



As described in Chapter 5, the city has a number of zoning districts that allow or conditionally permit residential development. When used judiciously, land use and site development controls serve to regulate private sector development of housing to produce a safe, pleasant living environment for households of all income levels. Used improperly, these controls can form a barrier to the development of particular types of housing and exclude particular income groups from living in the community.

An analysis of the requirements indicates that overall these requirements are no more restrictive than those used in other communities and in many instances are less restrictive. The requirements of the zoning ordinance for residential districts, shown in Figure 6-1, are fairly typical. The lot sizes for each zone are reasonable for the zone. The lot frontages and setbacks required in each zone balance the need for privacy with the need to allow the maximum possible density on each site. The city's height standards are: reasonable for the RH through the R-4 zoning districts, very permissive for parcels over one acre in the R-5 district, and excessive in some locations in the R-5 district.

**Figure 6-1 Site Improvement Standards, as amended from time to time**

Zoning District	Min. Lot Size (area)	Street Frontage	Min. Setbacks*			Max. Lot Coverage	Max. Height
			Front	Side	Rear		
RH	10,000 sq. ft. Area will differ for sloping sites	35 ft.	25 ft.	7 ft. & 8 ft. or 15 ft. min. total, both sides	25 ft.	40%	30 ft. or 2 1/2 stories
R1	6,000 sq. ft.	35 ft.	15 ft. (20 ft. for garages)	5 - 6 ft.	20 ft.	40%	30 ft. or 2 1/2 stories
R2	Single-Family: 5,000 sq. ft.	35 ft.	15 ft. (20 ft. for garages)	5- 6 ft.	20 ft.	40%	30 ft. or 2 1/2 stories
	Duplex: 7,500 sq. ft.	50 ft.					
	Triplex: 10,000 sq. ft.	50 ft.					
R-3	Single-Family: 5,000 sq. ft.	35 ft.	15 ft. (20 ft. for garages)	5- 6 ft.	20 ft.	60%	35 ft.
	Duplex: 7,500 sq. ft.	50 ft.					
	Triplex: 10,000 sq. ft.	50 ft.					
	More than 3 units: 2,000 sq. ft. for each unit in excess of the first 3 units	50 ft.					
R-4	Single-Family: 5,000 sq. ft.	35 ft.	15 ft. (20 ft. for garages)	5- 6 ft.	20 ft.	60%	45 ft.
	Duplex: 7,500 sq. ft.	50 ft.					
	Triplex: 10,000 sq. ft.	50 ft.					
	More than 3 units: 1,500 sq. ft. for each unit in excess of the first 3 units	50 ft.					
R-5	Single-Family: 5,000 sq. ft.	35 ft.	15 ft. (20 ft. for garages)	5- 6 ft.	20 ft.	60%	75 ft. - no limit

	Duplex: 7,500 sq. ft.	50 ft.					
	Triplex: 10,000 sq. ft.						
	More than 3 units: 1,000 sq. ft. for each unit in excess of the first 3 units	50 ft.					

\* Setbacks can vary for situations such as corner lots, certain shaped lots, such as narrow lots, the number of entrances opening to an interior side yard, and so forth.

**Open Space**

In the RH and R-1 districts, setback and lot coverage requirements ensure adequate open space. In the R-2 through R-5 districts, 300 square feet of usable open space are required for every studio apartment and for every one-bedroom dwelling unit. Where there is more than one bedroom, an additional 100 square feet of usable open space is required for each additional bedroom within the unit. Comparison of open space requirements among various cities can be estimated by looking at standards for maximum building coverage and subtracting these coverages from lot area. Mountain View has a 35 percent maximum building coverage, Palo Alto and Sunnyvale have a 40 percent maximum building coverage and Redwood City has a 60 maximum building coverage. Parking requirements in Sunnyvale, Mountain View and Palo Alto are similar (or lower for efficiency and one-bedroom units) to those of Redwood City, so the maximum paving would be roughly the same. Thus, of the four cities, Redwood City has the lowest open space requirements for multiple family housing. In addition, some cities have parkland dedication ordinances which gain open space for the community by requiring developers to dedicate land, pay a fee in lieu of, or both for park and recreation purposes. Mountain View, Sunnyvale, and San Jose have such ordinances while Redwood City and Palo Alto do not. Cities with these requirements can retrofit parks into areas where the land is redeveloped from commercial to residential use. For example in the proposed Downtown Area Plan in Redwood City, another 6,550 to 8,384 people are expected to reside in an area originally planned primarily for commercial and institutional use, and will have need for open space.

