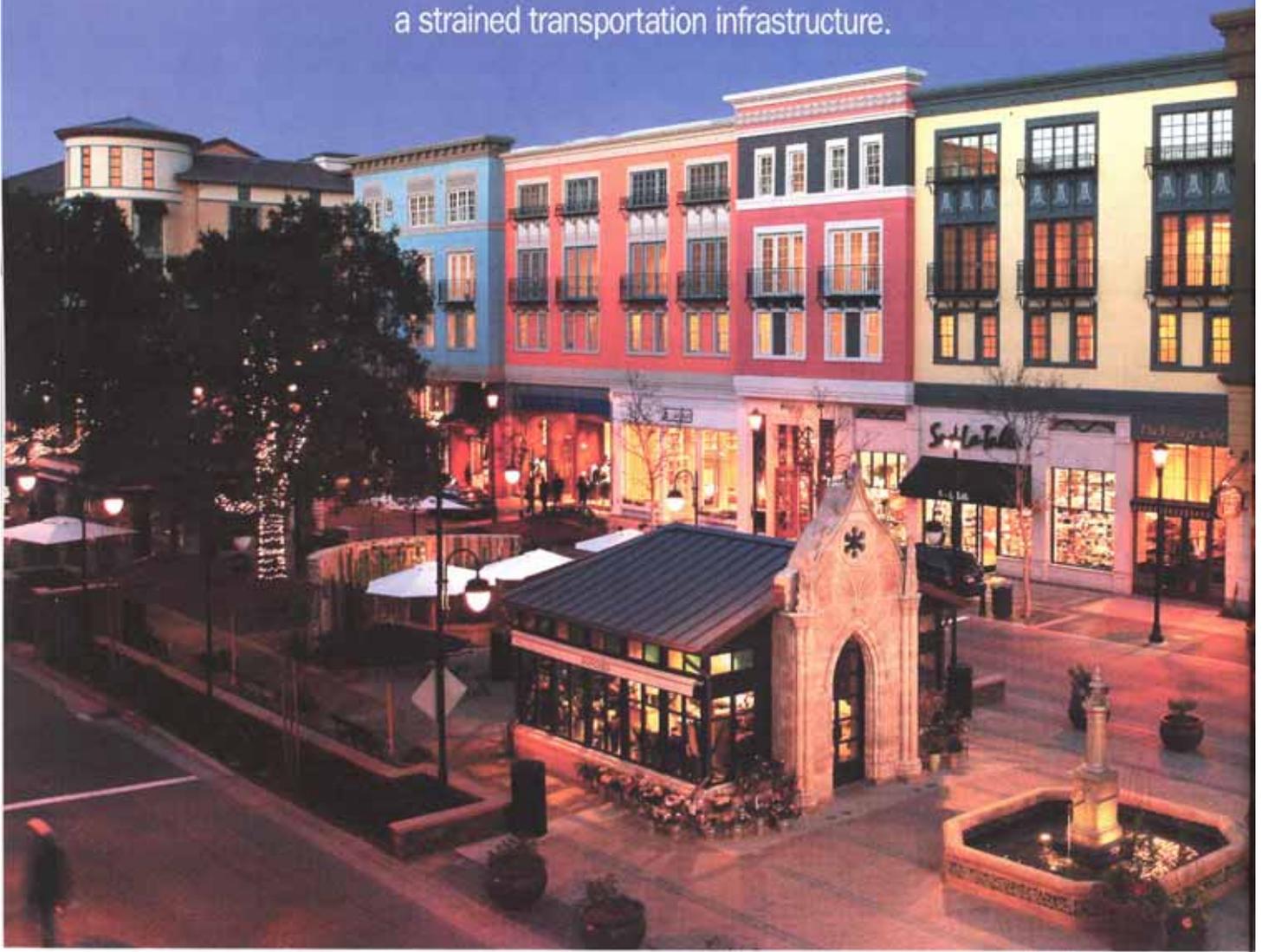


ELIZABETH SEIFEL

Bay Area Models of Urban Infill Housing

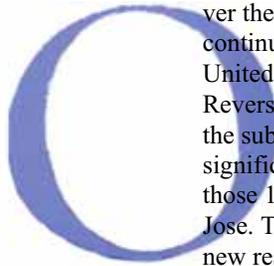
As the gap between what households can afford to pay for shelter and the cost of housing in the Bay Area widens, cities seek to stem the flow to outlying areas and decrease pressures on a strained transportation infrastructure.



