999		above \$35,000	
	Number	% overpaying	Number	% overpaying	Number	% overpaying
Campbell	858	84.4%	1,047	87.5%	3,893	2.8%
Cupertino	274	60.1%	378	93.1%	3,756	5.9%
Gilroy	782	75.4%	776	73.7%	1,329	3.5%
Los Altos	73	57.5%	111	67.6%	810	5.8%
Los Altos Hills	0	0.0%	11	100.0%	123	8.1%
Los Gatos	406	68.2%	457	81.0%	2,072	5.4%
Milpitas	285	87.0%	519	87.3%	2,457	5.2%
Monte Sereno	0	0.0%	4	100.0%	61	8.2%
Morgan Hill	205	86.8%	306	81.0%	1,108	7.1%
Mountain View	1,445	74.7%	2,253	87.5%	9,700	2.6%
Palo Alto	1,159	64.1%	1,243	73.0%	5,761	5.9%
San Jose	12,009	74.7%	15,793	81.0%	43,138	4.9%
Santa Clara	1,761	74.9%	2,273	89.5%	10,679	2.9%
Saratoga	165	44.2%	84	45.2%	648	13.1%
Sunnyvale	1,698	77.4%	2,624	90.5%	NA	NA
County Total	22,702	74.7%	29,761	81.6%	104,547	4.3%

Source : 1990 U.S. Census

Table 4: Maximum Home Purchase Price Calculation for Four Santa Clara Households

	Single Police Officer	Single Software Engineer	Dual-income Married Couple	Single-income Family
Annual household income	\$45,000	\$60,000	\$100,000	\$150,000
Monthly household income	\$3,750	\$5,000	\$8,333	\$12,500
divided by Gross-income qualifying ratio	0.28	0.28	0.28	0.28
= Maximum monthly housing cost	\$1,050	\$1,400	\$2,333	\$3,500
- Taxes & insurance as % of monthly cost	20%	20%	20%	20%
= Maximum monthly mortgage payment	\$875	\$1,167	\$1,944	\$2,917
divided by Mortgage constant @ 7%	0.0806	0.0806	0.0806	0.0806
= Maximum mortgage	\$130,295	\$173,727	\$289,544	\$434,316
+ Downpayment availability	15%	15%	15%	15%
Maximum home purchase price	\$149,839	\$199,786	\$332,976	\$499,464

median price of condominium units sold in 1995 was \$165,000. Among the major sub-markets, condominium units were more affordable than average in Milpitas, Morgan Hill and Gilroy, and less affordable in Cupertino.

Starting at the top, a family with a yearly income of \$150,000 in 1995 could have qualified to buy the median-priced home in all of the county's major housing markets except Los Altos/Los Altos Hills. The options for a household earning \$100,000 in 1995 were somewhat more limited. They could have afforded to buy the median-priced home in Milpitas, Morgan Hill, Gilroy, San Jose, and Sunnyvale. Older and smaller homes in Palo Alto, Mountain View, and Santa Clara were also within the financial reach of households earning \$100,000 in 1995. A person earning \$60,000 or less could afford to buy the median-priced single-family home in Milpitas and San Jose, or a condominium just about anywhere in the County.

Households earning \$45,000 or less in 1995 had almost no homeownership options; their maximum qualifying price of \$149,000 was exceeded by the median single-family home price of every Santa Clara County community. Nor could they have afforded to buy the median-priced condominium in Cupertino, Sunnyvale, Santa Clara, Palo Alto, or Mountain View. Indeed, the only significant homeownership options open to someone who earned \$45,000 in 1995 were condominiums in Milpitas, Morgan Hill, Gilroy, and parts of San Jose.

There are two things that are significant about this analysis. The first is that a wage of \$45,000 is not particularly low, even by Bay Area standards. Nor, by national standards, is the \$149,000 house that such a wage-earner could reasonably afford particularly expensive.

Second, and perhaps more importantly, most of the new jobs currently being created in the Silicon Valley economy are in the \$45,000-\$70,000 wage range--the wage range that has the fewest homeownership options. After leveling off and then contracting during the first half-of the 1980s,

the gap between the median-priced home and what the median-income household can afford, is again widening.

The rental market operates as the flip-side of the homeownership market: those unable to become homeowners and who do not wish to leave the area must continue to rent. A \$70,000 a year software engineer unable to find the home of her choice is able to pay rent in the range of \$1200 to \$1500 per month. A police officer earning \$45,000 per year can pay rent in the range of \$750 to \$950 per month¹⁰.

The Slowdown in Housing Production

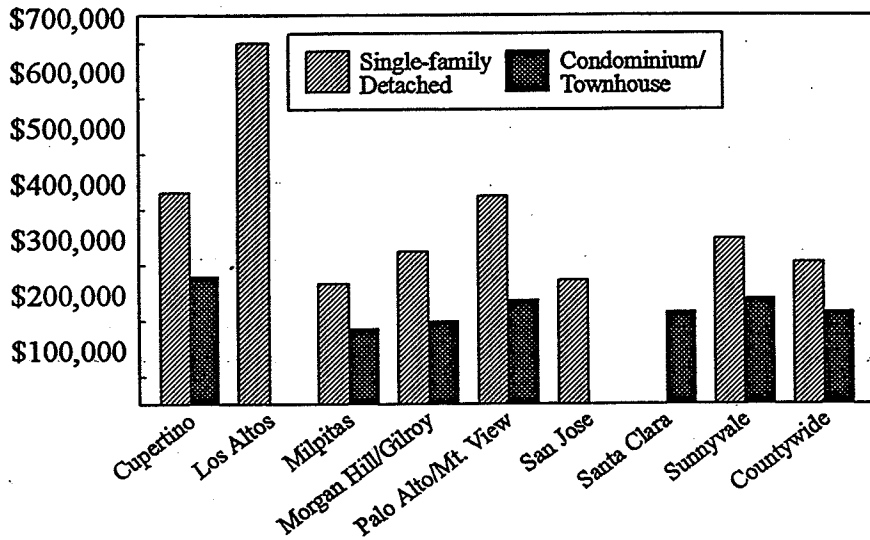
As we have just seen, an over-priced homeownership market makes a high-priced rental market possible. What makes it a certainty is a shortfall in rental production. While single-family home production in Santa Clara County has been roughly constant since 1990, multi-family construction has continually trended downward (Table 5). According to city and county building permit records, 3,223 multi-family units were authorized for construction in 1990. In 1993, only 1,630 multi-family units were authorized for construction. By 1995, the number of multi-family units authorized for construction was down to 1,187.

As Figure 6 shows, the downward trend in multi-family construction is occurring in every city in Santa Clara County, including San Jose. The slowdown in multi-family construction, coupled with recent and rapid job growth, has led to a dramatic "tightening" of the rental housing market. Rental vacancy rates, low to begin with¹¹, have dropped even lower. According to Real Facts, rental vacancy rates are now below 2% in every Silicon Valley city except for Campbell.

Falling construction and vacancy rates go hand in hand with rising rents (See Sidebar). Nor is there much relief in immediate sight; preliminary building permit estimates for 1996 suggest that the downward trend in multi-family construction is continuing.

Figure 5: 1995 Median Single-family and Condominium Prices for Selected Cities in Santa Clara County

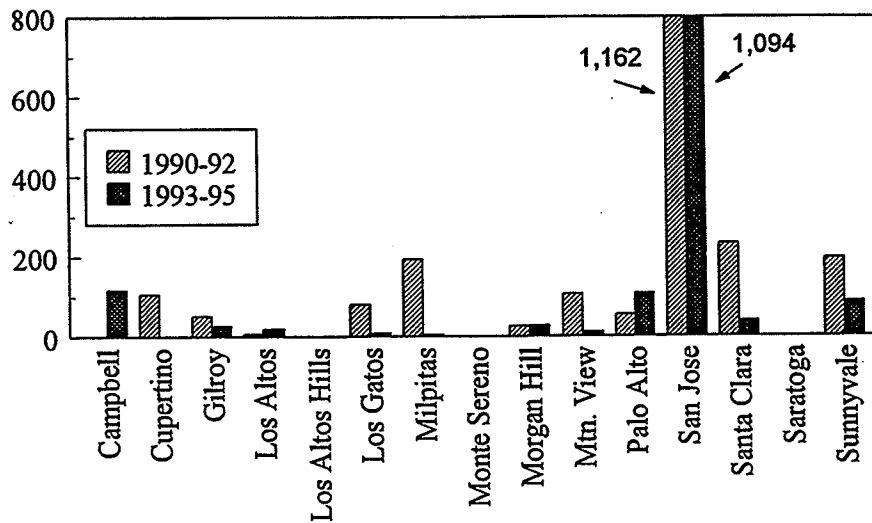
Median 1995 Sales Price



Source: Santa Clara County Board of Realtors

Figure 6: Santa Clara County Average Yearly Multi-family Housing Construction, by City: 1990-92, 1993-95

Avg. Yearly Multi-family Unit Production



Source: US. Department of Commerce, Current Construction Reports

Why These Trends Matter: The Changing Character of Santa Clara County

Housing availability and affordability shape community composition and character. When affordable housing is lacking in just one city, potential residents can usually find appropriate housing in a neighboring community. When affordable housing is lacking in an entire county, workers and potential residents may be forced to look in other counties. When affordable housing is lacking in an entire metropolitan area--as is the case in Silicon Valley--three things inevitably happen. First, the number of two-wage (and even three-wage) earner households rises, as families struggle to meet monthly housing costs. Second, the metropolitan area gradually becomes less diverse, particularly with respect to income and household type. Third, major employers gradually begin moving operations which depend on lower-wage workers to other, lower-cost areas.

All three of these responses have occurred, and are still occurring in Santa Clara County:

- * The average number of workers per household in Santa Clara County in 1990 was 1.53, as compared with 1.25 for the U.S. Between 1980 and 1990, the average number of workers per household in Santa Clara County jumped 8%; for the U.S. as a whole, the increase was a much more modest 4%.
- * As Table 6 (which is drawn from the 1990 U.S. Census Public Use Micro-Sample, or PUMS), makes clear, there are some significant differences between the people who moved into Santa Clara County *after 1985*, as compared with those who already lived there. Although younger, much better educated, and earning comparable incomes, the new arrivals were much more likely to be renters compared with those who lived in the county prior to 1985. (This was particularly true for those who had arrived from other states.) Recent arrivals were also much more likely to be paying higher apartment rents. Whereas only 50% of renters who lived in Santa Clara County prior to 1985 paid more

than \$700 in rent per month in 1989, almost two-thirds of renters who moved to Santa Clara County after 1985 paid \$700 or more in monthly rent.

- * Although precise data are hard to come by, the composition of Santa Clara County's manufacturing workforce has gradually shifted toward higher-wage engineering and managerial occupations, and away from lower-wage production and assembly workers. This change has taken three forms. In a very few cases, entire firms have left the county. A more frequently occurrence is for manufacturing firms to relocate only their production and assembly facilities. More frequently still, firms have expanded to other metropolitan areas, states (or even countries), while maintaining some reduced level of manufacturing capacity within Silicon Valley.

Table 5: Santa Clara County Authorized Housing Permits, 1990-95

Year	Single-Family	2-4 units	5+ units	Total
1990	1,760	208	3,015	4,983
1991	1,670	158	1,960	3,788
1992	1,748	46	1,255	3,049
1993	1,825	147	1,481	3,453
1994	2,128	272	1,545	3,945
1995	<u>1,856</u>	<u>328</u>	<u>859</u>	<u>3,043</u>
Total	10,987	1,159	10,115	22,261
Yearly average	1,831	193	1,686	3,710

Source : U.S. Department of Commerce, Current Construction Reports

Table 6: Characteristics of Santa Clara County Residents, by Length of Residency, 1989

Characteristic	Residents of Santa Clara County prior to 1985	New Residents since 1985 from within California	New Residents since 1985 from outside California
Median Age	33	30	28
<u>Racial Composition</u>			
White (%)	71.5%	66.4%	56.7%
African-American (%)	3.4	4.1	3.8
Asian & Pacific Islander (%)	15.2	21.4	30.8
Other (%)	9.9	8.1	8.7
Hispanic (%)	21.1	17.1	17.6
<u>Educational Attainment</u>			
% completing high school	20.2%	13.7%	15.8%
% completing college	18.7	24.0	23.5
% completing graduate work	11.6	16.6	18.9
Average household size	2.65	2.59	3.15
Average workers per household	1.40	1.58	1.76
Average children per household	0.48	0.52	0.69
Married-couple households as percent of all households	56.5%	42.4%	46.7%
Pct. Owner-occupants/Pct. Renters	70%/30%	45%/55%	36%/64%
Single-family homeowners (%)	65%	41%	40%
Percent of owner-occupants with homes worth \$400,000+	24%	22%	18%
Percent of renters paying \$700+ per month	50%	64%	65%
Average household income	\$56,300	\$52,500	\$52,500
Average worker income per household	\$20,700	\$21,200	\$17,200
Avg. travel time to work (minutes)	23.4	22.1	21.6

Source : U.S. Census, 1990; Public Use Micro Sample

The Relationship Between Apartment Production and Rents

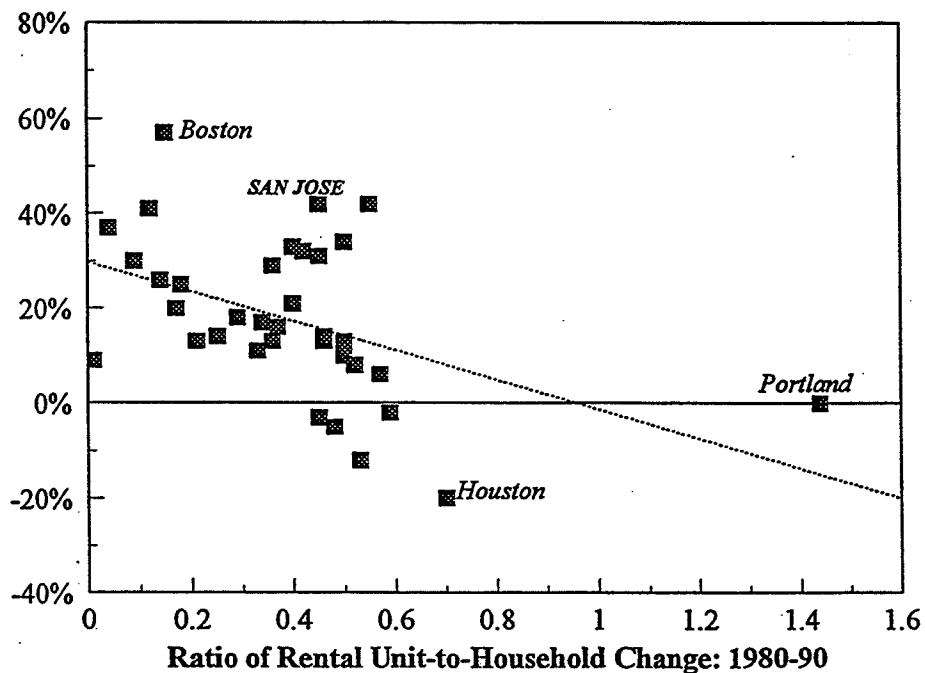
Economists and many city planners argue that the best policy solution to rapidly rising housing costs, whether single-family home prices or apartment rents, is more supply. Are they right? Certainly rents rise when there is too little new construction—as has been the case in Silicon Valley during the last two years. But is the opposite true? Does a higher level of apartment production help restrain rent increases? To find out, we examined rent and rental housing construction trends in 36 of the 40 largest U.S. metropolitan areas between 1979 and 1989. Specifically, we compared changes in median rent (for each metropolitan area, adjusted for inflation) between 1980 and 1990, with the change in the number of rental units during the same period (the latter measure was divided by the corresponding change in households).