**Parking**

Parking requirements for single-family dwellings containing four bedrooms or less is two spaces. Parking requirements for multifamily dwellings are two spaces per unit plus one space for every four units for guest or visitor parking. This is a reasonable requirement given the number of cars per household has steadily increased over the last several decades, while the parking requirements have not increased. In addition, the lack of an adequate public transportation system necessitates the requirement in most outlying residential areas that are not proximate to transit.

**Mixed-Use Parking Ordinance**

The city’s mixed-use parking ordinance currently allows reduced and shared parking opportunities when residential uses are combined with commercial uses, fully utilizing parking during day and night. The ordinance requires one parking space for studio and one-bedroom units, one and one-half parking spaces for two plus bedroom units; plus a minimum of 75% of the normally required commercial parking as otherwise required for commercial uses and is a very successful and popular parking option.

One area under study for a possible further reduction in parking requirements is downtown, much of which is within an easy walk of the Caltrain Station. As Redwood City prepares to review and implement the new Downtown Area Plan, which has a goal of adding a lot of housing at an urban density near the downtown core, ways to attract housing will be identified. In particular, parking requirements related to affordable housing in the downtown, transit-oriented development, and mixed-use development will be examined during 2002-3.

It is important to note that the city’s planned development zoning designation encourages flexibility of design and promotes innovative projects by allowing variations in the usual development standards, such as maximum height for structures, maximum lot coverage, minimum front, side, and rear yard setback

requirements, and sign regulations. This flexibility allows for efficient use of a site by allowing clustered development on smaller lots to encourage multi-unit rentals, townhouses, condos, and single-family developments.

#### CONSTRAINTS IN THE REDEVELOPMENT AREA

##### Relocation Costs/One for One Replacement

Much of the remaining land available for housing is located within the City's Redevelopment Area and consists of infill properties and property to be redeveloped. Certain federal and state laws relating to relocation limit the City's ability to promote and facilitate housing for lower-income groups within the City's remaining infill sites. For the City to acquire and assemble infill parcels for new development, it is required under state or federal law, depending on which source of funds would be used for acquisition, to relocate existing households to comparable replacement units. The average cost typically adds \$50,000-\$75,000 per unit to acquisition costs.

Additionally, units removed from the housing stock must be replaced on a bedroom for bedroom basis. While this constraint impacts cost related to suitable infill housing, an advantage is that replacement housing can be built to reflect unit size needed (e.g. the Rolison Road project will replace existing studio apartments with two and three bedroom units).

##### Labor Costs

The Prevailing Wage requirement for new residential construction within the Redevelopment Area also impacts developers' ability to create affordable units. Prevailing wages can increase development costs by 20 to 30 percent.

#### THE DEVELOPMENT APPROVAL PROCESS

The development approval process has the potential to be a major constraint on the production of housing due to the increased carrying costs associated with a long review process. In general, the time required for development review increases with the complexity of the project and the number of agencies involved in the review. Simple projects, such as individual single-family units on previously subdivided parcels or apartment developments of fewer than four units typically require one or one and a half months to obtain final Planning and Building Permit approvals. Multifamily projects with more than four units often require one to three months. Projects that require an environmental impact report often take six months to a year or more for full review and approval depending on the complexity of the issue involved with the project.

City policies require time for review and processing of development applications. However, permit processing and review times are not at the sole discretion of the City. State and federally mandated procedures determine time required for portions of the process. In addition, review by special agencies whose jurisdiction overlaps the city can add time to the review process. The City/County Association of Governments (C/CAG), Redwood City School District, the Regional Water Quality Control Board, Army Corps of Engineers, Bay Conservation Development Commission, and the Bay Area Air Quality Management District are some of the special purpose agencies concerned with land use in Redwood City. The City strives to achieve concurrent review with these agencies to the maximum extent possible.

Redwood City further minimizes the cost of permit processing by implementing a 'Continuous Improvement Program' involving the participation and reorganization of all City Departments. This program is customer service based. Its purpose is to streamline permit process procedures including reducing governmental constraints upon the development, maintenance and improvement of housing for all income levels. Outlined below are a few of the City's permit and processing procedure improvements:

- Counter Team Cross-Training - All employees that work the front counter are cross-trained to provide better service to customers with questions related to Planning, Engineering, Fire and Building codes and to facilitate permit processing. The Counter Team is also trained to promote and provide to the public housing program handouts that promote new housing development. Backup senior staff from each department are also available for questions and to facilitate/expedite permit and processing procedures.