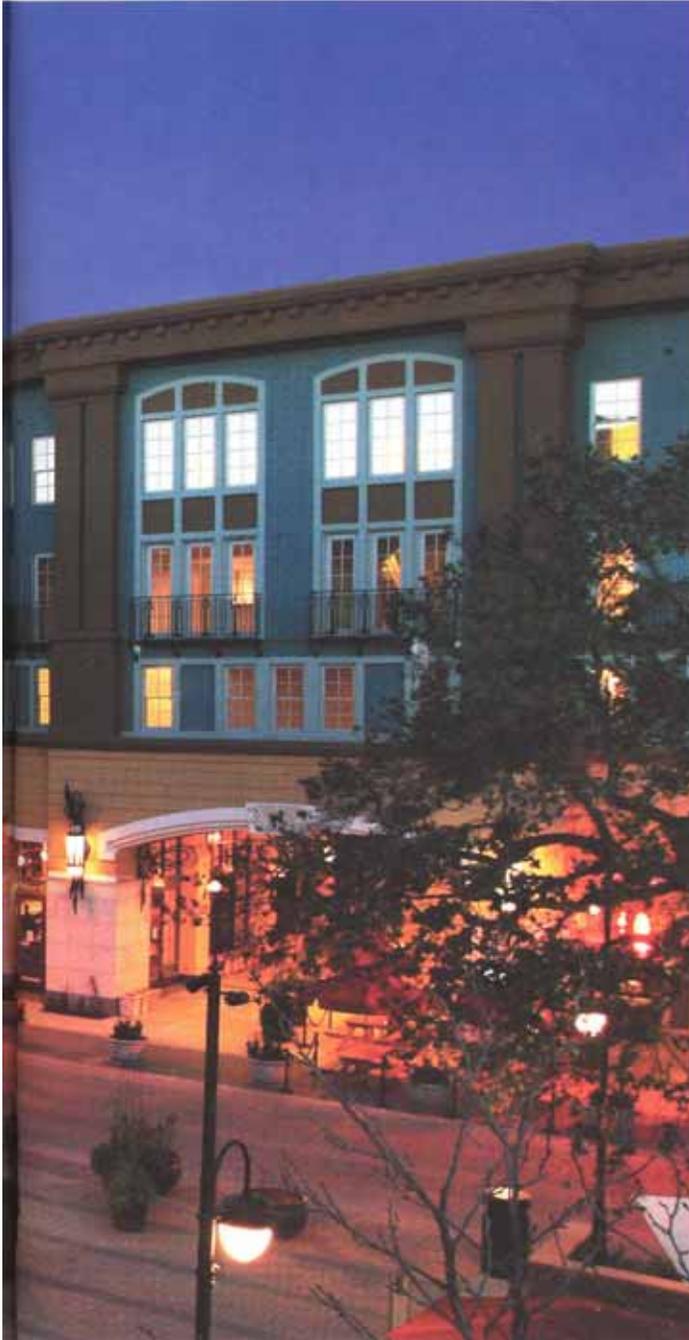
Excerpted from

Urban Land September 2003

pp104 – 109 & 141 - 147



Over the past decade, the demand for housing in major cities has continued to grow, and more and more developers across the United States are successfully developing urban infill housing. Reversing prior patterns of population loss as families moved to the suburbs, 16 of the nation's 20 largest cities experienced significant population growth between 1990 and 2000. Two of those 16 cities are located in the Bay Area: San Francisco and San Jose. The region's third-largest city, Oakland, also attracted many new residents. Overall, the population in these three cities grew by 192,000 residents over the past decade.



Each of these cities has undertaken major initiatives to encourage the development of infill housing, particularly in the neighborhoods surrounding their downtowns. Each city has an active redevelopment agency that has assembled properties and made them available for private redevelopment, and the municipal planning departments and commissions have made the development of higher-density housing—particularly that which is adjacent to transit corridors—a top priority. Numerous other cities in the Bay Area have spearheaded similar initiatives. While typically smaller in scale and density, these downtown urban infill developments have succeeded in attracting homebuyers and renters to live in more compact development types throughout the region.

Developers in the Bay Area have been particularly inventive when it comes to infill housing, producing it in a variety of densities and product types ranging from high-rise towers to townhouse and loft developments. Many infill projects feature retail uses on the ground floor, and major efforts to convert underused shopping centers into higher-density, mixed-use developments are underway. Developers have employed shared parking strategies in mixed-use projects to minimize the overall amount of parking required, and have incorporated mechanical parking lifts, such as those used in Europe and Japan, to increase the density of both housing and parking.