Averaged across the entire sample, median apartment rents increased from \$367 in 1979 to \$437 in 1990 (all estimates are in 1990 dollars). Over the same period, an average of 42 new units were added to the rental stock for every 100 additional households. After controlling for initial rent levels and vacancy rates, median rent levels were observed to decline by \$83 for every additional new apartment unit (beyond the sample average of 40) per 100 additional households. This comparison is based on the results of a statistical technique known as multiple regression. The regression results and the data for the 36 largest metropolitan areas are provided in greater detail in Appendix C.

The figure below shows the same effect graphically. The various metropolitan areas are sorted from low to high, based on the level of rental construction per 100 additional households. The markers show real rent changes between 1980 and 1990. Note that median rents increased less in those metropolitan areas that added more rental units.

These results are for the 1980-90 period and cover entire metropolitan areas; they might not apply in a particular city or town in the 1990s. Nonetheless, they provide a very strong indication that higher levels of apartment construction help to moderate rent increases.

36 Largest Metropolitan Areas: % change in Median (Real) Rent: 1980-90



III. The Source of the Problem: Not Enough Supply

Running Out of Land for Housing

The main reason that not enough multi-family housing is being produced is that Santa Clara County cities are running low on developable land zoned for residential development. According to a 1995 study by the Santa Clara Valley Manufacturing Group, 23,888 acres of vacant land remain within the urban service boundaries of the county's fifteen cities and towns. Of this total, 10,334 acres are currently zoned for residential uses.

At current development densities, this supply could accommodate another 68,670 housing units, or about 63% of the total additional household demand projected for Santa Clara County by the year 2010 by the Association of Bay Area Governments.

Moreover, as Table 7 shows, remaining supplies of residentially developable land are concentrated in just three cities: San Jose (which, by itself includes 62% of the supply), Gilroy (15%), and Morgan Hill (13%). Altogether, the county's twelve other cities include just 943 acres of undeveloped land zoned for residential uses. Five cities--Campbell, Los Altos, Los Gatos, Mountain View, and Palo Alto--each include fewer than 100 acres each of vacant land zoned for residential development.

In fact, the shortage of land for housing development is even more serious than even these numbers would suggest. Because housing construction is so expensive, production builders rarely find it economical to develop very small sites. For single-family homebuilders, a minimum of five acres is required. The minimum site size for production apartment builders is about three acres. A review of vacant sites in twelve of the county's fifteen cities suggests that the supply of residentially developable land appropriate for production home- and apartment-building is far less than 10,000 acres.

There are three possible ways to increase the supply of sites for residential development. The

first is to increase existing site yields--that is, to build at slightly higher densities. If all subsequent residential development in Santa Clara County were to occur at a density of 12.5 units per acre,¹² the county could accommodate slightly more than 120,000 additional housing units. This exceeds ABAG's Year 2010 household projection by about 11,000 units.

A second approach to increasing housing supply is to rezone excess industrial or commercial land for residential development. Unfortunately, even if all the land currently zoned for future industrial development were rezoned and developed in residential use, the supply of sites would still fall far short of demand.

A third approach is to increase total developable land supplies through annexation. With half of the cities in Santa Clara County essentially "landlocked" either by other cities or steep hillside, this approach is not really an option for most Santa Clara cities.

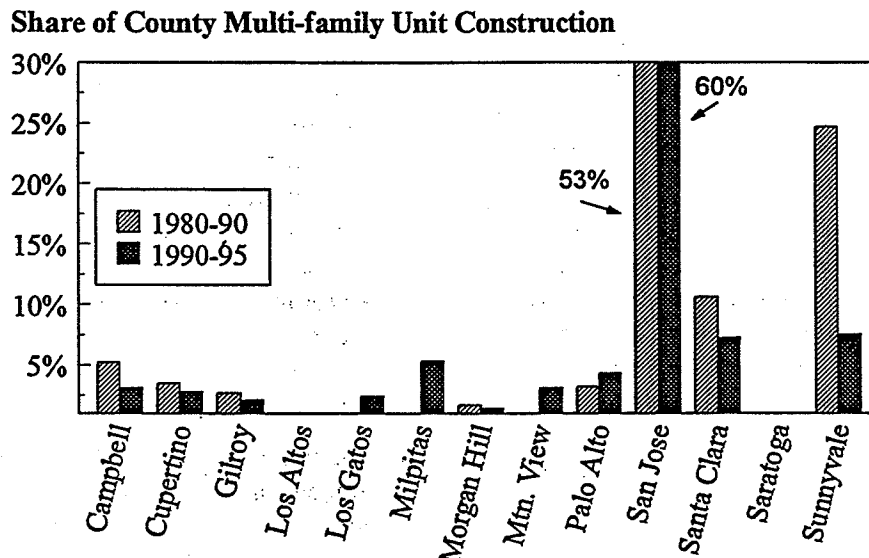
The Challenges of Density

Market prices incorporate current best guesses of future supply. Even though there is currently enough available land in Santa Clara County for housing until about 2005, current land prices are much higher than they should be because the market is correctly anticipating future land shortages.

As land prices rise, they encourage developers to build at higher densities. As noted above, higher densities help to stretch available land supplies, thereby forestalling the day when developable land supplies completely run out.

But higher densities require careful planning. Unless they are located near or adjacent to a transit stop, higher-density developments must typically meet the same parking requirements as lower-density projects¹³. At densities below 15

Figure 7: Share of County-wide Multi-family Housing Construction, by City: 1980-90, 1990-95



Source: US. Department of Commerce, Current Construction Reports

Table 7: Santa Clara County Residential Land Supply and Development Potential, by City, 1995

City	Vacant Residential Acreage	% greater than 5 acres (estimate)	Current Avg. Density (units/acre)	Developable Units (current densities)	ABAG-Projected Household Growth-2010	Projected Unit Shortfall
Campbell	13	50%	7.5	98	1,840	1,743
Cupertino	105	75%	10.0	1,050	1,804	754
Gilroy	1,556	na	7.3	11,359	10,267	-1,092
Los Altos	65	na	3.5	228	423	196
Los Altos Hills	na	na	na	na	na	na
Los Gatos	38	0%	na	na	735	na
Milpitas	109	75%	6.6	719	4,338	3,619
Monte Sereno	na	na	na	na	na	na
Morgan Hill	1,390	na	4.0	5,560	7,580	2,020
Mountain View	48	50%	12.0	576	3,936	3,360
Palo Alto	90	25%	7.5	675	2,933	2,258
San Jose	6,445	75%	7.0	45,115	55,881	10,766
Santa Clara	159	80%	8.6	1,367	8,225	6,858
Saratoga	181	100%	1.3	235	574	339
Sunnyvale	135	25%	12.5	1,688	9,159	7,472
Total	10,334	na	na	68,669	107,695	39,026

Source: Santa Clara Valley Manufacturing Group

to 25 units per acre, developers can typically provide sufficient parking without building a parking structure. Depending on whether or not it is covered, surface parking costs between \$1,000 (no cover) and \$10,000 (free-standing garage) per space. To accommodate densities above 25-30 units per acre, developers almost always have to build some form of parking structure--at a cost that typically ranges from \$15,000 to \$20,000 per space. Other costs that rise with density include construction of common and internal circulation areas.

For the developer, higher density makes economic sense if it can be used to offset high land costs. Higher densities almost always make economic sense when land prices exceed \$40 per square foot; they rarely make economic sense when land costs are below \$20 per square foot. In between these two estimates, the cost efficiency of higher densities depends on the design, on local regulatory requirements, and on market preferences.

Higher densities must meet a market test as well as an economic efficiency test. That is, there must be real demand for higher-density lifestyles and higher-density housing. Most studies of housing demand find that households rarely value higher-density housing for its own sake. They value it because of the availability of nearby urban services, shopping, and work sites. They value it because of its contribution to an interesting urban fabric. And sometimes they value it because its more affordable. When these factors are present, they combine to create a vital demand for higher densities.

A Bias Against Multi-family Housing

Neighborhood and public preferences for certain types of housing apply to tenure as well as to density. Recent years have seen an increasing bias against rental and/or multi-family housing construction just about everywhere in Santa Clara County. Countywide, multi-family housing construction has declined from an annual average of 1,637 units during the 1980s, to 1,342 units per

year so far during the 1990s. Figure 7 presents this decline on a city-by-city basis.

The trend away from multi-family housing construction is not limited to Santa Clara County. According to Census estimates, for the U.S. as a whole, average annual multi-family housing construction has declined from about 250,000 units during the 1980s, to about 225,000 units so far during the 1990s. At the national level, this decline is a result of four factors: (1) the 1986 withdrawal of the tax shelter advantages associated with investing in rental housing; (2) the reduced availability of construction financing for all forms of speculative real estate construction, especially apartments; (3) the national recession of 1990-91; and, (4) weakening demographic demand.

The first three of these factors also apply in Silicon Valley; the third does not. *Rental vacancy rates in Santa Clara County have long been far below the levels required to trigger new construction.*

What then, accounts for the shift away from multi-family housing in Santa Clara County? Here, as elsewhere in California, the bias against multi-family housing is mostly the result of half-facts, over-generalizations, ongoing concerns regarding the impacts of all new development, and a belief that renters are somehow less valuable members of the community than homeowners.

- * Multi-family housing is often perceived as adversely affecting the property values of nearby homes. *Study after study has shown this argument to be groundless.¹⁴*
- * With city budgets being squeezed ever tighter and tighter, housing in general, and multi-family housing in particular is perceived to cost more to service, and to generate fewer revenues than single-family housing. *Sometimes this is true, more often it is not; the perception that it is always true is mistaken.*
- * The residents of multi-family housing developments are often perceived to be less

stable than otherwise similar homeowners; to account for a greater share of crime and social problems, and to contribute less to the community as a whole. *There is absolutely no evidence that any of these beliefs are true.*

Fundamentally, what all of these arguments come down to is a view that apartment dwellers--particular those who have not yet arrived--don't count quite as much as homeowners or existing residents.

Summary

These then are the dynamics which are occurring in today's Santa Clara County apartment market. Silicon Valley cities are running out of developable land, and quickly. Land prices are rising, requiring developers to increase densities and pushing out small-scale apartment builders. Whether for perceived fiscal, or quality-of-life reasons, neighbors frequently oppose apartment developments in infill areas.

Individually, these various factors don't add up to much. Cumulatively, they have come to mean rising apartment rents, perpetually low vacancy rates, reduced housing choices, and an economy that is slowly chipping away at its own foundations..

Explaining Regional Differences in Housing Costs

Why does it cost so much more to build housing in the San Francisco Bay Area than in Houston or Phoenix, or Tampa? Materials and labor costs are only slightly more expensive in the Bay Area than in other fast-growing markets. According to the 1996 edition of *Means Square Foot Costs*, the local housing cost multiplier for San Jose apartment buildings is 1.24, as compared with .89 for Houston, .94 for Phoenix, and .84 for Tampa.

The Means multiplier covers only what developers call "hard costs:" the labor and materials costs of constructing a house or apartment building. Hard costs do not include land, the costs of site improvements, fees and exactions, delay costs, the costs of required off-site improvements, and extraordinary overhead or contingency costs. Except for land, these latter items are sometimes grouped together as "soft costs."

While reference volumes such as *Means* regularly compare hard costs between regions, no one has ever looked comprehensively at differences in soft costs. Indeed, the only contemporary study to systematically examine inter-metropolitan housing cost differentials was written by Ira Lowry and Bruce Ferguson in 1992 for the Urban Land Institute

Lowry and Ferguson compared the costs of developing a typical single-family home in three metropolitan areas: Sacramento, Nashville, and Orlando. Sacramento was chosen to represent a high-cost, highly-regulated metropolitan area (although by coastal California standards, Sacramento development costs are fairly moderate); Nashville was chosen to represent a low-cost metropolitan area with minimal development regulation; and Orlando was chosen to represent a metropolitan area with moderate development regulation.

Local governments in all three metropolitan areas require developers to provide about the same level of on-site improvements, including streets and sidewalks, utility main, and storm drains. There were much larger differentials, however, between the level of required off-site improvements, and community facility dedications (e.g., parks, schools). Local governments in Sacramento County required developers to provide a much higher level of off-site infrastructure and public facilities than did local governments in the Orlando or Nashville areas.

Impact fees levied by local governments in Sacramento County were roughly double those levied in the Orlando area, and nearly triple those levied in by Nashville area local governments.

Permit processing times varied widely as well. For example the average processing time for a rezoning in Sacramento in 1990 was 177 days, nearly 1.7 times as long as in Orlando, and more than twice as long as in the Nashville area. Similar ratios were found to apply for tentative subdivision maps. Building permits in the Sacramento area were to take four times as long as in the Orlando area, and seven times as long as in the Nashville area.

Finally, although they could not prove it statistically, Lowry and Ferguson noted a clear correlation between land availability, and raw and finished lot costs. Lot costs were found to be much higher in Sacramento, where land supplies were tightly regulated, and much lower in Nashville.

Although they limited their study to the supply side of housing production, Lowry and Ferguson were also careful to acknowledge the role of demand in determining housing prices and rents. Nonetheless, their work shows the important role that local regulations play in determining development costs, and that inter-metropolitan differences in styles of development regulation can add up to big differences in development costs.