- One Stop Permit Shop – Every Wednesday smaller projects, including residential additions and secondary (in-law) units that meet state and city standards are approved over the counter or within 24 hours;
- Expedited Permit Review Procedures – A concentrated, interdepartmental team approach has also resulted in faster and more coordinated permit processing for larger development projects;
- Plan Review Committee - This Committee, comprised of Planning, Engineering, Traffic Engineering, Fire and Building Department staff, provides Project Team Coordination and Predevelopment Plan Review to streamline and expedite the permit process and expedite customer service;
- Simplified Building and Planning Codes – The City simplified Building and Planning codes to streamline the permit process and improve customer service;
- Eliminated Several Building and Planning Codes - The City reduced the number of Building and Planning codes to streamline the permit process.
- Eliminated Fees - The City does not charge Architectural Permit fees for single-story residential additions and other minor approvals.
- Combined Building and Engineering Inspections – The City combined Building and Engineering Inspections to streamline the permit process and improve customer service;
- Standardized Building Permit Forms/Procedures and Developed Standard Construction Handbook – The City took a lead role to standardize Building Permit forms and procedures within San Mateo County and developed a Standard Construction Handbook to streamline the permit process and improve customer service;
- Developed and Improved Public Information Handouts - This effort, which includes, among other improvements, the provision of forms in both English and Spanish, has also improved customer service,
- Extended Hours of Operation - Extended hours include early morning, evenings (after work hours) and weekend hours for improved customer service.
- Provide Services and Public Information by 24-Hour Voice Mail, Fax, E-Mail, and Internet Web Site (includes on-line information about housing programs, resources available, application forms, etc.)- These services are also intended to improve customer service.

#### BUILDING CODES

Residential construction is subject to numerous code requirements that can add substantially to the cost of development. These include the Uniform Building Code, related trade codes, the California Energy Code and State Title 24 regulations, and the state seismic safety requirements. These codes and regulations are used in jurisdictions throughout California. Redwood City works with other cities in the region toward standardizing the procedures for administering these codes to facilitate development in all jurisdictions.

Redwood City follows the 1997 Uniform Building Code. Local amendments to the code involve construction on Bay Mud. All of the Redwood Shores area was required to meet the more stringent requirements related to strengthening the foundation of buildings. This safety factor added to the cost of dwellings built on Bay Mud, but was necessary.

Requests for inspections are responded to promptly. When the call for an inspection is made by 7 AM, the inspection occurs on the same day. When the call is made after 7 AM, the inspection occurs within 24 hours.

## DEVELOPMENT FEES

Redwood City's Planning permit fees are currently the lowest in San Mateo County. Developer fees cover costs associated with connection to sewer facilities, water mains, and storm drains. Multi-family residential buildings are required to provide sprinkler systems for safety in times of fire. These costs, shown in Figure 6-2 are passed on to the consumer of housing.

Redwood City also has fewer land use impact fees, such as park dedication fees and parking in-lieu fees, than other Bay Area cities. The City does, however, have a transportation impact fee of \$1,501.59 for single family residential uses, which are defined as 1 to 15 units per acre regardless of whether units are attached or detached. Similarly, the fee for multifamily units is \$1,021.08, where multifamily is defined as a residential density of 16 or more units per acre regardless of whether the units are attached or detached. Affordable housing is charged a reduced fee of \$795.84 per dwelling unit. Transit-oriented housing is charged \$855.90 per unit, and senior/congregate care is charged \$172.31 per unit. The reduction for affordable housing helps to keep housing costs in the affordable range while paying for roadway improvements necessary to keep traffic moving. In addition, in September of 2002 the City established a moratorium on traffic impact fees within the Downtown District for all land uses except office development in order to further encourage new housing and retail uses within in the Downtown. As such, housing development will be exempt from this fee up until July of 2006.