Creatively undertaking mixed-income housing developments—projects that integrate market-rate units with residences affordable to low- and moderate-income households—local developers help provide affordable shelter to a wide variety of households. Some of these developments incorporate a percentage of affordable housing as required by local inclusionary housing ordinances and are entirely privately financed. Others have used a broad variety of public financing and funding sources to provide for targeted levels of affordability. Both for-profit and nonprofit developers have successfully built mixed-income housing developments in the Bay Area.

San Jose's \$1 billion Santana Row is a privately financed development based on the great shopping streets of the world.

Pressures to Create Urban Infill Housing

Fueling the Bay Area's growing interest in infill housing, development and political pressures are producing a number of smart, sustainable, and compact infill developments. Recent trends include:

- redevelopment of vacant and underused land into vibrant communities;
- transit-oriented development featuring moderate- to high-density uses within an easy walk of a major transit stop;
- mixed-income housing that integrates residences affordable to low- and moderate-income households with market-rate units;
- mixed-use development that incorporates more than one land use, typically commercial and housing, developed either in one structure or in adjacent buildings;
- flexible living spaces, enabling people to live and work comfortably within their homes;
- adaptive use that converts outmoded structures to residential use, often retaining and adapting historical features of the original buildings; and
- compact and environmentally friendly design incentives, such as density bonuses allowing for increased heights, lowered parking requirements, shared car programs, green building designs, and remediation of formerly hazardous sites.

The Bay Area currently is home to about 7 million people in nine counties. Over the past two decades, the economic expansion of the high-tech and related industries fueled significant employment growth. Since 1980, the demand for residential has exceeded supply by 40 percent, resulting in a net shortage of about 50,000 housing units over the past two decades and contributing to the continued upward pressure on home prices. In 2000, the Bay Area was considered the most expensive place to live in the nation, surpassing Boston, New York, and Los Angeles.

“While the Bay Area has always offered residents a high quality of life, with world-class cultural institutions, an excellent climate, and natural beauty . . . [its] quality of life . . . is being threatened by challenges of growth and infrastructure inadequacies,” according to the Bay Area Council, a business-sponsored public policy organization that represents employers dedicated to promoting economic prosperity and quality of life in the region.

Annual polls conducted by the Bay Area Council indicate that citizens are increasingly concerned about the supply and cost of housing, highway systems, and public transportation. “Clearly, transportation woes still plague residents across the Bay Area,” says Sunne McPeak, CEO of the Bay Area Council, regarding the 2002 poll results. “Mobility is not improving . . . because local jurisdictions are not accommodating a sufficient supply of housing closer to job centers. Employers and government must continue to work together to develop regional transportation and housing solutions that work.”



The Mission Bay development lies in San Francisco's Financial District on what originally was a shallow, wide-mouthed bay later filled and used for rail yards and industrial activities.

Nearly 30 percent of Bay Area workers, or 900,000 people, commute across county lines each workday. Furthermore, 160,000 additional workers commute to Bay Area employment centers from outside the nine Bay Area counties. As the gap between what households can afford to pay for shelter and the cost of housing in the Bay Area counties continues to widen, more and more households have been forced to live in increasingly remote areas, thus intensifying pressures on transportation infrastructure. Much of the Bay Area's housing traditionally has been lower-density, single-family homes.

In response to these pressures, business, civic, philanthropic, and religious leaders formed the Bay Area Alliance for Sustainable Development in 1997 to promote smart growth and sustainable development. As their members state, “We

Excerpted from

Urban Land September 2003

pp104 – 109 & 141 - 147

envision a Bay Area where the natural environment is vibrant, healthy, and safe, where the economy is robust and globally competitive, and where everyone has equitable opportunities to share in the benefits of a quality environment and a prosperous economy.”

The alliance has sponsored a broad variety of initiatives designed to foster the development of compact, affordable urban infill housing projects. Through the alliance’s work, more and more communities and businesses are encouraging urban infill development throughout the Bay Area. And in a closely related effort, the Bay Area District Council of the Urban Land Institute (ULI) embarked on an initiative to identify and promote effective local implementation strategies leading to smart growth. (See “Pressing for Smart Growth in the Bay Area,” on page 38.) The following developments exemplify how Bay Area developers have put these initiatives into practice.