IV. Benchmarking the Development Approvals Process

Developers have a pretty good idea of one of the factors behind Santa Clara County's high housing costs: a development approvals process that is too complicated, too costly, too fraught with delays, and too uncertain.

The development approvals process adds to housing costs in two direct and two indirect ways. Approvals that take extra-long periods of time directly increase the interest or "carrying costs" associated with borrowed capital. To the extent that the approvals process stipulates additional design changes and/or environmental mitigations beyond what is really required, it also directly adds to the developer's cost of producing housing. Usually it is the consumer who ultimately pays these costs through home prices and rents.

The development process also adds to the cost of housing in indirect ways. The more complicated and uncertain the process is, the higher the level of risk (the risk associated with gaining development approvals is sometimes called "entitlement risk"). The higher the level of risk, the more difficult--and thus costly--it is to borrow development capital or get construction financing. Lenders may impose additional conditions, or require additional assurances that the development will be completed in a timely manner. More commonly, they will require the developer to pay a "risk premium" for borrowed capital. All of these requirements add to the cost of borrowing capital, and thus ultimately to the cost of housing.

A final indirect effect occurs through the workings of the housing market. When, either intentionally or unintentionally, the development approvals process forces builders to reduce densities or change product types, it reduces the number of housing units they are able to supply. When supply declines and demand doesn't, prices necessarily rise. And since higher densities are one way developers are able to pay Santa Clara County's very high land costs, required density reductions force developers to charge more per housing unit produced. This also translates into higher housing prices.

These problems are further complicated, developers say, by the fact that every local government administers the development approvals process differently. Indeed, even within a particular city the process is often different depending on which staff person is conducting the review or depending on where a particular project is located.

Understanding the Housing Approvals Process

What government approvals and permits are required to build apartments in Silicon Valley? Although there are different wrinkles in every city, the basic process is fairly similar throughout Santa Clara County.

The first step in the process varies depending on whether a rezoning and general plan amendment are required. In theory, parcels already zoned for apartment development should not need to be rezoned. In practice, almost all apartment projects require a rezoning of one sort or another.

Relatively few of the sites appropriate for apartment development in Santa Clara County are zoned for apartments. Some are zoned for commercial or industrial development; others are zoned for single-family housing; and still others are zoned for open space, or are publicly owned.

Even those sites initially zoned for apartments are often rezoned, usually to a Planned District, or PD designation. PD zoning provides the developer with greater flexibility regarding allowable densities and building placements. The number of approvals required as part of a PD rezoning varies between cities. San Jose, for example, requires two approvals: a rezoning approval, which covers the sites itself, and a PD permit, which covers the proposed project. In Sunnyvale, Santa Clara and Milpitas, the PD rezoning and PD permit have been combined into a single approval.

Prior to any permit filing, most Santa Clara County cities encourage project sponsors to come

in and discuss their projects, to provide an overview of the entire approvals process, and to identify potential conflicts. Sunnyvale and Santa Clara go a step further: they establish a project review committee whose purpose is to follow each project through the entire approvals process, and to expedite that process where possible. San Jose's expedited approvals process, which applies only to affordable housing projects, is called "Special Handling."

The point at which a particular project undergoes a CEQA (California Environmental Quality Act) review also varies. Most Santa Clara County cities begin the CEQA review process when a rezoning application is filed. Some cities encourage developers to undertake their own traffic and environmental studies prior to the first permit application. This allows the city to more quickly determine whether or not the project will require an Environmental Impact Report (EIR).

The extent to which Santa Clara County cities require EIRs, issue Negative Declarations (indicating that further environmental analysis will not be required), or issue mitigated Negative Declarations (indicating that an EIR will not be required if the developer agrees to mitigate specific impacts) varies by city, project type, and project location.

Table 8 shows the Santa Clara County results of a 1990 survey of statewide CEQA review activity. A key indicator of CEQA review activity, the ratio of Negative Declarations-to-EIRs (ND-EIR ratio), is shown in the last column: the higher the ND-EIR ratio, the less likely a city is to require an EIR for a given project; the lower this ratio, the more likely an EIR is to be required. The average ND-EIR ratio for all California cities in 1990 was 19.2; the median was 11.0.

The Santa Clara County cities with the highest ND-to-EIR ratios in 1990 were Sunnyvale, Campbell, Mountain View, and Santa Clara. Sunnyvale and Campbell also processed most of their negative declarations without mitigating conditions. The cities with the lowest ND-EIR ratios in 1990 were Gilroy, Los Altos Hills, Los

Altos, Saratoga, and San Jose. These same cities also tended to prefer the use of mitigated negative declarations.

If a multi-family project is being developed for condominium ownership, or if there is a possibility that it may be converted to condominium ownership in the future, the developer must also file an application for a tentative subdivision map. This provides cities with an additional opportunity to review the project. Application for a final subdivision map may be made at any time after receiving tentative subdivision map approval and prior to receiving a building permit. Approval of a final subdivision map is virtually automatic assuming that the project design has not been changed since approval of the tentative map.

In most Santa Clara County cities, the next and final step is an application for a grading permit and/or a building permit. Although grading and building permit reviews take time--usually depending upon how many other permits are under review--they involve far less local government discretion than prior reviews: If a proposed project meets all required building codes, permit issuance is supposed to be automatic. Those projects that deviate from local codes typically take longer to review, and involve higher levels of local discretion.

A few Santa Clara County cities (e.g., Santa Clara, Palo Alto, Mountain View) also conduct separate design or architectural reviews, usually between the granting of a tentative map and the application for a building permit. In theory, all design review decisions are to be based on a codified series of design guidelines; in practice, they typically involve high levels of discretion by the members of the design or architectural review board.

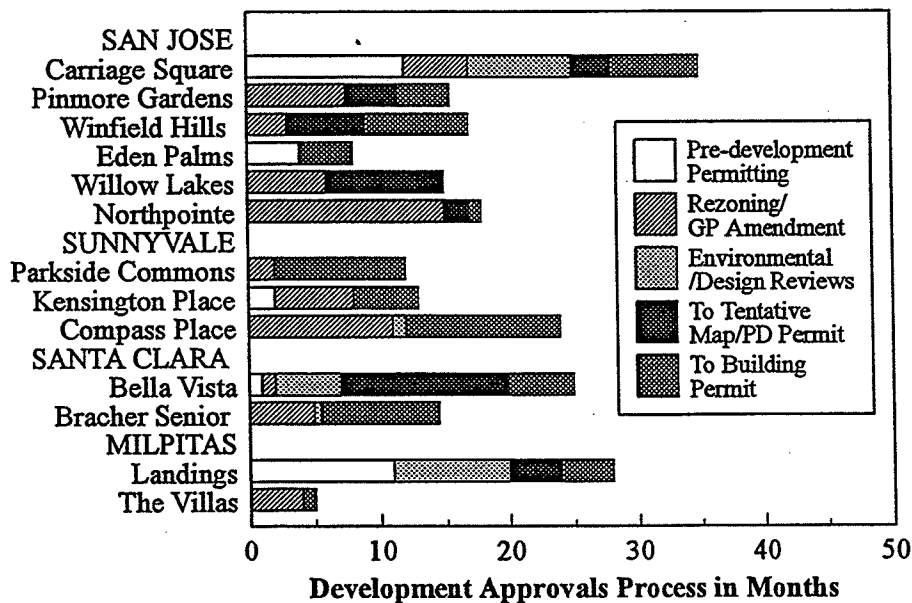
At what point does public review and comment come into the process? All rezoning/general plan amendment applications are subject to public review and comment, and must be included as agenda items at planning commission and city council meetings. EIRs are open to public review

Table 8: Santa Clara County CEQA Review Activity by City, 1990

City	Draft EIRs Started in 1990	Per capita Draft EIRs	Total Negative Declarations Processed	Mitigated Neg. Dec. Processed	% Mitigated Neg. Decs.	Neg. Dec.-to-EIR Ratio
Campbell	1	0.03	45	4	9%	45.0
Cupertino	0	0.00	70	60	86%	na
Gilroy	7	0.22	20	15	75%	2.9
Los Altos	1	0.04	9	7	78%	9.0
Los Altos Hills	1	0.13	5	5	100%	5.0
Los Gatos	0	0.00	11	0	0%	na
Milpitas	2	0.04	28	14	50%	14.0
Monte Sereno	0	0.00	0	0	na	na
Mountain View	2	0.03	41	33	80%	20.5
San Jose	20	0.03	200	160	80%	10.0
Santa Clara	1	0.01	20	10	50%	20.0
Saratoga	2	0.07	10	10	100%	5.0
Sunnyvale	2	0.02	100	6	6%	50.0

Source: unpublished data from Olshansky, 1994

Figure 8: Development Approval Times for Selected Santa Clara County Apartment Projects



and comment at two points: when the Draft EIR is submitted, and when the Final EIR is certified. (Some cities allow public input when making their initial determination whether to require an EIR.) Under California law, all parties who own property within 300 feet of a proposed rezoning action or EIR certification must be individually notified (usually by mail) of the public meetings at which the proposed actions will be discussed. Planning Commission approval of tentative and final subdivision maps is also subject to public review and comment; however, notification to individual property owners is not required. Grading and building permit approvals are purely ministerial actions, which means they are not subject to public input.

The development review process as undertaken in Santa Clara County is comparable to that of most other San Francisco Bay Area and Southern California cities. What's different about Santa Clara County is the extent to which a number of cities have already gone to streamline their development review and approvals process (Table 9). In 1995, after many months of working together, the chief building officials of every city in Santa Clara County (with the assistance of the Santa Clara Valley Manufacturing Group and Joint Venture Silicon Valley), announced the adoption of a new Uniform Building Code. This new code reduces the number of amendments by 97% and is a critical step towards streamlining the development review process in Silicon Valley. A number of other changes were outlined in a 1994 report by the Santa Clara Valley Manufacturing Group entitled *Reducing the Sticker Shock: How Cities Can Lower Housing Costs by Streamlining the Development Approvals Process*. Among the changes suggested:

- * Consolidate city planning and building departments to facilitate concurrent permit processing and/or one-stop permit centers.
- * Assign project expeditors to keep project proposals on-track throughout the entire review process, and to provide a single-channel of communication with applicants.

- * Provide for administrative-level approvals of smaller, less-complicated projects.
- * Encourage the establishment of one-stop permitting centers, and concurrent permit reviews.
- * Establish and adhere to fixed project review schedules and timelines. Computerize basic development information and some permit applications, even to the point of being on-line.
- * Conduct regular surveys of project applicants to provide on-going feedback.

Timelines for Approval

How long does it take an apartment project to be approved in Santa Clara County? Have the streamlining efforts pursued by some Santa Clara cities worked? And how does the review process typically change proposed apartment projects, for both better and worse?

To answer these questions, we reviewed the case histories of thirteen apartment projects undertaken in four Silicon Valley cities between 1989 and 1995 (Table 10, Figure 8). We reviewed two projects in Milpitas, two in Santa Clara, six in San Jose, and three in Sunnyvale. (Multi-family housing construction in these four cities accounted for 80% of total countywide multi-family production between 1990 and 1995.) The projects ranged in size from 51 to 634 units. Four projects, three in San Jose and one in Santa Clara, were developed primarily as affordable housing projects, with non-profit sponsors. The three Sunnyvale projects were all begun after the start-up of that city's One-Stop Permitting Center.

The development approvals process was assumed to begin when the first permit application was filed; typically, this was a request for a rezoning. The approvals process was assumed to have ended when a project received a building permit. Depending on the project, intermediate steps included environmental reviews, rezoning approvals, general plan amendments, planned

Sunnyvale's 1-stop Permitting Process

No Silicon Valley city has gone further than Sunnyvale in streamlining the development review and approvals process. Sunnyvale's efforts have focused on the establishment of a One-stop Permit Center, which opened in 1984. The Center combines the permitting services of the departments of Community Development, Public Safety, Public Works, and Finance.

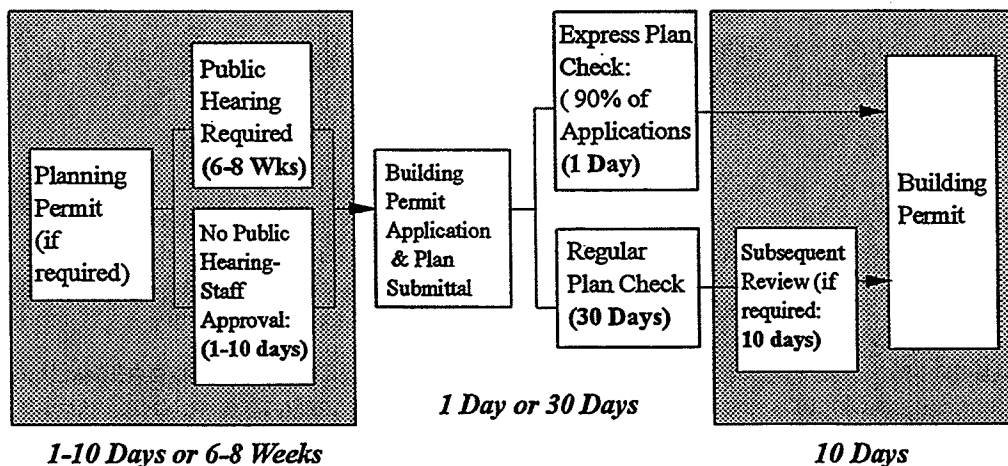
The One-Stop center combines a number of permitting innovations:

- * Upon filing a permit application, project sponsors are assigned a single project coordinator, whose responsibility it is to keep the project on track through all subsequent permits and reviews.
- * Individual city departments coordinate their reviews through a single Project Review Committee.
- * Plan check corrections are coordinated into a single correction letter.
- * Building inspections are available the next business day, or by appointment, and inspectors carry cellular phones for greater accessibility.

Other notable features include a multi-lingual translation service, an "economic development ombudsman," cross-training of plan check and inspection personnel, and special teams to assist small business owners through the permitting process. Most of Sunnyvale's land use and building permit applications, reviews, decisions, and transactions have been computerized.

To speed overall permit review, Sunnyvale has adopted target timelines for project review and approval. These range from two to sixteen weeks depending on the type and complexity of the project.

City of Sunnyvale: One-Stop Permit Center Development Approvals Process and Timeline



district permits, design reviews, and tentative subdivision maps.