<b>Figure 6-2 Permit Fees: 2001</b>			
<b>Fee Description</b>	<b>Single Family (1,920 sq. ft.)</b>	<b>Multi-family (50 units @ 900 sq. ft. /unit</b>	<b>Multi-Family (100 units @ 900 sq. ft./unit</b>
Building Permit	1,047.25	11,914.75	21,567.25
Plan Check	733.08	8,340.33	15,097.08
Construction Tax	n/a	n/a	n/a
Plumbing, Mechanical, and Electrical	837.80	9,531.80	17,253.80
Other	128.40	2,614.81	4,700.78
<b>Building Permit Subtotal</b>	<b>\$2,746.53</b>	<b>\$32,401.69</b>	<b>\$58,618.91</b>
School Impact	3,075.00	92,250.00	184,500.00
Transportation Impact Fee - City	1,501.59	51,054.00	102,108.00
County Congestion Mngt. Program Fee Applies to projects generating a net 100 peak period trips			
Right-of-way Permit	1.00	1.00	1.00
Water Connection	150.00	40,000.00	50,000.00
Wastewater Treatment Capacity	715.50	7,150.00	71,550.00
Sewer Fee (Facility Fee)	960.00	48,000.00	96,000.00
Engineering and Construction: Map checking fee, not including a map filing fee Final Subdivision Map Final Parcel Map Construction Permit	0.00	5,000.00	5,000.00
Plan Check and Inspection Civil Improvement Plan Grading Permit	1,000.00	30,000.00	50,000.00

Dirt Hauling Permit	0.00	1,800.00	3,800.00
<b>Off-site and Engineering Costs Subtotal</b>	<b>\$7,403.09</b>	<b>\$275,255.00</b>	<b>\$562,959.00</b>
Planning and Redevelopment:			
Architectural Permit	50.00	1,500.00	2,750.00
Planned Development Permit	n/a	n/a	n/a
Other fees likely for a 100-unit, multifamily rental building	n/a	n/a	n/a
Negative Declaration	n/a	n/a	1,500.00
Landscaping	n/a	150.00	200.00
<b>Planning Costs Subtotal</b>	<b>\$50.00</b>	<b>\$1,650.00</b>	<b>\$4,450.00</b>
<b>TOTAL FEES</b>	<b>\$10,199.62</b>	<b>\$309,306.69</b>	<b>\$626,027.91</b>
Assumptions:			
Single family residential is defined as a residential density of 1-15 units per acre regardless of whether units are attached or detached.			
Multi-family residential is defined as a residential density of 16+ units per acre regardless of whether units are attached or detached.			
Fees for Multi-Family units are based on construction costs of \$80/sq. ft.			

## GOVERNMENTAL CONSTRAINTS UPON DEVELOPMENT, MAINTENANCE AND IMPROVEMENT OF HOUSING FOR PERSONS WITH DISABILITIES

With respect to federal, state and local zoning law and codes, disability issues fall into one or more of the following groups: affordability, structural accessibility and permit processing.

### Affordability

Census data reveals that significant numbers of people who have chronic, long-term physical and mental disabilities have very-low incomes, low incomes or low-moderate incomes. This population typically depends on family resources and on Social Security income grants, rental vouchers, subsidized housing and homeless shelters to meet their housing needs.

The Health and Safety Code applies Median Income to the definition of affordability being 30 or 35% of income for housing costs. The most recent regulatory constraint has presented itself in the form of a significant increase in median income. The median income for moderate households earning up to 120% of median results in a housing cost, which is greater than the local market rent. While the average income of households in San Mateo has increased, those increases are not reflected in actual incomes of low to moderate-income households. Accordingly, setaside units, which should be rented at "below market rate", would in fact be renting at market rate.

The City uses State and Federal formulas to calculate "affordable housing costs" to assure affordability of housing developments in contractual documents. The Redevelopment Agency will use Development and Disposition Agreements (DDA) and Owner's Participation Agreements (OPA) to deed restrict the long term affordability of the developments through recording Affordable Housing Covenants on the property. These Covenants prevent properties from selling and converting prior to the end of the 55-year affordability term.

The following affordable housing programs are also available to accommodate persons with disabilities: Under California Redevelopment Law, 15% of the units developed within the boundaries of Redwood City's Redevelopment Area must be dedicated to very-low, low and moderate-income housing. In addition, Redwood City has a Secondary Dwelling Unit Ordinance that has increased affordable housing opportunities throughout the City including housing for persons with disabilities.

In addition to the housing programs outlined above that can be used to help increase the supply of affordable housing units for persons with disabilities within otherwise market rate housing developments, the City's Density Bonus Program can also be applied to congregate care facilities for persons with disabilities. Under the City's Density Bonus Program congregate care facility developers would be allowed to increase the number of very-low, low, and moderate income units since this Ordinance allows at least a 25% density bonus and other incentives for such units.