Redevelopment of Vacant and Underused Land

Government and private property owners throughout the Bay Area are seeking to redevelop vacant and underutilized land into vibrant communities. With the closing of most of the Bay Area’s military bases in the 1990s, thousands of acres of land are being planned and developed as mixed-use residential communities. (See “Acing the Base,” page 90.) In addition to redevelopment of these military bases, numerous efforts are underway across the Bay Area to transform former rail yards, surface parking lots, surplus educational properties, port waterfront properties, and underutilized shopping centers into dynamic communities.

Two of the largest initiatives in the Bay Area are located in San Francisco and San Jose: Mission Bay and Santana Row. Mission Bay is a public/private partnership between major property owner Catellus Development Corporation and the city of San Francisco’s

Redevelopment Agency to redevelop 300 acres of underutilized property in the heart of San Francisco. The Mission Bay development lies in San Francisco’s Financial District on what originally was a shallow, wide-mouthed bay later filled and used for rail yards and industrial activities. This \$4 billion development effort, initiated



Atherton Place, an East Bay transit-oriented development, sits on a 2.8-acre parcel in downtown Hayward immediately adjacent to a BART Station.

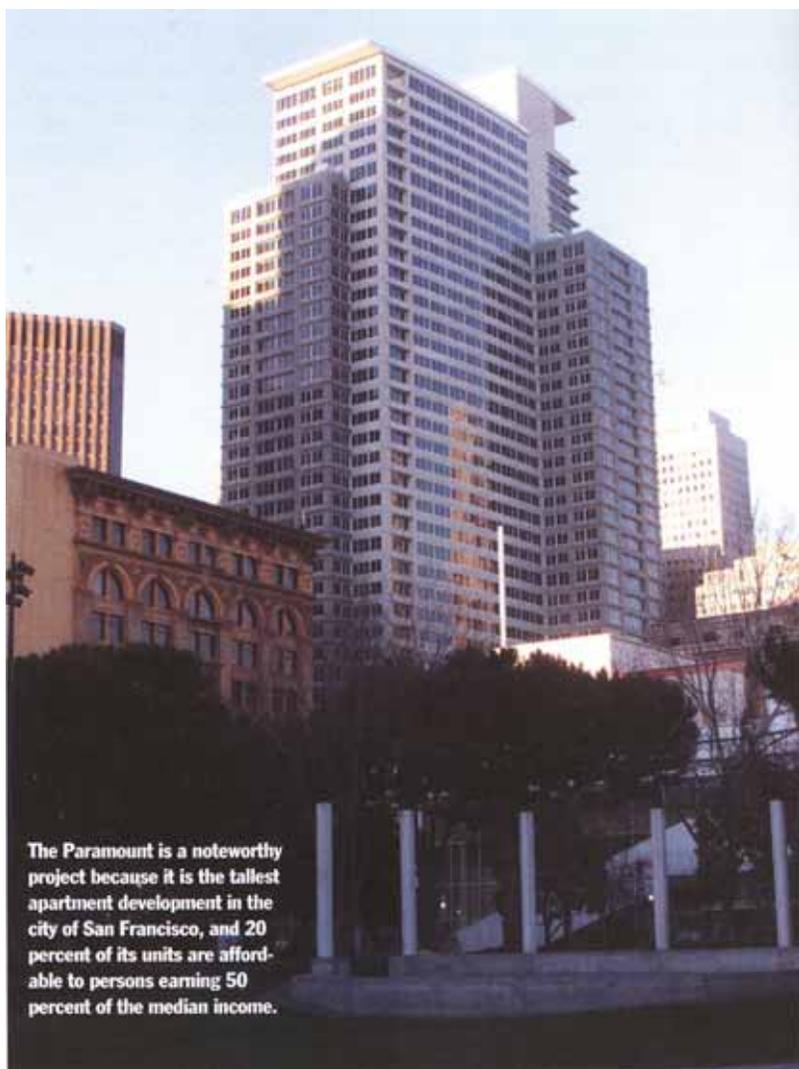


in 1998, is creating a dynamic, mixed-use and mixed-income community. Tax increment revenues generated from the property taxes on private development will be reinvested to help fund more than \$200 million in infrastructure improvements and affordable housing initiatives.