The average *per project* approval time for the projects shown in Table 10 was 15.2 months. The average *per unit* approval time was 19.2 months, suggesting that larger projects typically take longer to review than smaller ones¹⁵. Lower-density projects were typically approved faster than higher-density projects. Three of the four affordable housing projects included in the sample (all in San Jose), were approved more quickly than average—the result of their smaller size and their having been assigned “special handling” status. Project approval times varied more within cities than between them, suggesting that it is the characteristics of the project, not the city, that accounts for differences in approval times.

All development projects undergo multiple permit reviews¹⁶. Apartment projects in Milpitas, Santa Clara and Sunnyvale are typically reviewed three or four times (rezoning review, environmental review, tentative map review, and building permit review). Apartment projects in San Jose are typically reviewed five times. Because most Silicon Valley cities conduct concurrent reviews, more reviews don’t necessarily translate into longer review times. San Jose, for example, conducts concurrent rezoning, environmental, and planned district permit reviews. Milpitas, Santa Clara and Sunnyvale conduct concurrent environmental and rezoning reviews.

All thirteen projects required some form of rezoning, and only two (the Villas at California Landing, and Bella Vista Apartments) were developed on sites originally zoned for apartment development. Five projects were developed on sites rezoned from commercial or industrial use, two were developed on land originally zoned for agriculture, and two were developed on land zoned PD (Planned District). All thirteen projects were rezoned to some form of planned district zoning.

Significantly, only one project sponsor was required to undertake an Environmental Impact Report. For the sample as a whole, the average time required for a rezoning was 6 months; the

average time required to process a building permit was 5.8 months. As noted above, reviews of environmental documents and tentative subdivision map applications are generally undertaken concurrently with rezoning reviews¹⁷. In about half of the cases, project sponsors had prepared detailed environmental documents prior to submitting their first permit application.

How one sees these averages is a matter of perspective. City planners would argue that they are not excessive, particularly in the Bay Area. Project sponsors and developers, particularly those with experience outside of California, might argue that they are. Both would agree, we believe, that more can be done on both sides to improve the timeliness of development reviews without sacrificing quality.

The Costs Of Delay

Excessive delays and uncertainties add to housing prices and rents in four ways. First, they make it extremely difficult for small-scale investors and developers to compete in the marketplace. Small-scale developers typically lack access to the cash and financing sources available to larger developers. This means they are less able to withstand unanticipated delays and uncertainties. They are also less likely to have an “expediter” on staff whose responsibility it is to shepherd a project through the approvals process. Collectively, small developers can provide a lot of new housing supply, particularly on the types of smaller, infill lots that are often passed-over by larger builders. Excessive delays and uncertainties remove this valuable source of new supply of housing options from the marketplace.

Second, because so much of real estate development is financed, delays and uncertainties increase developer’s interest costs, or “carrying costs.” Construction interest costs are typically in the range of 2%-5% of total development cost; the longer the construction period, the higher the cost

Because delays are so commonplace, many developers have learned how to insulate

Table 9: Permit Streamlining Innovations Undertaken by Santa Clara County Cities

City	Timelines	Department Consolidation	Project Expediter	Administrative Approvals	Concurrent Reviews	1-stop Permit Centers	Over-the-Counter Approvals	User Surveys
Campbell		*	*	*	*	*	*	*
Cupertino		*						
Gilroy		*	*	*	*	*	*	*
Milpitas	*	*	*	*	*	*	*	*
Morgan Hill	*	*	*	*	*	*	*	*
Mountain View	*	*	*	*	*	*	*	*
Palo Alto	*	*	*	*	*	*	*	*
San Jose	*	*	*	*	*	*	*	*
Santa Clara	*	*	*	*	*	*	*	*
Sunnyvale	*	*	*	*	*	*	*	*

Source: Santa Clara Valley Manufacturing Group, "Reducing Sticker Shock", 1995

Table 10: Review and Approval Timelines for 13 Santa Clara County Apartment Projects

City	Project	Year Begun	Units	Density	Initial Zoning	Final Zoning	# of Reviews	Total Review Time	Longest Permit
Milpitas	California Landing	1989	1162 units in 4 phases		Agriculture	R3-S	4	18 months**	Overlapping permits
	Villas at California Lndg.	1991	218	17 du/acre	Apartment	R3-S	2	5 months**	Overlapping (4 months)
Santa Clara	Bracher Senior Housing	1993	72	30.6 du/acre	Agriculture	R1-PD	3.5	12 months	PD rezoning (5 months)
	Bella Vista Apts.	1988	634	28 du/acre	Apartment	PD	4	10 months**	Overlapping permits
San Jose	Carriage Square	1991	324	27 du/acre	PD	PD	4	30 months**	PD rezoning (23 months)
	Pinnacle Gardens*	1993	51	18.2 du/acres	Publicly-owned	PD	5	15 months	PD rezoning (8 months)
	Willow Lakes	1987	408	22 du/acre	Industrial	PD	4	not completed**	PD rezoning (5 months)
	Winfield Hills*	1992	144	12.3 du/acre	Commercial-PD	PD	5	17 months	PD Permit (9 months)
	Eden Palms*	1994	145	14.2 du/acre	PD	PD	5	8 months**	Rezoning (5 months)
	California Northpoint	1994	217	15.1 du/acre	Industrial	PD	5	18 months	Neg. Declaration
Sunnyvale	Parkside Commons	1989	192	27.9 du/acre	Industrial	R4-PD	3	16 months	Building Permit (10 mos)
	Kensington Place	1990	172	42 du/acre	Industrial	R4-PD	4	14 months**	Neg. Declaration (7 months)
	Compass Place	1991	318	36 du/acre	Mobile Home	R4-PD	3	24 months	Rezoning (1 year)

Notes:
 * Affordable housing, received "Special Handling"
 **does not include pre-proposal permitting

themselves from normal delays--primarily by trying to minimize their up-front financing. This approach can work, but only to a point; and ultimately any unanticipated carrying costs are added to the prices or rents charged consumers.

In the minds of investors and lenders, delays and uncertainties mean higher risks. And higher risks mean higher borrowing costs, higher debt-service coverage ratios, and higher return-on-investment requirements. All of these higher costs add directly--and usually substantially--to housing prices and rents.

Fourth, unanticipated delays can mean that new supply is "late" to the market. Developers are in the business of matching the timing of new housing production to projected household growth or demand. This is a risky business, and accordingly, the profitability of development varies widely. Approval delays which increase a project's "time-to-market" typically cause supply to lag demand, leading to increases in prices and rents.

This is precisely what has occurred in Santa Clara County during the last year. A significant spurt in job growth caused household demand to surge. Because the approvals process takes such a long time, even those apartment builders who anticipated the current up-turn have been unable to bring their projects to market in a timely manner. The result has been a rapid escalation in rents. These rent increases will be moderated only when new supply is brought to the market.

How Rising Development Costs Affect Rents

Apartment rents respond to changes in both supply and demand. An increase in apartment demand with no accompanying increase in supply will cause rents to rise. Rising development and operating costs also serve to push up rents. Indeed, apartment developers frequently point out that rising land costs, higher fees, higher interest rates, approval delays, and mandated improvements are inevitably passed on to tenants in the form of higher rents.

To explore the relationship between increased development costs and higher apartment rents in Santa Clara County, we developed a simple financial feasibility model for a very basic but typical Silicon Valley apartment project. The model is driven by a number of assumptions. We assumed a parcel size of three acres. For simplicity's sake, we assumed that the project would consist entirely of 2-bedroom apartments, each with an average size of 900 square feet. For the project to be competitive in the market, as well as to meet zoning requirements, we assumed that two parking spaces would be required per unit. We assumed that the developer would secure 30-year permanent financing at an 8.5% annual rate, based on a lender's debt-coverage ratio of 1.2. Thirty percent of monthly rental income would be used to pay project operating expenses. We assumed a very low 2% vacancy rate. Finally, for the project to be financially feasible, we assumed that the developer would require a relatively modest annual cash-on-cash return of 5%.

For the base case, we assumed a land cost of \$10 per square foot, and "hard costs" (unit construction costs) of \$55 per square foot. Soft costs (which include fees, pre-development services, off-site improvement costs, the costs of meeting development regulations, and contingencies) were assumed to be 25% of hard costs. The cost of constructing carport parking facilities was assumed to be \$5,000 per space.

Assuming an allowable density of 25 units per acre, the developer would have to charge an average monthly rent of \$930 (per two bedroom unit) in order to realize a modest return of 5% cash-on-cash. Assuming an allowable density of 35 units per acre, average rents would have to increase to \$950 per month—mostly because of the higher parking costs.

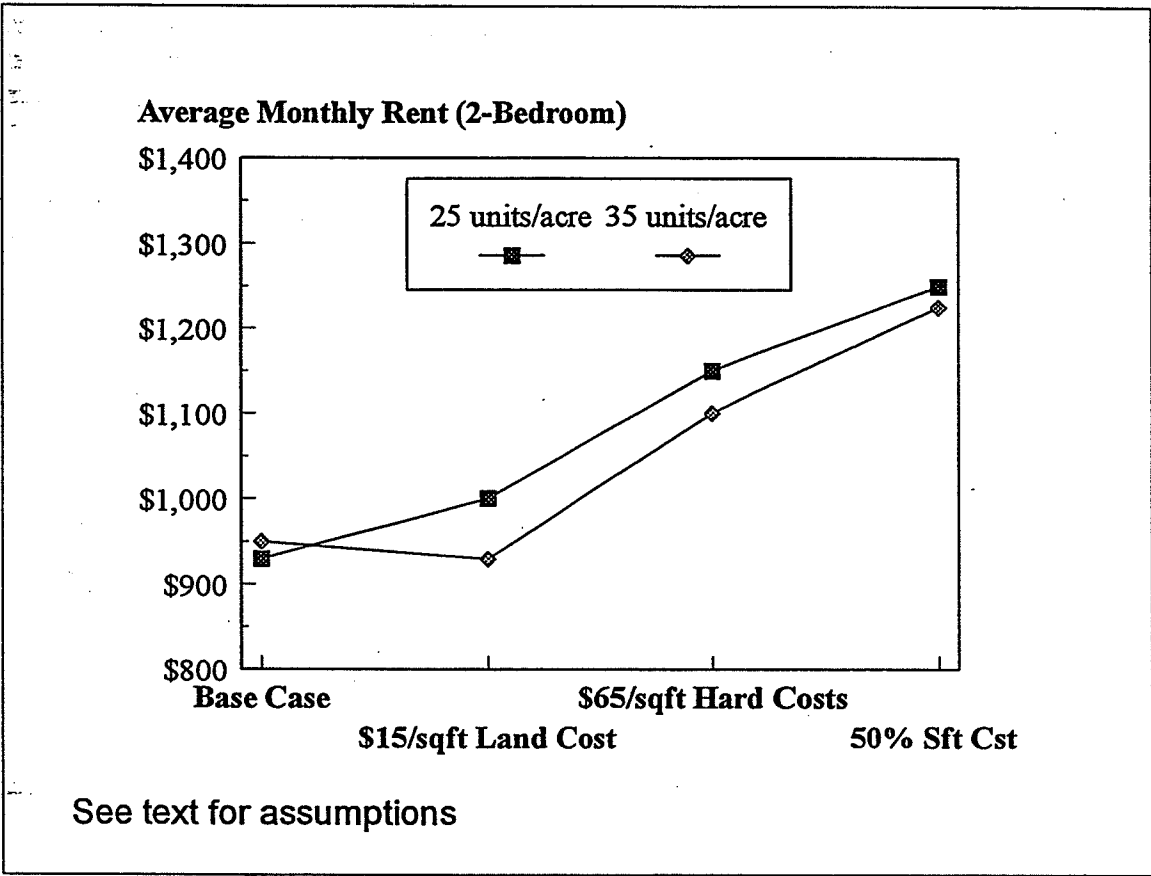
Suppose that the developer's initial land cost was \$15 per square foot instead of \$10. At a density of 25 units per acre, rents would have to rise to \$1,000 per month for the developer to achieve their 5% return target. At a higher density of 35 units per acre, the average monthly rent would be \$930.

Suppose the developers' construction costs were to increase to a \$65 per square foot—a number which is still relatively low. To meet the developer's initial return requirements, rents would have to rise to \$1,150 and \$1,100 per month, at densities of 25 and 35 units per acre, respectively.

Finally, assume that a combination of approval delays and much higher off-site improvement requirements were to push the developer's soft cost up to the point where they were 50% (instead of 25%) of hard costs. To recover the additional costs,

The extent to which project owners are able to pass on these costs to tenants varies. When, as now, vacancy rates are universally below 2%, cost increases are passed on to tenants in their entirety. As vacancy rates rise above 5% or 6%, owners of existing projects begin to absorb higher operating costs in the form of reduced returns. Developers of new projects decide not to build.

None of these "scenarios" is out of the ordinary. Indeed, given the higher quality of Silicon Valley apartment projects, one might argue they actually understate the effect of rising development costs on rents.



V. How to Increase the Supply and Reduce the Cost of Rental Housing in Silicon Valley

The problem of high housing costs is not a new one in Santa Clara County. Santa Clara County homes and apartments have long been among California's most expensive; and planners and business interests have long worried that the region's high housing costs would stifle the county's unique high-tech/entrepreneurial economy. So far, this has not happened. In part, because local governments, non-profits, and business groups have worked in partnership to promote infill development, to build affordable housing, and where possible, to streamline the development approvals process.

Progress has been made, but there is still much work left to be done. Future efforts to promote housing affordability (particularly in the rental housing market) should focus on five sets of initiatives:

1. Initiatives to reduce uncertainty and streamline the development review process.
2. Initiatives to make project reviews more timely and responsive.
3. Initiatives to improve the quality of permit applications.
4. Initiatives to provide regulatory relief to small developers and property-owners.
5. Inter-governmental initiatives to expand the supply of developable sites.

The sections that follow offer suggestions in each of these areas. Our suggestions are intended to be exactly that--suggestions. It is up to individual local governments to determine whether and how they might best be implemented.

Initiatives to Reduce Uncertainty and Streamline the Permit Review Process

- * *Pro-actively prezone appropriate sites for multi-family residential development.* A number of the projects we reviewed required being rezoned--a step that added considerably

to overall review times. Pre-zoning appropriate sites for multi-family development would have three considerable benefits. First, it would enable cities to undertake a single Master Environmental Assessment for multiple development sites, thereby significantly reducing the delays associated with preparing environmental documents. Second, it would help community groups and other parties concerned about the impacts of development to take a more comprehensive perspective, instead of putting them in the all-too-common position of responding to development on a project-by-project basis. Third, it would serve to increase developable land supplies, thereby reducing upward pressures on multi-family land prices.