The City's Traffic Impact Fee Ordinance provides a reduced fee for affordable housing developments. The City has discussed the possibility of creating a program to help affordable housing developers pay this fee from Redevelopment Housing Funds. This is a housing policy that the City will pursue during the term of this Housing Element. As previously described, in September of 2002 the City also established a moratorium on traffic impact fees within the Downtown District for all land uses except office development in order to further encourage new housing and retail uses within in the Downtown. As such, housing development will be exempt from this fee up until July of 2006.

#### Structural Accessibility

The City complies with Federal and State mandated structural accessibility laws. When housing development is assisted with federal funds, 5% of the units must be designed as accessible and 2% must be adaptable for the vision and hearing impaired and these units are affirmatively marketed to persons with the respective disabilities.

The City also complies with the American Disability Act (ADA) laws that have helped to remove structural accessibility issues in housing construction for persons with disabilities. When there is a conflict between an ADA requirement and a Zoning Ordinance requirement, the project planner (for small residential developments) and the City's Plan Review Committee (for larger residential projects) identifies the conflict early in the review process and resolves it with priority given to ADA requirements.

However, the California Disabled Access Guidelines exempt townhouse style developments from including units designed for people with disabilities. While this mandate prohibits people with physical disabilities from occupying these units, it should not preclude persons with other types of disabilities. As such, the City will encourage townhouse developers through housing incentives to affirmatively market affordable units to people with non-physical disabilities. This is a housing policy that the City will pursue during the term of this Housing Element.

The City's Variance process also allows, under special circumstances, exceptions to such zoning standards as minimum lot size, lot coverage, setbacks and parking. As such, developers for persons with disabilities could apply for structural modifications to housing units, including secondary (in-law) dwelling units, for such items as ramps that may need to encroach within required setbacks, but that would provide greater accessibility to residential entrances and exits for persons with disabilities. Developers for persons with disabilities can also apply for reduced parking for special needs housing providing it can be demonstrated that the occupants will have fewer cars.

In addition, the City's Planning Department does not require Architectural Permits and does not charge a fee for first-story additions to single-family residences, including bedroom additions that could be used to accommodate caretakers for persons with disabilities. While an Architectural Permit is required for second-story additions to single and multi-family residential buildings, this permit nonetheless also allows bedroom and other types of residential additions that could be used to accommodate in-home caretakers for persons with disabilities.

#### Permit Processing

The City is currently undertaking an analysis of governmental constraints affecting access to housing and supportive services and affordability for housing for persons with disabilities based on guidelines prepared by the California Department of Housing and Community Development (SB 520). The analysis

will address the City's permit process, zoning and other regulatory standards, code enforcement, access to public participatory processes, and other relevant topics relating to access for persons with disabilities. Should any constraints be identified, the City will adopt appropriate programs that will mitigate the impediments to housing for persons with disabilities.

Notwithstanding this ongoing analysis, in 2001, Redwood City housed the second largest number of group home and community care facilities in San Mateo County, as shown in Appendix C. State law permits (without any discretionary city approvals) facilities with six or fewer residents in all zoning districts throughout the city.

Unlike other cities that confine larger sized (greater than six residents) community care and group home facilities to one or two designated areas within their city, Redwood City permits these and other quasi-public uses, in most commercial and industrial zoning districts. Larger sized, community care and group home facilities are also potentially allowed with a Use Permit in all residential districts. The Zoning Administrator (rather than the Planning Commission) approves use permits. This improves the processing time for these developments since the Zoning Administrator holds weekly hearings, whereas the Planning Commission hearings are held bi-monthly.

In 2001, the City also expanded Housing Program C.4 to allow "quasi-public uses" by right (i.e. without the need for a Use Permit) within the City's "CP" (Commercial Park) and "IR" (Industrial Restricted) zoning districts, thus further facilitating the development of larger congregate care facilities for persons with disabilities.

In accordance with State law, the City has also removed the term "family" from the zoning ordinance so that there is no longer a legal definition of a family that would restrict occupancy of a housing unit to people who are related.

#### Housing Maintenance/ Improvement Programs for Disabled Persons

The City has facilitated the following housing and housing maintenance programs for persons with disabilities:

1. The City's Home Improvement Loan Program, Minor Home Repair & Weatherization Program and the Housing Accessibility Modifications Program - provide deferred loans for disabled persons.
2. For City sponsored rental housing where the housing development is owned by a non-profit, the non-profit holds the responsibility for ongoing building maintenance.
3. Where people with disabilities have been placed in City sponsored ownership condominium units, the Homeowners Association maintains the property.