San Jose's \$1 billion Santana Row is a privately financed development by Federal Realty Investment Trust (FRT) of Maryland, an equity real estate investment trust traded under FRT on the New York Stock Exchange. FRT spent three years developing a master plan for the site based on the great shopping streets of the world—including Barcelona's Las Ramblas, Paris's Boulevard San Michel, and Boston's Newberry Street. FRT's goal is to transform a 43-acre shopping center into a neighborhood that blends living, shopping, and dining experiences in an urban environment. The largest mixed-use project ever built in San Jose, Santana Row ultimately will include 680,000 square feet of retail, with 15 to 20 restaurants and a 12-screen cinema; 1,200 luxury apartments; a 213-room hotel; 5,200 parking spaces; and outdoor cafés, public parks, and a farmers market.

Transit-Oriented Development

Over the past ten years, developers have shown increasing interest in properties located along major Bay Area transit lines. Homebuyers and renters are seeking residences along transit corridors, and home prices have risen to the point where higher-density projects are now financially feasible. Development proposals are being drafted for properties surrounding almost every station along the Bay Area Rapid Transit (BART) line. Two East Bay transit-oriented projects—Atherton Place and Fruitvale Village—reflect the broad range of developments underway over the past decade.



In the mid-1990s, the East Bay city of Hayward issued a request for proposals (RFP) for development of the 2.8-acre Atherton Place site in downtown Hayward immediately adjacent to a BART station. Foster City-based Regis Homes of Northern California responded to the RFP and embarked on the city's first major redevelopment effort in its downtown. Hayward's redevelopment agency had acquired the property and wanted to encourage the construction of high-density for-sale housing. No market-rate housing had ever been developed next to the BART station, and the city and Regis Homes recognized that this development would be a pioneering effort to attract residents to live in downtown Hayward.

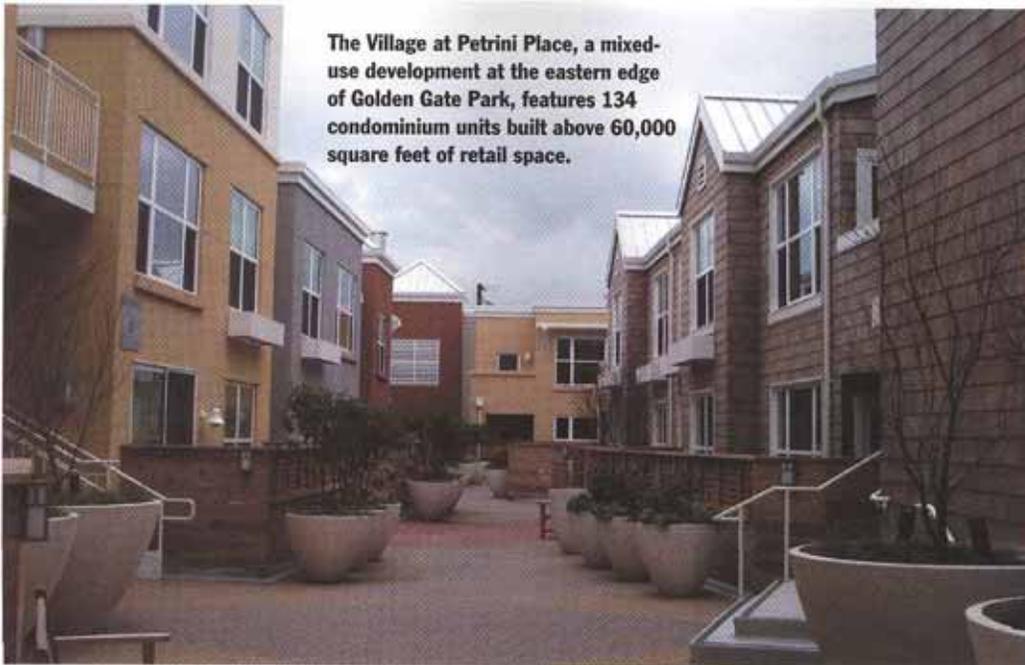
Regis Homes purchased the majority of the land from the agency at an agreed-upon reuse value based on its proposed use as 83 for-sale townhouses at an average density of 30 dwelling units per acre. To enhance the financial feasibility of the development, the agency was repaid for the land through a note, which was subordinated to the construction loan and ultimately repaid from the sales of the homes. Construction of the development was completed in 1997, and all of the market-rate units were sold within one year at prices ranging from \$143,000 to \$180,000. Townhomes in Atherton Place and in the surrounding neighborhoods are currently selling for \$300,000 to \$450,000, reflecting the successful efforts of the redevelopment agency's success revitalizing downtown Hayward.