- * *Establish a cumulative time-limit of one-year for all general plan, rezoning, and subdivision reviews of multi-family projects.* Environmental reviews under CEQA, and building permit reviews would not be subject to this limit. Based on our analysis of various apartment proposals, we are convinced that a one-year time-limit is entirely feasible; indeed, most project reviews are *currently* completed in less than a year. Pursuing this step would require a number of Santa Clara cities to increase the frequency of general plan amendments.
- * *Consolidate plan reviews and permits where possible.* San Jose, for example, often requires developers proposing projects in Planned Districts to obtain separate rezoning and PD permits. These two permits could be combined.

Initiatives to Make the Project Review Process More Timely and Responsive

- * *Establish a multi-department project review committee, which would meet weekly or bi-weekly to coordinate major project reviews across city departments.* Depending on the jurisdiction, considerable time is sometimes lost coordinating reviews between different city departments. California cities that have adopted multi-department review committees to coordinate CEQA reviews have found that they both speed up and improve that process.
- * *Establish the position of project review expeditor.* It would be the responsibility of the review expeditor to shepherd projects through the review process in a timely manner. (The expeditor would not participate in the substance of reviews.) The review expeditor would also serve as the project sponsor's single point-of-contact with a reviewing jurisdiction. Participation by a project expeditor could be requested by the project sponsor (possibly in exchange for additional fees), or determined as a matter of policy.
- * *Post permit applications, updates, progress reports, and review determinations on the Internet.* The Internet (and in particular, the World Wide Web) allows for near-instantaneous communication. Use of the Internet for permit applications, for project requirements and conditions-of-approval, for review progress reports, and for ongoing communications between reviewing agencies and project sponsors should significantly speed the review process. It would also facilitate later performance audits.

Initiatives to Improve the Quality of Permit Applications

- * *Require sponsors of projects that exceed a designated size threshold to participate in mandatory pre-application development review meetings with local planners, and at*

least one meeting with members of the community or neighborhood. Some projects flounder because the project sponsor does not understand the review process, or submits an incomplete permit application, or fails to address legitimate community concerns. Many later problems can be anticipated and avoided by requiring project sponsors to meet with planners and community representatives prior to submitting a permit application.

Initiatives to Provide Regulatory Relief to Small Developers and Property Owners

- * *Identify appropriate districts or zones in which development fees, permitting requirements, and other regulations might be relaxed for small-scale apartment development.* As noted above, the development review process is often the most burdensome for small-scale property owners and developers. Cities should identify specific areas where appropriate regulatory and fee relief would enhance the ability of small-scale property-owners and investors to develop much-needed housing.

Cooperative Initiatives to Expand the Supply of Developable Sites

- * *In the long-run Santa Clara County public officials need to face up to the fact that they are quickly running out of developable sites.* Although Santa Clara County still has roughly 10 years before the situation reaches a critical stage, today's high land and housing prices already reflect the worsening shortage of buildable sites. Until now, the land supply situation has been dealt with on a city-by-city basis, with each city independently deciding how much and how far it should grow. What's needed now is for cities to recognize their inter-dependence in this area, and to agree to work with each other, as well as with interested environmental, business, and community groups to develop a long-term

plan for matching supplies of developable sites to demand.

We offer a few guidelines for such an endeavor. First, although increased densities can play an important role in providing future residential development opportunities, higher density by itself will not be sufficient.

Second, communities may want to investigate “infilling” existing business and office park developments with appropriate residential development, particularly rental housing. There are numerous examples in the Bay Area of successful mixes of office and residential development.

Third, working together through the Santa Clara County Local Agency Formation Commission (or another agency), local governments in Santa Clara County should develop a common system for inventorying and classifying undeveloped land according to its environmental sensitivity, its role in shaping long-term urbanization patterns, and its potential for development. Only by applying a common set of criteria regarding where and what is appropriate for growth can future battles over development be avoided. The vacant land inventory developed by the Santa Clara Valley Manufacturing Group is an excellent start in this direction.

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Endnotes

1. Throughout this report we use the term Silicon Valley to mean Santa Clara County. We recognize, of course, that Silicon Valley does not have fixed boundaries, and by some accounts, extends as far north as Redwood City, as far south as Scotts Valley, and as far east as Fremont.
2. This estimate includes only those employees who are paid on an hourly basis.
3. Average wage rates in the Transportation Equipment and Instruments and Related sectors are much higher in Santa Clara County than in San Francisco and San Mateo Counties. Wage levels in the Industrial Equipment and Electronic Equipment sectors are comparable between the two Bay Area sub-regions, however Santa Clara County's much larger work force in these two sectors translates directly into much higher total payrolls.
4. Rent estimates need to be considered carefully, particularly in a market as large and diverse as Santa Clara County. Both Real Facts and National Real Estate Investor publish estimates of average rents, which tend to be significantly higher than median rents. The U.S. Census Bureau publishes median rent estimates (which tend to be more representative), but only every ten years. Real Facts only tracks rents in market-rate buildings with forty or more units. Because these buildings typically have more amenities and higher rents than smaller properties, Real Facts' estimates may overstate average rents in the marketplace as a whole.

5. Federal affordability standards identify households paying more 30 of their income on rent as “over-paying.” The Census Bureau publishes estimates of rent-overpayment based on households paying 35% of their income on rent.
6. Home values as listed in the Census are self-reported: that is they are the values estimated by the owner and do not necessarily mirror market values. Despite this drawback, they provide a useful comparative perspective.
7. Gross-income qualifying ratios are used by mortgage lenders to qualify households for mortgages. A gross-income qualifying ratio of .28 means that the lender may be willing to make a mortgage loan such that the monthly mortgage payment plus associated property tax and insurance payments are no more than 28% of total monthly gross income.
8. The median price is the middle-price, not the average price: half the homes in a given market are more expensive than the median, half are less. Median home prices measure the value of homes that sold in a given year and market, not the value of all homes. Because home sales tend to be weighted toward existing units not new ones, median home prices typically underestimate new home prices. The extent of this underestimate varies according to the mix of home sales in a given area and does not follow any pattern.
9. These difference are long-standing. Home prices have historically been much higher in the county’s western foothill communities (Los Altos, Los Gatos, Palo Alto); somewhat lower in county’s southern markets (Morgan Hill and Gilroy), and lowest in San Jose and Milpitas.
10. These estimates assume renters are willing to pay a maximum of 20-25% of their gross income in rent.
11. Most real estate analysts regard the “normal” vacancy rate (the vacancy rate for which supply and demand are in rough balance) as 4-6%.
12. This includes both single- and multi-family housing.
13. Even when local regulations are relaxed to permit reduced parking, a minimum number of parking spaces per unit are necessary to make a project marketable.
14. See, for example, “Relationships between Affordable Housing Developments and Neighboring Property Values,” (U.C. Berkeley Institute of Urban and Regional Development, 1993); and *Myths and Facts about Affordable Housing* (California Department of Housing and Community Development, 1994).
15. This estimate, the weighted average, was calculated by multiplying project delay times by the number of units in each project, and diving the product by the total number of units in all 13 projects.
16. Recent permit streamlining efforts have focused on reducing permit review times, primarily by instituting concurrent reviews, and not by consolidating permit reviews.
17. Environmental reviews which result in negative declarations or mitigated negative declarations don’t significantly lengthen the development approvals process. Most cities in Santa Clara County conduct environmental reviews concurrently with rezoning reviews. Developers who begin the development approvals process with traffic and/or habitat studies in-hand can further speed the review process.

Appendix A1: Santa Clara Single-Family and Multi-family Permits, by City, 1990-1995

City	1990		1991		1992		1993		1994		1995	
	Single-family	Multi-family	Single-family	Multi-family	Single-family	Multi-family	Single-family	Multi-family	Single-family	Multi-family	Single-family	Multi-family
Campbell	53	0	12	0	12	0	22	0	50	348	0	0
Cupertino	65	319	106	0	19	0	15	0	60	0	114	0
Gilroy	10	32	14	121	12	2	90	0	125	60	164	22
Los Altos	28	21	8	0	23	0	26	0	60	30	12	29
Los Altos Hills	24	0	21	0	17	0	20	0	26	0	25	0
Los Gatos	37	0	27	175	17	64	25	20	23	0	24	6
Milpitas	286	516	374	0	295	64	145	0	165	0	100	19
Monte Sereno	4	0	8	0	16	0	15	0	9	0	8	0
Morgan Hill	366	17	47	56	75	5	274	6	245	12	211	66
Mountain View	59	182	40	17	17	115	22	0	81	0	108	37
Palo Alto	70	90	35	53	33	21	62	53	43	4	140	264
San Jose	368	1,357	643	1,420	954	708	779	1,547	903	1,108	668	626
Santa Clara	43	460	86	236	46	0	116	0	89	72	34	42
Saratoga	40	0	37	0	28	0	26	0	31	0	95	0
Sunnyvale	127	227	97	40	89	318	140	2	162	183	88	76
Unincorporated	180	2	115	0	95	4	48	0	56	0	65	0
Total	1,760	3,223	1,670	2,118	1,748	1,301	1,825	1,628	2,128	1,817	1,856	1,187

Source: Current Construction Reports: C40; Santa Clara County Planning Department

Appendix A2: Median Residential Sales Prices for Selected Cities: 1991-95

City	Sep-91		Sep-92		Sep-93		Sep-94		1995	
	Single-family	Condo/Twnhome	Single-family	Condo/Twnhome	Single-family	Condo/Twnhome	Single-family	Condo/Twnhome	Single-family	Condo/Twnhome
Cupertino	\$530,000	\$242,500	\$325,000	\$205,000	\$295,000	\$220,000	\$305,000	\$200,000	\$380,000	\$230,000
Gilroy/Morgan Hill	290,000	165,000	295,000	173,000	278,000	161,250	285,000	128,000	na	136,000
Los Altos	525,000	na	580,000	na	535,000	na	627,500	na	na	na
Milpitas	na	136,000	215,000	140,000	220,000	178,900	226,000	193,500	217,000	136,000
Mountain View	na	227,500	na	210,000	na	215,000	na	201,250	na	187,500
Palo Alto	332,000	na	332,000	na	335,500	na	349,000	na	na	na
San Jose	229,000	na	221,000	na	218,000	na	221,500	na	222,500	na
Santa Clara	na	208,000	na	158,000	na	169,000	na	166,500	na	165,000
Sunnyvale	na	207,000	305,000	165,000	287,000	188,000	280,000	242,000	298,000	189,000
Santa Clara Cnty	na	170,000	240,000	162,000	233,500	156,000	229,000	159,000	255,000	165,000

Source: San Jose Real Estate Board

Appendix B:

Selected Multi-family Projects: Profiles and Development Timelines

1. Bella Vista Apartments, Santa Clara
2. Bracher Senior Housing, Santa Clara
3. California Landing, Milpitas
4. California Northpointe, San Jose
5. Carriage Square, San Jose
6. Compass Plance, Sunnyvale
7. Eden Palms, San Jose
8. Kensington Place, Sunnyvale
9. Pinmore Gardens, San Jose
10. Parkside Commons, Sunnyvale
11. The Villas at California Landing, Milpitas
12. Willow Lakes, San Jose
13. Winfield Hills, San Jose

Bella Vista Apartments, Santa Clara

4600 Lick Mill Road, completed project address: 1500 Vista Club Circle

Developer: Interland Development Co
Owner: City of Santa Clara (Sports & Open Space Authority)
File Numbers: Z-1467 (Zoning)
Z-1418 EIR (Environmental Impact Report)

Project Description:

This file is for Phases 1 and 2, 22.48 acres, as part of a larger 105-acre, 2100-unit, development on the former Fairway Glen Golf Course (a new, replacement public golf course facility had already been built by this time atop a landfill). Project is adjacent to an aqueduct park, Lick Mill Boulevard, apartments, and the Guadalupe River. Phases 1 and 2 are a PD apartment complex for 634 multi-family units in 39 two- and three-story buildings, plus a recreation center. 1,195 parking spaces (some covered, some open) total for Phases 1 and 2. The overall project was also to contain 10 acres of support neighborhood retail, a branch library, and a 10-acre park. The project took about 10 months from initial application to issuance of the first building permit.

Initial Planning and Development Issues

This was a more involved project, involving redevelopment of city land. Around 1981, the City started looking for alternate uses for old golf course land. In 1986, the City sent an outline of prospective uses to potential developers, with the option of buying or leasing the land. In March 1986, Interland expressed its interest in leasing the land, and submitted its first conceptual idea for apartments in September. This project was part of a previously approved master plan rezoning by the City (file Z-1418, from B, public/quasi-public, to R3-36D), on behalf of Interland. Project was covered by a previous EIR. Tentative map and rezoning required.

Adjustments to Project during the Development Process

Interland wanted to develop the project in phases. Under City's advice, applicant requested a rezone from R3-36D, medium density apartment, to PD(R3-36D), planned development, for Phases 1 and 2, to provide a specific development plan for each phase, rather than use standard apartment zoning. Parking requirement was reduced ten percent.

Approval Timeline

1986-87 Interland expresses interest in City's proposal, meets with City
10/9/87 Draft EIR submitted
12/19/87 Interland filed application to rezone from public/quasi-public to apartment and commercial (conventional zoning)
1/21/88 Final EIR submitted to City for review
1/11/88 Project Review Committee review for FEIR
3/8/88 FEIR for the 2,100-unit overall development certified by Planning Commission and City Council, with Conditions for Approval
9/30/88 First formal application: petition for zone change form submitted, along with schematic design drawings for Phases I and II, Bella Vista Apartments.
10/5/88 Plan check review and comment form submitted to other city departments.