#### AVAILABILITY OF LAND

**Lack of Available Land** - Redwood City has been primarily built out since year 2001. With the completion of 11,000 housing units in Redwood Shores in 2001, all large vacant residential parcels were fully developed. Most new residential development will occur on re-used land, which can be costly to acquire because developed land will need to be purchased for reuse, rather than vacant land. It is costly to develop re-used property because the high density housing and accompanying uses such as parks and schools will need to be retrofitted into an urban environment originally planned for commercial activities or for low-density residential uses. One economy associated with the reuse-urbanized land is the existence of public utilities, streets, and sidewalks that do not need to be built.

New residential development will occur on sites identified for housing, listed in Appendices E-1 and E-2, and on land to be rezoned or planned precisely (with Precise Plans) during 1999-2007.

**Environmental Constraints:** Some environmentally sensitive land has been designated for preservation, and other land is constrained due to wetlands issues, or lack of public services, facilities, or utilities.

- Land Converted to Open Space - 1,600 acres of land within Redwood City (South Shores & Bair Island) was transferred to National Fish & Wildlife Services for open space preservation purposes.
- Land Subject to Corps of Engineers' Jurisdictional Approval – 85 acres of land within Redwood City's Area H (Redwood Shores) was previously planned for 420 residential units. Area H is currently zoned "TP (Tidal Plain) District and will likely not receive authorization from the Corps of Engineers for residential development due to wetland and traffic capacity issues.
- The Cargill salt ponds (300+/- acres) is constrained and currently lacks infrastructure, public facilities, and services.

**Other** - Citizen protest over the perceived impact of higher density housing projects on existing single-family residential property values.

#### AVAILABILITY OF INFRASTRUCTURE AND PUBLIC FACILITIES

Because most of Redwood City is built, there are few off-site improvements necessary for new residential construction in residential zoning districts. The primary improvements are for new curb, gutters, and sidewalks, which are in need of repair. Occasionally, when streets are abandoned, utilities may have to be relocated; however, the cost of the improvements is usually offset by the value of the land being returned to the developer.

In 2000, Redwood City's sole wholesale water supplier was the San Francisco Public Utilities Commission (SFPUC) through the Hetch Hetchy regional water system. The amount of water available to the SFPUC's retail and wholesale customers is constrained by hydrology, physical facilities, and institutional parameters that allocate the water supply of the Tuolumne River. Due to these constraints, the SFPUC is very dependent on reservoir storage to manage its water supplies. Reservoir storage provides the SFPUC with year-to-year water supply carry over capability, enabling the SFPUC to carry-over water supply from wet years to dry years.

In 2001 and several prior years, Redwood City used more water than its contractual supply assurance from the San Francisco Public Utilities Commission. It can do so because the SFPUC system currently has an aggregate supply surplus during normal water supply conditions. The City intends to continue to purchase available water to meet its demand; however, it is important to consider the larger picture of water supply. The population of the Bay Area climbed from 6,020,147 in 1990 to 6,783,000 in 2000, and is projected<sup>1</sup> to reach 8,026,900 by 2020, resulting in an increasing number of residential and commercial water users. The State and the region's water supply are not increasing resulting in an increasing gap between projected supplies and demands. The SFPUC's *Water Supply Master Plan* projects that demand and aggregate supply assurance will reach parity in approximately 2006-2008.

In addition, there is the recurring situation of drought conditions. In 2000, there were 15% more SFPUC water customers using 10% less water than before the last drought of the late 1980s. When the next drought occurs, it will be far more difficult to attain use reductions of 20-25% (as occurred in 1988-1990), since users are more conserving in their patterns of current water use. As a party to a regional "Interim Water Supply Allocation Plan," adopted in May 2001, Redwood City will be required to reduce water demand by 31% if there is a SFPUC system-wide shortage /drought of 20 percent.

In the future the City can expect to:

- seek alternative/new sources of water supply (such as recycled water) and the means to finance it, and/or
- require new development to bring water supply with it from other agencies in the SFPUC regional service area that may be willing to sell unneeded supply, and/or
- implement conservation measures.