Since the mid-1990s, the Unity Council, a nonprofit development organization based in Oakland, has worked closely with local community groups, merchants, and professor Alan Jacobs from the

Excerpted from

Urban Land September 2003

pp104 – 109 & 141 - 147



The Village at Petrini Place, a mixed-use development at the eastern edge of Golden Gate Park, features 134 condominium units built above 60,000 square feet of retail space.

University of California at Berkeley to develop a transit village plan for the Fruitvale BART station. Oakland's Fruitvale station is the East Bay's fourth-busiest BART station. The goals of the plan are to create new housing, provide much-needed community facilities, and help revitalize Fruitvale's main street, linking thousands of daily commuters to its local businesses and services.

These goals are being achieved, according to Arabella Martinez, CEO of the Unity Council: "The Unity Council's dream of reversing the downward spiral of economic, social, and physical decline in Fruitvale is being realized . . . The effectiveness

of the Unity Council has been due to its comprehensive approach to community development, its decision to focus its resources in Fruitvale, its strong belief in the power of community collaborations and public/private partnerships, and a vision of an economically vibrant, physically attractive, and safe community."

The Fruitvale Village project comprises 47 new apartments, 40,000 square feet of new retail space, a large pedestrian plaza, and community services including a state-of-the-art health care facility, a child care center, a public library, a computer technology center, a seniors' center, and offices for several community organizations, including the Unity Council. The residential component features one- and two-bedroom rental lofts and apartments, 21 percent (or ten units) of which will be offered at below-market rents that will be affordable to households earning between 35 and 80 percent of median household income. The developer of the project is the Fruitvale Development Corporation, a support corporation of the Unity Council. The Fruitvale Village is scheduled for completion by next spring.

Mixed-Income Housing

In response to the continuing shortage of affordable housing, communities across the Bay Area have developed initiatives to foster the development of mixed-income housing. California is one of the leading states in inclusionary housing programs that encourage or require a mix of incomes in new residential developments by incorporating below-market-rate units at prices or rents affordable to households earning at or below 120 percent of area median income. In the Bay Area, 50 local jurisdictions have adopted inclusionary housing policies, according to a 2002 survey by the Non-Profit Housing Association of Northern California and the California Coalition for Rural Housing.

The Paramount is a noteworthy project because it is the tallest apartment development in the city of San Francisco, and 20 percent of its units are affordable to persons earning 50 percent of median income. Towering 40 stories above Yerba Buena Gardens and the Moscone Convention Center, the Paramount offers views of downtown San Francisco and the bay. One of the tallest concrete buildings on the West Coast, it is the first edifice ever built with a "precast, post-tension, moment-resisting" frame that is not a parking structure. "In a normal building, a frame is designed to absorb the impact and deform," said Bill Long, Kwan Henmi's project manager at the Paramount, to the San Francisco Business Times. "Everyone survives, but the building is a loss. In this building, the frame is designed to absorb the impact and self-adjust to go back into use."

The Related Company, based in New York City, responded to an RFP issued by the San Francisco Redevelopment Agency, which owned the property, and became the developer of an office tower on the site. This approval was converted to residential in 1997 and plans moved forward to construct a premiere residential development. Construction was completed at the end of 2001, and the

Excerpted from

Urban Land September 2003

pp104 – 109 & 141 - 147

apartments reached 95 percent occupancy by the end of 2002.

Twenty percent of the 486 apartments (99 units) are designated as affordable housing units for very low-income households and rent for as little as \$500 per month. Market rents start at \$1,995 for one-bedroom units and \$3,195 for two-bedroom units and include concierge services. The development provides 300 valet parking spaces and about 40,000 square feet of retail, of which only a space for an Italian grocer is currently leased. Density exceeds 600 units per acre. The project was financed by \$100 million in tax-exempt bonds and \$28 million in taxable bonds issued by the San Francisco Redevelopment Agency. The bonds are backed by the Ohio State Teachers Pension Fund.

Mixed-Use Development

Many Bay Area cities are encouraging mixed-use development that incorporates several different land uses, typically retail and housing developed in one structure or in adjacent buildings. Two examples—the Village at Petrini Place and the Pavilion—show how developers are creatively redeveloping urban commercial sites into new mixed-use and mixed-income projects.

The Village at Petrini Place is a mixed-use development located in a San Francisco neighborhood near the Panhandle at the eastern edge of Golden Gate Park. In the mid-1990s, a local grocer decided to sell the property where it had been doing business for more than 40 years. The Emerald Fund, based in San Francisco, purchased the Faletti property and developed a mixed-use plan approved by both the Faletti family and union employees, who were promised jobs at the Albertson's grocery store, an element of the new plan.