Bella Vista Apartments

Approval Timeline, continued

- 10/17/88 Project Clearance Committee meeting--all city departments discuss zoning change. Issues such as emergency access, entrance drives, design, public park separate from residences. File not accepted as complete. Number of parking spaces higher than the 1.8 ratio required. File will be continued for city-initiated variance application to allow reduction in number of required parking spaces.
- 10/31/88 Project clearance committee meeting to consider revised plans submitted by applicant. File accepted as complete.
- 11/1/88 Santa Clara Sports and Open Space Authority approved lease to Jim Joseph of Interland.
- 11/16/88 Planning Commission meeting for Phases I and II (rezoning 630 units)
- 11/29/88 City Council approved rezoning as recommended by Planning Commission
- 12/30/88 Formal development proposal, change from apartment to PD zoning
- 1/16/89 Interland gives preliminary architectural plans to city.
- 2/9/89 Architect meets with city
- 2/28/89 Plan check review; also on 3/1 and 3/2
- 3/24/89 Application for architectural review committee (ARC) File A-2760.
- 3/27/89 Architecture review of 50% complete drawings of 634 units
- 4/5/89 ARC meeting--approved 50% drawings subject to certain revisions
- 7/5/89 First permit awarded, for grading
- 7/89 Plan check
- 9/13/89 TM application filed
- 1/9/90 TM approved
- 6/20/90 First building permit issued (for Phase 1), more permits awarded through October.
- 7/90 Plan check
- 8/28/90 Interland petitioned for 10 percent less parking
- 8/14/91 First Certificate of Occupancy (for Phase 1)
- 11/23/93 Final Certificate of Occupancy for Phase 2

Bracher Senior Housing, Santa Clara
2665 South Drive

Developer /Owner: Santa Clara Housing Authority
Bracher Associates Limited Partnership

File Number: APN216-15-024
APN216-15-025

Project Description

Bracher Senior Housing is a very low income project consisting of 72 one bedroom units of approximately 570 square feet. The project density is 30.6 du/acre. The two buildings will be one to two stories tall. The project is in a neighborhood of moderate density (18-25 du/acre) under the General Plan. The General Plan gives a density bonus and parking variance for projects serving 100% seniors. The land required rezoning from Agriculture and R1-8L to PD. The total time for the project from the date the application was filed to the date building permits were issued was one year.

Initial Planning and Development Issues

The largest issue this project faced was parking. The parking requirements were lowered from 2 spaces per dwelling unit to 0.9 spaces per dwelling unit. Many residents wrote that parking was already a problem on South Drive and adding this project would exacerbate the neighborhood street parking problem. Another concern was that the location of the parking was too far from the complex for the seniors to walk. These issues were mitigated by providing shuttle service to ensure less need for cars and by land banking nine spaces for future use if deemed necessary.

Adjustments to Project During the Development Process

The project was essentially changed to mitigate the aforementioned parking issues. Nine spaces were land banked for future use and a shuttle service was required twice a week.

Approval Timeline

4/29/93	Land acquired
12/17/93	PD rezone - project application filed
1/24/93	Project Clearance Committee Meeting. Initial study with applicant and all city departments. Projected not accepted as complete.
2/4/94	Negative Declaration dated
2/14/94	Project Clearance Committee meeting. Access to courtyard and parking a concern. Project was not accepted as complete.
2/18/94	Project Clearance Committee Meeting. Project accepted. Access issues will be addressed later.
3/9/94	Planning Commission Public Hearing PD rezone, Variance, and Negative Declaration were all approved. Planning Commission recommended zone change on the condition that the Housing Authority provides daily shuttle service.
3/16/94	Letter - Housing Authority asks City Council to consider shuttle service twice a week rather than daily.
3/16/94	Deadline missed for posting of Public Hearing. City Council hearing delayed.
3/16/94	Planning Commission Findings from Public Hearing
3/23/94	Planning Commission Findings from Public Hearing Revised to clarify density law and reasons that this project with 30.6 du/acre is acceptable under the General Plan in an area with maximum density of 25 du/acre.
4/5/94	City Council Public Hearing PD rezone, Variance, and Negative Declaration approved Neighbors expressed concerns over parking.

Bracher Senior Housing

Approval Timeline, continued

6/1/94 Letters regarding potential harm to raptors during construction
6/6/94 Applicant filed for Lot Line adjustment to combine two parcels into one.
6/13/94 Lot Line Adjustment application deemed not complete
Letters regarding potential harm to raptors during construction
6/17/94 Letters regarding potential harm to raptors during construction
6/20/94 Architecture Review application filed
7/7/94 Architecture Committee approved application subject to minor conditions
7/27/94 Lot Line Adjustment approved at Subdivision Committee Meeting
8/17/94 First Plan Check - Developer submitted plans
12/9/94 Developer submitted final drawings for architectural review to planning
12/12/94 Architecture review - Planning issued approval for final plans.
12/27/94 Building Permit - First Permit issued.
10/30/95 Property Development Agreement
11/28/95 Property Development Agreement approved by City Council
11/30/95 Certificate of Occupancy Issued

California Landing, Milpitas

Southwest corner of Dixon Landing Road and Milmont Drive

Developer/Owner: Trammel Crow Residential: South Bay Area

File Number: PUD #51

Project Description

This project was originally part of a PUD that included two developers and a condominium portion. The original PUD application was filed for the entire project.

The project is multiphase with phase I being Brander Mill, 204 family units and Mill Creek, 312 adult units. Phases II-IV are single family units. Phase II can begin construction after 150 apartments are built. Phase III is permitted to begin construction after 300 apartments are built but Phase IV cannot begin until a total of 400 apartments have been built. Parking will be provided at 2 spaces per unit.

The General Plan designation for this land is high density residential. The land requires rezoning from Agriculture and Services to R3-S. The total time for the project from the time the project was filed until the first building permits were issued was more than 18 months.

Initial Planning and Development Issues

The grading permit was granted prior to the approval of the Tentative Map. In the process of grading, the developers found barrels of contaminated toxic waste. A supplemental EIR was required to determine how to mitigate this finding and dispose of the waste. Detailed samplings were required. The Supplemental EIR was approved in early 1990.

Other issues were design related. A lot of discussion was related to the design and placement of the water elements in the project. Also, the project was approved subject to 35 conditions. Compliance had to be demonstrated for each condition prior to the issuance of building permits. This is a normal procedure in Milpitas.

Adjustments to Project During the Development Process

No major adjustments especially given the magnitude of the project.

Approval Timeline

9/15/88	Project rejected by Planning Commission
10/4/88	Project approved by Planning Commission
10/4/88	Project approved by City Council subject to 35 special conditions
7/6/89	Planning Commission Meeting Applicant is proposing compliance with special conditions 16,19,20 and proposing architectural changes to recreational buildings and pool areas. Environmental Review is incomplete: waiting for approval of EIR and Vesting Tentative Map.
7/18/89	City Council approves plans as recommended by Planning Commission, including water elements.
8/28/89	Vesting Tentative Maps filed.
10/11/89	Vesting Tentative Map - Planning Commission Public Hearing

California Landing

Approval Timeline, continued

12/6/89 Plan Check - preliminary review for PUD and tentative map.
Final Map not yet approved
Tentative Map Special conditions include Pacific Bell concern over easements and contaminated soil cleanup
PUD special conditions are with regard to a sound wall, roof materials, landscaping, trash dumpsters and acoustical certification.

1/24/90 City Council amended special conditions. A detailed landscaping plan must be submitted to the Planning Commission before the building permits are issued.

2/22/90 Building Permits - First Permit issued

3/21/90 Building Permits - First Final Permit issued for first building

9/8/90 Letter: Developer wants deletion of water element even though approved by city council and planning commission. Recommends bring the issue before both again.
Carport additions approved

4/5/91

3/30/93 Landscaping not yet completed. Letter to property owners and managers who have delayed landscaping due to drought or otherwise.

California Northpointe, San Jose

Southeast corner of Old Oakland Road & MacKaye Drive

Developer: Kaufman & Broad South Bay, Inc.

File Numbers: PDC 94-02-003 (PD Rezoning)
PT94-04-029 (Vesting Tentative Map)
PD 94-04-013 (Planned Development Permit)

Project Description

On a site of 14.4 acres, developer proposed to build 217 single family attached residential (SFAR) units ("townhouses"), by dividing 4 parcels into 217 lots. Net density is 15.07 DU/acre. There are 2.57 parking spaces/unit, 434 covered spaces and 123 open spaces. Units will be 3-story buildings which look like 2 stories due to grading

Project required a rezoning from Industrial to A(PD). Site was vacant and had been used for agricultural purposes before that. The base district zoning was A, agricultural. Site is surrounded by large apartment and condo complexes, vacant commercial, and industrial development. Zoning is consistent with GP designation of high density residential, HDR (12-25 DU/acres). Estimated date of occupancy was 12/21/94. From date of development plan to first build permit, one year and 6 months passed.

Initial Planning and Development Issues

Issues raised by planning department and by neighbors included traffic, noise, and archaeological remains. A small portion (1.7 acres) of site is within redevelopment area. Per redevelopment law, 15% of units there must be affordable to low or moderate income households. Thus 1 of the 2 planned units in the redevelopment area must be affordable. San Jose Redevelopment Agency was concerned that even if no units were built in the redevelopment area, affordability restrictions should be recorded on all property in anticipation of any future changes or development.

Adjustments to Project During the Development Process

The most time-consuming part of the development process for this project appears to be during the rezoning application approval period, the first phase of a three step process (rezoning, tentative map, and PD permit). However, the project did not change significantly during the process.

Approval Timeline

7/2/90	Property purchased by Brokaw Interest, a Calif. limited partnership
1/31/93	Development plan dated
2/24/94	Title vested in Brokaw Interests
2/94	Planning Dept. seeks comments from other public agencies. Archaeological report required, possible human burial site.
3/3/94	Response from Dept. of Public Works
3/8,17/94	Letters from Planning Dept. to Kaufman Broad with minor conditions & changes
3/94	Traffic impact analysis report as required by San Jose Congestion Management Plan: no impacts on intersections.
3/15/94	Neg. Dec. granted for rezoning
3/25/94	Tract number assigned (#8650)
4/4/94	Neg. Dec. for rezoning adopted
4/5/94	Planning Dept. recommends approval of rezoning. Project conforms with GP designation of HDR (12-25 DU/acre)
4/13/94	Public hearing to approve rezoning at Planning Commission.
4/19/94	Public Hearing before City Council. Rezoning ordinance passed.
4/20/94	TM application filed. Waiver of written report granted.
4/21/94	Application filed for PD Permit

California Northpointe

Approval Timeline, continued

5/5/94	Letter from Police Chief--project will increase workload of emergency calls.
6/8/94	Public Hearing with Director of Planning at City Council, regarding PD permit and TM. PD Permit granted.
6/17/94	TM approved by Director of Planning.
6/21/94	Permit Acceptance, Agreement, and Consent form executed.
7/19/94	Building permit granted

Carriage Square, San Jose
Blossom Hill Road

Developer: Greenbriar Development Corporation (residential)
Keenan and Bariteau (commercial - this part of the project was not completed)

Owner: New England Mutual Life
Misao and Eiji Tshchda

File Numbers: PDC91-12-085 (Planned Development Rezoning #1)
PDC93-07-030 (Planned Development Rezoning #2)
PD93-11-043 (Planned Development Permit) unable to locate
PT93-11-061 (Tentative Parcel Map)

Project Description

The project includes 324 multi family attached residential units on 12 acres in 14 three-story buildings and a commercial component. The density for this project is 27 du/acre. The land required rezoning from Agriculture to a PD. Also, the site was determined to be consistent with the General Plan density designation under the Discretionary Use Policy #7 which allows for a 20% density bonus since 20% of the units to be developed are for low and moderate income households. The total time for the project approval process, from the date the application was filed to the date of the first building permit was 30 months, including the change in the scope of the project.

Initial Planning and Development Issues

Many of the planning issues were with regard to the compatibility of commercial and residential uses. Traffic and noise issues were of high concern. Early in the environmental process the presence of surface agriculture chemicals was an issue.

Adjustments to Project During the Development Process

The project was originally proposed in 1991 as a joint residential and commercial development with 272 multi-family attached residential units and 133,000 square feet of commercial space on 23.14 acres of land. The revised project in 1993 is considered by the planning department as a separate project and is composed entirely of 324 multifamily attached residential units on 12 acres. It is unclear whether the commercial part of the project was built and, if not, what caused the change in the project. The files emphasized concerns about the traffic and noise associated with commercial development.

Approval Timeline

Dec. 1991	Final Geotechnical Investigation
12/19/91	PD Rezoning Application filed - 272 residential units and 133,000 square feet of commercial space at 23.14 gross acres.
12/27/91	Title granted for Parcels 1,2,3
1/10/92	Special Handling Designation assigned
1/17/92	Preliminary Comments (30 day letter): Many design issues raised regarding compatibility of commercial and residential.
2/28/92	Title Granted for Parcel 4
3/24/92	Public Hearing Notice
April 1992	Traffic Analysis Report - mitigation measures proposed
4/21/92	Negative Declaration granted
5/2/92	Negative Declaration adopted
5/13/92	PD Rezoning - Public Hearing at Planning Commission
5/22/92	PD Rezoning - Planning Commission recommends approval of rezoning.
6/16/92	PD Rezoning - City Council passed ordinance
1/6/93	PD Permit granted for 324 residential units on 12 acres.

Carriage Square

Approval Timeline, continued

July 1993 PD rezoning filed for 324 unit residential project.
8/26/93 20% Density bonus requested by Greenbriar
8/30/93 Letter to City Planning from Greenbriar - revised development plans will be provided by 9/10/93 and will include mitigation from 3/19/92 Traffic Analysis Report and 5/5/92 Public Works memo.
9/1/93 PD Rezoning - Public Hearing Notice
Public Notice of Draft Negative Declaration
9/16/93 Staff Report: PD Rezoning approved by Planning Department
Key environmental issues: Traffic and Noise, but mitigatable
9/21/93 Negative Declaration granted
9/22/93 Negative Declaration filed
PD Rezoning - Public Hearing. Planning Commission approves rezoning.
11/1/93 Tentative Map filed
11/2/93 PD Rezoning - City Council adopts ordinance
12/16/93 Building Permit Plan Check
12/22/93 PD Permit - Public Hearing
Tentative Map - Public Hearing
6/15/94 Building Permit -- 1st Permit issued

Compass Place, formerly Mobiland Manor/Carrington Place, Sunnyvale
780 North Fair Oaks Avenue

Developer/Owner: Cypress Sunnyvale Ltd.

Project Description

After this project was approved by City, developer foreclosed and never got to the building permit stage. A new project was later approved to be built by Stellar Homes. This description looks at the approval process for the first project. The first applicant had proposed 318 rental apartments on 8.84 net acres, density 36 units/acre. 32 units would be BMR's (below market rate). Surrounding uses are single family homes, townhomes, flood control channel, apartments, mobile homes, gas station, condos. As built by the second applicant, the project is 240 condos. The project took thirteen months to go through official approvals, although once the application was deemed complete by the city, the approval only took four months.