#### CONGESTION MANAGEMENT PROGRAM

In 1999, the San Mateo City/County Association of Governments (C/CAG) amended the Congestion Management Program (CMP) to require local jurisdictions to ensure that traffic impacts of the CMP roadway network are fully mitigated. Projects that will generate a net 100 or more trips on the network during peak periods, and which are subject to CEQA, trigger the requirements for mitigation. If mitigation measures do not completely mitigate the impact, an impact fee is charged. The fee is not lowered for affordable housing. The impact fees impose additional costs to affordable housing projects and therefore make the attainment of affordable housing even more difficult than before the fees were instituted. Program E.3 (Chapter 8) was added to this housing element to require the City to review proposed programs of regional entities for impacts on the affordability of housing and to seek waivers and/or reductions of such fees for affordable housing. The City should consider proposing an amendment to the CMP to provide a credit of one peak hour trip for each affordable housing unit in a multifamily development.

#### CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

With the focus on transit-oriented development, the City is increasing development potential for residential and non-residential development along the Caltrain tracks. Mitigation for noise and vibrations require more expensive construction, for example more expensive foundations and triple glazed windows, and outdoor play yards for childcare centers far away from the tracks, which in turn raise the cost of housing in some of the area designated for transit oriented development. On one hand, construction costs are higher near the railroad tracks, and on the other hand, a residential project is considered to be fully mitigated if it is within ¼ mile of a fixed rail passenger station, thus qualifying for a waiver of the high fees of the Congestion Management Program.

#### NONGOVERNMENTAL CONSTRAINTS

Non-governmental constraints upon the maintenance, improvement and development of housing for all income levels include the cost of land, construction costs, the cost of financing, and just about anything beyond the control of government that negatively impacts the production of housing. Although the list of constraints is quite long, this section will focus on some of the key components of housing costs.

##### Land Costs, Demand for Housing, and Market Conditions

Land costs are dependent upon the jurisdiction, location within a jurisdiction, long term supply and demand for land, and the timing of the business cycle. High land costs in the Bay Area hamper the City's and developers' ability to create affordable housing. Although land prices are very volatile and fluctuate with the business cycle, they remain higher in the Bay Area than elsewhere in the United States. With the continuing growth in jobs, there is a continuing demand for housing. Land in Redwood City is mostly developed and there are no opportunities to annex undeveloped land. Therefore, the continuing demand for land for industrial, commercial and residential uses leads to higher land prices over time.

In the second quarter of 2001, the median price of a detached, single family house in Redwood City was \$570,000, compared with \$550,000 during the second quarter of 2000, up 3.6 percent. If we apply two assumptions: the average lot size is 5,500 or 6,000 sq. ft., and an allocation measure that 50 percent of the price is attributable to the land, we arrive at a land price of \$47 to \$52 per sq. ft. in 2001. Applying the same assumptions in 2000, yields a land price of \$46 to \$50 per sq. ft.

Median home prices in selected zip codes in San Mateo County are shown in Figure 6-3. The range of prices in Redwood City reflects a variety of for-sale housing - condominiums and single family detached - as well as location. Clearly, Redwood City has housing that is more affordable than in many other areas in the County.

<b>Figure 6-3</b>		<b>Median House Prices in selected zip codes in San Mateo County through August 15, 2001</b>				
(Numbers are for resale single family residences/condos and new construction houses. Percentage change is from the same previous four weeks in 2000)						
<b>City</b>	<b>Zip code</b>	<b>Median Price</b>			<b>Sales Volume</b>	
		<b>8/15/01</b>	<b>Change from '00</b>	<b>Price sq. ft.</b>	<b>8/15/01</b>	<b>Change from '00</b>
Atherton	94027	\$1,607,500	7.2%	\$714	6	500.0%
Belmont	94002	\$584,500	-10.1%	\$394	20	42.9%
Brisbane	94005	\$485,000	32.6%	n/a	5	-64.3%
Burlingame	94010	\$1,112,500	35.3%	\$500	42	-16.0%
Daly City	94014	\$400,000	10.8%	\$341	25	-19.4%
Daly City	94015	\$400,000	2.8%	\$326	43	-23.2%
Half Moon Bay	94019	\$600,000	11.1%	\$381	21	16.7%
Menlo Park	94025	\$690,000	-1.3%	\$440	35	-18.6%
Millbrae	94030	\$622,500	15.4%	\$383	18	28.6%
Moss Beach	94038	\$594,000	-44.5%	\$366	7	250.0%
Pacifica	94044	\$460,000	13.6%	\$329	41	-18.0%
Redwood City	94061	\$561,000	16.9%	\$440	26	-29.7%
Redwood City	94062	\$650,000	-3.3%	\$386	25	4.2%
Redwood City	94063	\$430,000	13.3%	\$381	11	-26.7%
Redwood City	94065	\$472,500	-29.5%	\$392	32	166.7%
San Bruno	94066	\$370,000	10.4%	\$383	44	0.0%
San Carlos	94070	\$607,500	-0.4%	\$425	40	48.1%
San Mateo	94401	\$456,000	7.3%	\$379	19	-20.8%
San Mateo	94402	\$711,500	5.4%	\$475	30	-21.1%
San Mateo	94403	\$479,000	-10.5%	\$407	32	-37.3%
San Mateo	94404	\$580,000	13.4%	\$346	45	-16.7%
S. San Francisco	94080	\$435,000	8.7%	\$353	49	4.3%
<b>All Houses</b>		\$510,000	9.7%	\$386	638	-12.5%
<b>Total resale houses</b>		\$555,000	8.6%	\$393	502	-11.6%
<b>Total condominiums</b>		\$356,000	11.2%	\$310	117	4.5%
<b>Total new homes</b>		\$702,500	57.2%		19	-61.2%
Source: DataQuick Information Systems, Published in the San Jose Mercury News, September 8, 2001						