The Village at Petrini Place features 134 condominium units built above 60,000 square feet of retail space and parking at an average density of 63 units per acre. Five separate residential buildings are constructed on top of the retail and parking podium, separated from one another by 40 to 70 feet and without vehicular access. The intervening courtyard is lined with bricks and large planters filled with Oriental maples and flowering plants. "When you are inside the Village, you have no idea that you are on top of a grocery store in the middle of a major city. Blooming flowers are everywhere, and old-style wooden benches are positioned in sunny spots," explains Oz Erickson of the Emerald Fund.

A well-organized neighborhood group worked with the Emerald Fund throughout the process. Though initially hostile to the proposed development, the group eventually became supportive and contributed numerous ideas about how to improve the project. For example, townhouses were incorporated along McAllister Street to enliven its streetscape, and major entrances on three sides of the property were added. Construction was completed in November 2002, and full occupancy is expected by December. Ten percent (13) of the units are designated as affordable, and the development was privately financed. Sales prices range from \$390,000 to \$670,000, and average \$455,000 per market-rate unit.

The Pavilion is a mixed-use development featuring a convention facility, 400 mixed-income housing units, and neighborhood-serving retail sponsored by the Glide Economic Development Corporation (GEDC), a community-based nonprofit corporation in downtown San Francisco. It was conceived as part of a community revitalization effort known as the Tenderloin 2000 Plan. The neighborhood desired a mid-sized conference facility that would continue to bring visitors to the Theater District while also offering much-needed employment opportunities for low-income residents of the adjacent Tenderloin neighborhood. Working with \$7 million in seed money provided by the city's Convention and Facilities Department, GEDC has secured additional public and private financing, has purchased the property, and is working through entitlement approvals.

GEDC used the seed money to buy four pivotal corner parcels in 2001 from a Japanese-based property owner. GEDC convinced the owners that its mixed-use development proposal was preferable to their boutique hotel concept and purchased the property for nearly \$2 million below their asking price. Among the terms of the sale, the Japanese owners gave a two-year seller carry-back note for one-half the purchase price. GEDC repaid the principal on this note in August.

Flexible Living Spaces

Throughout the Bay Area, developers have been creating flexible living spaces that enable residents to live and work comfortably within their homes. Loft developments have become increasingly popular since their introduction in the early 1990s in San Francisco by the Holliday Development Corporation, based in Emeryville. Loft developments, including the MarketHouse Lofts new construction development in downtown San Jose, are now underway throughout the region.

Excerpted from

Urban Land September 2003

pp104 – 109 & 141 - 147

MarketHouse Lofts consists of 53 for-sale loft homes on a triangular site in an emerging residential neighborhood at the edge of San Jose's historic Japantown. Regis Homes entered into a contract with the property owner to entitle and purchase the site. The 1.3-acre parcel is located adjacent to a railroad track and existing warehouse/industrial uses, and has limited frontage on the adjacent public street. The neighborhood is in transition. The City of San Jose Jackson-Taylor Residential Strategy prescribes the future conversion of outdated industrial sites to medium- and high-density residential uses. "This challenging site demanded a dramatic design solution, resulting in a residential project that would be both pioneering in nature for the local market and capable of 'standing on its own' in an emerging San Jose residential center. The resultant design aesthetic is a fusion of traditional industrial forms/features and Japanese simplicity," says Allison Stollmeyer of Regis Homes.

The development includes three floor plans, ranging in size from 1,000 to 1,435 square feet. The loft homes are segregated by plan type into five individual buildings. Each building has two levels of stacked loft homes on a concrete podium over a secured parking level, resulting in an average density of 40 dwelling units per acre. The loft homes feature expansive industrial windows, 17-foot clear heights in the main living level, and a "sleeping zone" with a bathroom in a mezzanine level. The lofts are currently selling at prices ranging from \$339,000 to the high \$400,000s. The first new residents at MarketHouse Lofts moved into their homes last spring.

Adaptive Use

Bay Area developers are preserving existing buildings through adaptive use and conversion to residential use. These structures often retain and/or adapt their historical features. Combining the goals of historic preservation and affordable housing, four buildings of the Southern Pacific/Harkness Hospital complex have been reincarnated as 36 units of low-income multifamily housing. The complex's reuse required seismic strengthening plus adherence to stringent historic rehabilitation standards set by the U.S. Secretary of the Interior. At the same time, the IbeX Group of California, based in San Francisco, had to meet a tight budget and assemble a financing package that would make the project financially feasible without money from the U.S. Department of Housing and Urban Development (HUD).