Initial Planning and Development Issues

There was an existing mobile home park with residents at the site. Project required 1) General Plan Land Use redesignation from low medium density residential to high density residential (1972 GP change); 2) Rezoning from R-MH (resid mobile home park) to R-4/PD (high density residential/PD overlay zoning); and 3) Special Development Permit (SDP) for the actual project. 20 additional surface parking spaces required. The applicant got the GP redesignation and then got the SDP, but could have saved time by applying for them concurrently. Discussion over whether elevators will be required for these 4 story units (3 stories over parking).

Adjustments to Project during the Development Process

The first developer never completed the project. By the time Stellar Homes was ready to develop, it was a cut and dry process. They were able to use the Mobile Home Conversion Plan which the first developer had approved. They also proposed a project that was designed with fewer impacts and thus was easier to approve.

Approval Timeline

8/13/85	GP Change authorized by City Council
1/29/91	Conversion Impact Report approved for mobile home removal and conversion.
2/91	Projects' application process begins.
3/13/91	Special Development Permit application filed.
4/1/91	The PRC (project review committee, all departments in City) reviews project and requires traffic impact analysis
8/1/91	Revised plans for Mobiland Manor/Carrington Place, with new architect; revised pursuant to PRC meeting held more than a month ago. Also a new traffic study, soils, arborist, sound report submitted. Applicant requests another PRC review of project, prior to Planning Commission review.
8/27/91	Fire requirements, DPW comments, traffic comments. Other depts. as well.
11/12/91	Project deemed complete by City staff; i.e. application is complete and streamlining act kicks in. Data, staff report must be compiled.
12/9/91	Planning Commission hearing, continued to 1/13/92 at request of applicant
1/7/92	City Council hearing, continued to 2/4/92 at request of applicant
1/92	Noise study
1/13/92	Planning Commission hearing re. elevators, continued from previous meeting.
1/30/92	Adjacent homeowners association writes letter, concerned with development--traffic, shadows, parking.
2/4/92	City Council hearing, continued from previous meeting, re. elevators. Staff recommends approval of the 3 requirements listed above (GP LU redesignation, Rezoning, and SDP) and of the Neg. Dec.

Compass Place

Approval Timeline, continued

- 2/6/92 Traffic report submitted. Concern to homeowner association next door.
- 2/18/92 City Council hearing, formally continued from 2/4/92. Approves SDP, subject to conditions of approval, and Neg. Dec. Supplemental hearing re. 1) parking, 2) unit breakdown (# BR's), 3) elevators, 4) traffic, 5) shadow studies of adjacent yards. Staff recommends approval of revised plans.
- 3/5/92 Neg. Dec. Notice of Determination filed, Neg Dec approved.
- 2/2/93 One-year extension requested by Hanf, by approval of Miscellaneous Plan Application. Applicant had financial difficulties, risk of foreclosure.
- 2/9/94 Building permit issued to second developer, Stellar Homes; permits continue through present for Phase II.

Eden Palms, San Jose
5732 Monterey Road

Developer/Owner: Eden Palms Associates, Hayward

File Numbers: PD CSH 94-12-054 (PD Rezoning--Special Handling)
PT SH 94-12-097 (Vesting TM--Special Handling)
PDA 94-01-060 (Planned Development Permit Amendment)

Project Description

The project includes 145 one/two story MFAR (multi-family attached residential) plus 8,000 square feet community center and daycare on 10.16 gross acres (10.126 net acres). Density 14.2 dwelling units/acre. There are 6-1 bedroom apartments, 40-2 BR, and 99-3 BR. There is open parking as well as carports, and basketball courts, tot lot. Site is adjacent to apartments, restaurant, vacant gas station, mobile home park. This project fits the General Plan designation of HDR (12-25 DU/acre) and MDR (8 DU/acre) and General Commercial. There are 11 existing lots which are proposed to be combined into one lot. The previous existing use was vacant. The project went through the development approvals process quickly, only taking 8 months from date of PD Zoning application to the date of the first building permit.

Initial Planning and Development Issues

This is a rezoning of a planned development from A(PD) to A(PD). The project was designated Special Handling because it is a publicly-assisted housing project that provides at least 15 SFDU or 25 S/MFAR. Eight units will be offered at 35% of area median income, 100 units at 50%, and 35 units at 60%, plus 2 manager's units. The City said the project furthers the goals of San Jose's General Plan by providing affordable rental housing. It conforms with Discretionary Alternate Use Policy (DAUP) #1, regarding compatibility of surrounding housing types, and DAUP #5, regarding residential uses on commercially-designated parcels.

Although the project was approved quickly, there were still issues such as the interface with surrounding uses (setbacks), and conformance with residential design guidelines regarding landscaping, private and common open space. Parking and circulation were also issues; the project was approved with less parking than normally required because the many of the tenants are projected to be single mothers with children

Adjustments to Project During the Development Process

There were no major changes in the project during the development process, although the proposed community center was reduced from 11,000 to 8,000 square feet. The project was processed quickly because it fits the General Plan designation for uses and densities, and was designated Special Handling because it furthers the city's goals of providing affordable housing.

Approval Timeline

12/20/94	Tentative map (TM) dated, presumably filed soon thereafter
12/21/94	Applications for PD zoning and environmental clearance filed. Concurrent Processing Agreement signed--time limits for action on TM don't start until effective date of rezoning ordinance.
3/1/95	Neg. Dec. Addendum approved
3/8/95	Public Hearing on PD zoning at Planning Commission (PC).
3/21/95	Public Hearing on PD zoning at City Council (CC)
4/95	PD permit application submitted
4/18/95	City Council approved PD zoning
4/19/95	Public Hearing for PD permit for 145 MFAR units, and for TM to combine 11 lots into one parcel
5/2/95	City Council second reading of ordinance to approve rezoning

Eden Palms

Approval Timeline, continued

5/10/95	Planning Director's hearing. PD Permit and TM approved by Director of Planning
8/31/95	Building permit granted
11/21/95	Planned Development Permit Amendment application filed
12/20/95	Public Hearing for Planned Development Permit Amendment
12/21/95	Planned Development Permit Amendment granted

Kensington Place, Sunnyvale
1220 North Fair Oaks Ave.

Developer: Prometheus Development Company
The Sares Co.

Owner: Kensington-Fair Oaks Association Joint Venture

File Number: APN11029025

Project Description

The project includes 172 multi-family attached residential units in one building on 4.17 acres. The project density is 42 du/acre. The land required rezoning from MS (industrial and service) to R4PD (high density residential). A General Plan Amendment was also required to approve this change. The total time for the project approval process, from the date of the General Plan Amendment application to the application for the building permit was just over one year.

Initial Planning and Development Issues

Issues were minor and related mostly to design.

Adjustments to Project During the Development Process

The project was initially 172 units but was increased to 186 units.

Approval Timeline

10/8/90	Phase I Environmental Assessment
12/18/90	General Plan Amendment Application filed.
1/7/91	Plan Review Committee meeting
1/31/91	Traffic Noise Assessment
2/12/91	General Plan Amendment initiated by City Council
March 1991	Traffic Impact Analysis Report
5/1/91	Negative Declaration granted
5/13/91	Homeowners' Meeting Notes
6/10/91	Public Hearing Staff Report
	Planning Commission affirmed Negative Declaration
	Planning Commission approved General Plan Amendment
	Planning Commission approved rezoning
6/25/91	Special Development Permit 186 units
	General Plan Amendment approved to change from Industrial to High Density Residential
7/9/91	Rezoned from MS (Industrial and Service) to R4PD
12/30/91	Building Permit Application

Pinmore Gardens, San Jose
Branham Lane, opposite Ross Avenue

Developer/Owner: Pinmore Housing Development Corporation
(associated with Santa Clara County Housing Authority)

File Numbers: PDCSH93-10-045 (Planned Development Rezoning)
PDSH94-07-029 (Planned Development Permit)
PTSH94-08-054 (Tentative Parcel Map) unable to locate

Project Description

The Pinmore Garden project consists of 51 multi family attached residential units on 2.8 gross acres. The project density is 18.2 du/acre. The project is intended for low-moderate income households. The land for the site was originally bought by the Santa Clara County Traffic Authority for freeway expansion, but was later deemed to be surplus. The site is located near a freeway interchange and across from a major shopping center.

The land required rezoning from Agriculture to a PD. Also, the site was determined to be consistent with the General Plan designation of 8 du/acre under the Discretionary Use Policy #8 which allows affordable projects to develop at any density compatible with surrounding uses. The total time for the project approval process, from the date the application was filed to the date of the first building permit was 16 months.

Initial Planning and Development Issues

The project involved the destruction of 7 single family detached homes, most of which were vacant. The largest issues with this project are with regard to the actual site. Because the project is located across from a major shopping center and near a freeway, access issues were of great concern.

Adjustments to Project During the Development Process

The project was modified to have only one access point, the location of which was also much debated. It was finally decided that the developer would pay to realign the Safeway entrance and to construct a median island to mitigate these issues. Also, it was determined that parking intended to be located in the panhandle section of the parcel should be eliminated. Adjoining neighbors were later deeded this extra land to extend their back yards as a way to appease their concerns of being located so near the project and to preserve their privacy. Also, due to the proximity to the freeway, special acoustic windows were required, and the buildings were clustered around courtyards.

Approval Timeline

9/20/93	Land transferred to City of San Jose from Santa Clara County Traffic Authority
11/1/93	Planned Development Rezoning Application filed
11/19/93	Planned Development Rezoning - First Community Meeting
12/3/93	Letter to Matt Steinle from City Planning regarding site issues.
1/31/94	Letter to City Planning from ZoBell recommending that approval of PD Rezoning be postponed by 30 days to allow for community meeting
2/8/94	Letter from City Planning to SCCHA requesting revised site plan. Substantial revisions in progress to eliminate parking in the pan handle section.
5/18/94	Negative Declaration granted
5/19/94	Negative Declaration - Public Notice of Draft
5/27/94	PD Rezoning - Staff Report Recommendation for project approval by Planning Commission
6/8/94	PD Rezoning - Public Hearing at Planning Commission Meeting Planning Commission voted 5-0-1 to recommend City Council approve PD rezoning

Pinmore Gardens

Approval Timeline, continued

6/21/94	PD Rezoning adopted by City Council
7/8/94	PD Permit application filed
8/19/94	Tentative Map application filed
8/22/94	Building Permit Plan Check
9/26/94	PD Permit - Public Hearing Notice Tentative Map - Public Hearing Notice
10/12/94	PD Permit Public Hearing by Director of Planning Tentative Map Public Hearing by Director of Planning
10/13/94	PD Permit granted subject to conditions regarding sewage and site clearance.
11/10/94	Tentative Map approved subject to conditions regarding sewerage, parks, etc.
3/8/95	Building Permit - - 1st Permit issued

Parkside Commons, Sunnyvale
Northwest corner of Wolf Road and Arques Ave.

Developer /Owner: Trammel Crow Residential
No. 76 Parkside Limited Partnership

File Numbers: APN20528001
APN20528003

Project Description

The project includes a total of 192 multi family attached residential units on 6.89 acres. The density for the project is 27.9 du/acre. The project was completed in two stages. Nineteen of the units were below market rate. The surrounding uses were light industrial, commercial, office, and firehouse training facilities. The land required rezoning from industrial to high density residential and a variance for parking. The total time for the project approval process, from the date of the first meeting of the project approval committee to the application for the initial phase building permit was under 5 months. The final building permit for the final phase was issued 11 months later.

Initial Planning and Development Issues

The largest issue was the presence of a 100 foot PG&E easement through the property which precludes the building of structures in that area. As a result, the developer proposed open air parking on one side of the project and covered parking on the other side. Since each unit is entitled to one covered and one open space this posed a problem. The result is that the developer ended up building underground parking under two of the buildings.

Adjustments to Project During the Development Process

None, except as noted above.

Approval Timeline

9/18/89	Project Review Committee Special Development Permit application.
10/22/89	Variance approved -- parking
11/7/89	Public Hearing at City Council Approved Negative Declaration Approved Rezone to high density residential from industrial Approved General Plan Amendment
2/2/90	Building Permit Application (initial phase)
7/20/90	Building Permit Application (new apartment building)
12/28/90	Building Permit -- Final Permit Issued (initial phase)
1/4/91	Building Permit -- Final Permit Issued (new apartment building)

The Villas at California Landing, Milpitas
Milmont Drive and Jurgens Drive

Developer: Kaufman & Broad South Bay, Inc.

Planning Consultant: Frisbee Planning Company

Project Description

At 218 units; this is the last phase of a large PUD, which is now all built and occupied. This phase required a PUD 51-A (amendment). The final gross density was 17 units/acre; net density was 18 units/acre. Parking spaces were provided for 2.3 spaces/unit overall, or 507 spaces total.

Initial Planning and Development Issues

General Plan designation was high density multi-family residential. Original zoning R3-S, multifamily residential (the City had already rezoned the land from industrial). Original existing use was vacant. There was opposition to multifamily units from neighbors who said there would be structural damage from vibrations from trains that passed through the area. Neighbors also cited concerns regarding traffic. An EIR Addendum and PUD Amendment were required due to an increase in units, as well as a Vesting Tentative Map (necessary to effectuate revision to PUD and create parcels necessary to accommodate this amendment). Time to complete this phase of the project was five months.

Adjustments to Project during the Development Process

As this project was already zoned for high density multifamily and a general plan change was not required, the project was approved very quickly. The developer amended the proposal to increase the density (to that reflected in the General Plan and zoning), substituting 204 townhomes and 14 single family units for 122 single-family detached units, an increase of 96 units, on 13+/- acres. This increase in units was quite small compared to the overall project size (about 1,000 units). There was not too much public opposition because most of the neighbors were new residents in the same project.