The Mercy Family Plaza buildings consist of the former Huntington social hall, a nurses' annex, a powerhouse, and a utility building/tool shed. The nurses' annex, the largest of the four structures at four stories, is connected to the former main hospital building by a bridge. It was reconfigured to accommodate 24 of the project's 36 multifamily units, and the bridge was turned into a laundry room. The powerhouse, originally a one-story structure with 12-foot-high windows, was converted into eight two-story units by the introduction of a partial second floor. The outcome was a 36-unit affordable housing project created through the preservation, rehabilitation, and adaptive use of these four auxiliary buildings.

The development was financed through the use of low-income housing tax credits, historic rehabilitation investment tax credits, and seven other sources. The project is adjacent to Mercy Terrace, an adaptive use of the Southern Pacific Hospital Building that currently houses 158 seniors. The owner/sponsor of this development, Mercy Charities of California, has achieved its goal of an intergenerational mix of residents living in historic buildings listed on the National Register of Historic Places.

Compact Design Incentives

Throughout the Bay Area, cities large and small have been adopting incentives to achieve compact and environmentally friendly developments. The city of Berkeley, for example, has been encouraging new higher-density residential development throughout the downtown. While such development has generated controversy within this traditionally lower-density community, a significant number of new four- to seven-story residential buildings have been built within walking distance of public transit facilities.

Due to this proximity to transit, the city has allowed apartment developments to be built with low parking ratios of 0.5 to 0.7 space per unit. In addition, the city has permitted the use of mechanical parking lifts that stack cars three high, enabling the developer to increase both the density of housing and parking. The Gaia and the Berkeleyan are two such apartment buildings developed by Panoramic Interests, based in Berkeley.

Constructed in downtown Berkeley during the late 1990s, the Berkeleyan features 56 apartments, 20 percent of which are designated as affordable to low-income households. Built on a 10,700-square-foot site, it achieves a density of 227 units per acre through a reduced parking standard of 0.7 space per unit and mechanical parking lifts. Building upon the design features developed for the Berkeleyan, Panoramic Interests completed the Gaia Building in 2001, which achieves even higher density through a reduced parking ratio, mechanical lifts, and several dedicated shared car spaces. City Car Share is a new business that locates rental vehicles on site for

Excerpted from

Urban Land September 2003

pp104 – 109 & 141 - 147

residents' use on an hourly paid basis, enabling residents to not own cars. Twenty percent of the 96 apartments are affordable, and like the Berkeleyan, the development is privately financed.

Adjacent to the Gaia Building is a 1.14-acre surface parking lot owned by the city of Berkeley. The Oxford Lot is located at the corner of Oxford and Allston streets, directly across from the University of California at Berkeley campus. In June 2002, the city issued a request for qualifications (RFQ) for the development of the Oxford Lot, asking that development teams submit proposals for a complex, multilevel development incorporating 90 units or more of housing—at least 50 percent of which would be affordable. The development also would include the David Brower Center, an environmental center with a 50,000-square-foot office and meeting space requirement, 5,000 to 10,000 square feet of performing and gallery space, and 150 public parking spaces. In addition, the development needs to comply with the U.S. Green Building Council's LEED Building Rating System—minimum award level of Silver for sustainable energy and environmental design features.

A 12-member selection committee reached consensus regarding the preferred team, and Berkeley's municipal council designated this team, a joint venture partnership of Equity Community Builders and Resources for Community Development, to undertake this ambitious mixed-use development. The developers are preparing a mixed-use development plan that meets the city's core objectives for the project.

Utilizing the principles of smart growth, the infill housing developments described herein will provide Bay Area residents with attractive, convenient, and dynamic living opportunities. Many developers, their peers, and several environmental groups have recognized that additional policy initiatives and legislation are needed to promote infill development in California. Meetings have been held this year in San Francisco, Los Angeles, and Sacramento to organize a statewide coalition to promote infill development throughout the state. Considering the combined efforts of the Bay Area Council, the Bay Area Alliance of Sustainable Development, and ULI San Francisco, the future of urban infill housing development in the Bay Area looks promising.

Elizabeth Seifel is the president of Seifel Consulting, a real estate and urban economic consulting firm in San Francisco, California.