Approval Timeline

- 1988 EIR # 504 certified as complete for PUD "California Landing"--912 units.
- 1989 Supplemental EIR for entire project
- 1990 PUD and tentative map approved for entire project
- 1/8/91 Planning and Zoning application filed for this Phase. Includes PUD Amendment to increase number of units. Vesting TM application filed as well.
- 1/14/91 Application deemed incomplete.
- 1/30/91 Planning and Zoning application (re)filed for portion of parcel, R-3, 12.9 acres, residential development, 204 townhomes and 14 single family detached homes.
- 3/27/91 Planning Commission meeting to consider request for PUD Amendment. Considerable public comment at hearing. Staff recommended approval subject to four conditions. Effects were examined by Environmental Impact Committee in Addendum to EIR #504. No significant change in impacts. Motion to continue 1) PUD Amendment, 2) EIR 504 Addendum, 3) Vesting TM to give applicant time to do vibration study (effects on stucco from passing train) to make addendum complete. Public hearing closed.
- 4/10/91 Planning Commission hearing. Vibration study showed negligible effect from train. EIR Addendum, PUD Amendment, and Vesting TM accepted subject to staff review and approval of certain items.
- 5/7/91 City Council hearing/meeting for PUD51-Amendment. Neighbors wanted single family detached, not townhomes--concerns of traffic and vibration. Public hearing closed. EIR Addendum found complete. PUD Amendment approved: consistent with General Plan. Vesting TM approved.
- 7/1/91 First building permit

Willow Lakes, formerly Murphy Plaza and Apartments, San Jose
Northeast corner of Old Oakland Road and Murphy Avenue

Developer: Sobrato Land Co.
Greenbelt Development Co.

File Numbers: PDC87-12-102 (Planned Development Rezoning)
PD88-06-47 Willow Lakes, 126 attached condos (Planned Development)
PT88-08-080: older "Rincon de Los Esteros Project Redevelopment Plan"
AD89-12-882 (Permit Adjustment Application)
AD90-8-713 (Permit Adjustment Application) to allow phasing of units
AD90-6-517 (Permit Adjustment Application) re. monument
AD92-6-448 (Permit Adjustment Application) re. sign

Project Description

The project area is 29.9 acres total. Applicant proposed a 131,000 square foot retail shopping center/ "high-quality, non-fast-food" sit-down restaurant and cocktail lounge/commercial on 11.55 acres, and up to 408 condos/apartments on 18.35 acres. Net density would be 22.23 DU/acre. Project meets GP Neighborhood/Community Commercial and High Density Residential (12 - 25 DU/Acres) designation. 1,401 parking spaces were required: 632 for commercial, 769 for residential. Commercial building is 1 story; residential are 3 stories. Site was zoned I-industrial. Base zoning was A-agricultural, A(PD) zoning. Applicant sought to combine multiple existing lots into 3 proposed lots and rezone from A(PD) to A(PD). Project zoning, TM, and PD permit were approved in fifteen months, but this project is still undergoing permit adjustments and has not yet received a building permit.

Initial Planning and Development Issues

Few school-aged children were projected for this project. A new traffic signal was required. Other concerns were parking, transit, traffic, fire safety, lighting, noise, and archaeology.

Adjustments to Project during the Development Process

The approvals process from date of application for PD zoning to approval of TM, the last of three approvals, took one year and three months. Thereafter, developer applied for permit adjustments over a period of three years, for changes such as phasing and minor design or construction details. As of March 1996, the project still has not been awarded its first building permit.

Approval Timeline

6/5/84	Tract number awarded, #122
6/84 to 12/84	Site annexed (3 orchards). Existing use vacant; former greenhouse agricultural
9/23/87	Original Rincon Redevelopment Area Master EIR found complete
12/1/87	City Council adopts findings on impacts: noise, traffic, archaeological, land use conflict of industrial vs. residential.
12/9/87	Title vested in Sobrato Group, Calif. Limited Partnership.
12/23/87	Application for PD zoning filed.
3/11/88	General Development Plan submitted for Murphy Apts. & Plaza
4/27/88	Public Hearing before Planning Commission (PC). Addendum to EIR approved. PC recommended Conditional Approval pending additional traffic mitigation, and that City Council approve PD rezoning and pre-zoning.
4/28/88	Revised General Development Plan submitted.
5/17/88	Ordinance rezoning to A(PD) and pre-zoning to A(PD) approved by City Council. John Sobrato said project meets GP amendment of 1987.
5/31/88	Notice of Determination for Draft EIR approval by City Council
6/6/88	Title vested in Wong and Sobrato
6/22/88	PD Permit petition filed for a PD permit for a PD. Development plan dated.

Willow Lakes

Approval Timeline, continued

8/22/88 Revised development plan
8/15/88 Tentative Map submitted
8/31/88 Public hearing for PD permit by Planning Director at City Council
9/9/88 Public hearing at City Council; phased development called "Willow Lakes
Apts/Condos"
9/16/88 TM revised. Redevelopment area designation removed from SW portion of site.
9/29/88 Four sets of Final PD permit plans, Willow Lake Apts., submitted to Plng. Dept.
9/30/88 PD Permit granted with conditions from DPW and for safety, traffic, right of way, etc.
by Director of Planning, to become final 10/11/88.
10/13/88 Acceptance/Agreement/Consent form signed by Sobrato, trustee Wong.
10/20/88 City Council approved EIR addendum, made findings.
3/8/89 Public hearings .
3/22/89 TM approved by Director of Planning
12/21/89 Application AD89-12-882 filed for permit adjustment--minor lot adjustment
6/8/90 Permit adjustment application AD90-06-477, to delete proposed pool, add recreation and
maintenance buildings, chimney; minor changes to roofs, windows.
6/27/90 Permit adjustment application AD90-6-517, monument entry signs
8/27/90 Permit adjustment application AD90-8-713, to allow phasing of units. Phase II is called
Willow Lake (file PD88-06-47), 126 attached condos.
6/2/92 Permit adjustment application AD92-6-448 filed for permit adjustment, sign.
12/20/94 Plan check by Engineering (PC 9404045)
----- Building permit not granted as of 3/29/96

Winfield Hills, San Jose

Developers: Martin Devcon Properties
Bridge Housing Corporation

Owner : J. Lohr Properties

File Numbers: PDCSH92-03-027 (Planned Development Rezoning)
PD92-09-046 (Planned Development Permit)
T92-08-055 (Tentative Parcel Map)
PT93-01-003 (Vesting Tentative Map)
PTA93-01-003 (Vesting Tentative Map Amendment)

Project Description

The Winfield Hills project in San Jose consisted of two types of housing development. Martin Devcon Properties was responsible for developing 94 detached homes while Bridge Housing Corporation developed 144 apartments on a total of 11.7 acres of land. The project density is 12.3 du/acre. The land required rezoning to a PD (planned development). From the date Winfield Hills filed its project application with the City of San Jose Planning Department until the time the first building permit was issued approximately one year and five months passed. Winfield Park Associates acquired the land three years prior to filing the project application.

Initial Planning and Development Issues

The project included 144 low income housing units and was therefore eligible for Special Handling which expedites the approval process. Upon review, the City Planning Department recommended to the Planning Commission that the scope of the project be reduced by 12 apartment units and 4 single family homes. The Housing Advisory Council recommended that the project remain as originally proposed and the City Council backed this decision. Nearby residents opposed the project citing potential problems with the type of tenants thought to inhabit low income units.

The project had two tentative maps and one tentative map amendment. First the land was subdivided into two parcels so that Bridge and Martin Devcon could seek separate financing for their respective part of the project. The single family parcel was then subdivided into individual lots, the number of which was subsequently changed thus requiring an amendment to the tentative map.

Adjustments to Project During the Development Process

The single family portion of the project originally was subdivided into 84 lots but was later amended to 94 lots.

Approval Timeline

6/5/89	Winfield Park Associates acquired deed from Retirement Inns of America
3/6/92	PD Permit Application filed.
3/25/92	Project filed - Preliminary comments provided (30 day letter)
4/5/92	Project determined eligible for Special Handling status (expedited)
4/21/92	Negative Declaration granted
5/5/92	Negative Declaration adopted by Director of Planning
5/13/92	PD Rezoning - Public Hearing at Planning Commission Meeting Planning Commission voted 4-1-2 to recommend City Council approve PD rezone.
6/16/92	PD Rezoning approved with conditions in City Council Meeting
9/1/92	PD Permit Application Filed
9/23/92	Tentative Map Permit Public Hearing held by Director
9/24/92	Tentative Map Permit approved by Director of Planning
11/12/92	PD Permit Public Hearing

Winfield Hills

Approval Timeline, continued

12/7/92 PD Permit granted by Director of Planning
1/19/93 Vesting Tentative Map Application filed
3/10/93 Vesting Tentative Map - Public Hearing Notice to subdivide into 85 lots
3/23/93 Vesting Tentative Map revised
3/26/93 Vesting Tentative Map approved by Director of Planning
4/2/93 Vesting Tentative Map Amendment Application (subdivide into 94 not 85 lots)
4/7/93 Building Permit Plan Check
5/12/93 Vesting Tentative Map Amendment - Public Hearing
5/14/93 Vesting Tentative Map Amendment Approved
8/21/93 Building Permit - -1st Permit issued.

Appendix C: Housing and Rental Information for the 40 Largest Metropolitan Areas: 1980, 1990

Metropolitan Area	Households		Housing Units		Rental Units		Median Rents		Rental Vacancy Rate	
	1980	1990	1980	1990	1980	1990	1980	1990	1980	1990
Anaheim-Santa Ana-Garden Grove	686,267	827,066	721,514	875,072	271,169	329,999	\$336	\$551	4.6%	6.6%
Atlanta	719,799	1,056,427	770,076	1,174,007	277,758	398,273	208	341	7.70	14.50
Baltimore	756,980	880,145	799,754	938,979	302,717	319,493	193	317	5.00	7.20
Birmingham, Alabama	303,699	345,328	327,160	376,897	98,475	107,052	140	230	7.70	9.60
Boston	990,660	1,080,721	1,043,715	1,149,998	463,504	476,598	225	369	4.80	6.30
Buffalo	445,475	461,803	474,247	492,516	161,798	167,634	156	256	6.50	6.40
Chicago	2,486,724	2,908,063	2,640,801	3,105,919	1,061,302	1,203,938	216	354	6.50	8.20
Cincinnati	498,688	548,385	531,365	582,376	185,982	202,354	171	280	7.60	7.70
Cleveland	694,401	712,362	734,110	758,984	246,319	246,477	184	302	7.00	8.70
Columbus	397,034	524,535	426,429	559,446	157,927	209,289	172	282	7.90	7.00
Dallas - Fort Worth	1,076,297	1,449,872	1,172,444	1,627,055	406,156	624,895	238	390	10.40	13.30
Denver-Boulder	609,360	737,806	654,254	810,771	225,673	284,055	241	395	7.60	11.60
Detroit	1,509,030	1,618,950	1,594,750	1,714,351	433,865	488,923	201	330	7.50	7.40
Fort Lauderdale-Hollywood	417,517	528,442	486,138	628,660	117,811	169,101	268	440	7.30	11.40
Houston	1,027,069	1,186,375	1,164,622	1,355,821	423,605	555,055	256	420	14.70	14.00
Indianapolis	418,485	480,010	451,319	517,893	145,425	173,764	183	300	9.80	9.30
Los Angeles - Long Beach	2,730,469	2,989,552	2,855,578	3,163,343	1,407,072	1,548,588	245	402	3.90	5.90
Milwaukee	500,684	537,722	521,505	562,031	199,911	218,315	203	333	4.20	4.60
Minneapolis-St. Paul	762,376	935,516	796,508	988,735	250,228	292,817	236	387	4.20	8.10
Nassau-Suffolk, NY	809,120	856,234	865,767	927,609	166,906	168,678	306	502	3.80	5.50
New Orleans	418,406	455,178	455,477	524,056	193,402	191,175	179	294	7.30	13.40
New York	3,198,253	3,252,399	3,677,880	3,449,058	2,414,322	2,169,350	219	359	3.30	4.10
Newark	677,464	652,035	707,831	693,062	296,380	266,682	229	376	4.20	6.00
Oklahoma City	312,132	367,775	341,752	425,043	101,938	131,296	197	323	11.80	16.30
Philadelphia	1,639,330	1,777,365	1,759,288	1,907,150	527,393	540,319	204	335	7.40	8.20
Phoenix	544,759	807,560	610,772	952,041	170,684	296,375	254	417	11.80	16.80
Pittsburgh	828,504	819,984	875,136	879,811	257,185	387,032	178	292	6.80	8.00
Portland	477,513	487,091	506,200	512,664	177,631	191,427	228	374	6.00	5.30
Riverside-San Bernardino-Ontario	551,580	866,804	665,198	1,026,179	174,365	301,648	226	371	9.40	9.30
Rochester, NY	342,195	374,475	365,859	399,088	115,757	121,330	204	335	5.10	5.80
Sacramento	383,841	556,448	421,321	609,904	149,759	228,144	216	354	8.90	6.00
Salt Lake - Ogden	297,345	347,531	315,205	370,967	89,217	113,295	200	328	7.20	8.30
San Antonio	349,330	451,021	328,680	504,411	125,817	184,017	181	297	8.10	11.60
San Diego	670,094	887,403	720,346	946,240	300,847	409,980	257	421	5.90	6.20
San Francisco-Oakland	1,280,506	1,422,310	1,339,015	1,500,289	601,186	618,705	269	441	4.00	5.30
San Jose	458,519	520,180	473,817	540,240	184,958	212,754	308	505	3.30	4.50
Seattle	617,962	787,505	656,762	831,285	223,142	311,852	258	423	5.80	5.90
St Louis	837,997	924,733	899,332	1,006,011	266,159	291,291	164	269	7.40	10.40
Tampa	638,816	869,481	741,517	1,025,064	180,626	266,931	197	323	10.50	13.80
Washington, D.C.	859,627	1,459,358	903,596	1,556,749	468,343	576,446	304	499	4.20	7.50

Appendix C: Multiple Regression Results Comparing Rental Housing Production and Changes in Median Rent

Descriptive Statistics

<u>Variable</u>	<u>Mean</u>	<u>Std. Deviation</u>	<u>Explanation</u>
CHNG_RENT	67.23	72.63	1980-90 change in inflation-adjusted median metro area rent
CHRHU/CHH	0.40	0.25	1980-90 change in metro area rental housing units/1980-90 change in metro area households
RENT80-ADJ	366.47	74.91	1980 Median metro area rent (in 1990 dollars)
VACRTE80	7.10	2.61	1980 Metro area rental vacancy rate

Regression Results

<u>Dependent Variable: CHNG_RENT</u>			
<u>Independent Variables:</u>	<u>Coefficient</u>	<u>t-statistic</u>	<u>significance</u>
CHRHU/CHH	-83.15	-2.468	0.019
RENT80-ADJ	0.3207	2.86	0.0074
VACRTE80	-14.19	-4.247	0.0002
Constant	83.59	1.587	0.1224
R-squared	0.63		
F-statistic	17.87		
Observations	36		