Land prices for commercial land appear to be in the \$50 to \$60 per square foot range in 2001. Some examples of land prices in Redwood City in 2000 (at the height of the business cycle) were \$55 per square foot for industrial land and \$80 for office land. In comparison, land costs in Mountain View in the first half of 2001 were estimated to be \$45 to \$85 per square foot, with the wide range reflecting both location and density (e.g., a prime Downtown location could be \$85 or even higher).<sup>3</sup>

#### Construction Costs

Construction costs are high in San Mateo and the Bay Area reflecting the high demand for housing and other types of development. The cost of construction, made up of two factors – the cost of materials and

the cost of labor combined with the rental of equipment - , is a constraint to the production of affordable housing. A comparison of construction costs from city to city is published for 719 U.S. and Canadian cities as a city index by the RS Means Company.<sup>4</sup> The City Cost index is a percentage ratio of a specific city's cost to the national average of the same item at a stated time period – in this case July 1, 2000. The index figures represent the relative construction factors (or multipliers) for Material and Installation costs, as well as the weighted average for Total In-Place costs. Installation costs include both labor and equipment rental costs. On July 1, 2000, the following indices for the Redwood City area (a part of the San Mateo market), and other selected cities were calculated, as shown in Figure 6-5. As would be expected, construction costs in the Bay Area are substantially higher than the U.S. average. Costs in the San Mateo area are in line with the regional average. They are lower than those in San Jose and San Francisco, and similar to those in Palo Alto and Richmond.

**Figure 6-4 Selected Construction Markets in California, July 1, 2000**

Area	Labor Index	Materials Index	Total Index
<b>San Mateo</b>	<b>108.7</b>	<b>126.1</b>	<b>117.2</b>
Palo Alto	105.5	129.2	117.0
Richmond	110.0	124.3	116.9
San Francisco	111.9	133.9	122.6
San Jose	110.2	129.7	119.7
San Rafael	111.9	127.2	119.3
Santa Cruz	110.9	116.3	113.6

Source: RS Means 2001 Construction Cost Indexes, page 619

Note: The average index for the USA is 100.

The cost of construction varies with the type of construction and is related to site factors, such as a location on a hillside or on Bay Mud. According to the *Statewide Housing Plan*<sup>5</sup>, construction costs were \$95 per square foot in nearby Santa Clara County in 1997. Added to the \$95 per sq. ft. construction costs are 30 percent for “soft costs.” If 70 percent of the total costs are construction costs and 30 percent are soft costs, the application of these costs to a 2,000 sq. ft. house results in \$271,429 for construction alone (\$95 per sq. ft. x 2,000 = 70 percent of the total plus \$81,429 = 30 percent of the total), not including the land in 1997.

The Association of Bay Area Governments (ABAG) states that generally, wood frame construction at 20 to 40 units per acre is the most cost-efficient method of residential development. These densities are considered by the State Department of Housing & Community Development (HCD) to be the minimum level that could have the potential to deliver lower and moderate income units. ABAG goes on to state that medium density residential ranges should allow at least 18 units to the acre, and high-density ranges should allow at least 30 units to the acre. These density thresholds may be higher in jurisdictions where land costs are higher than the regional average.

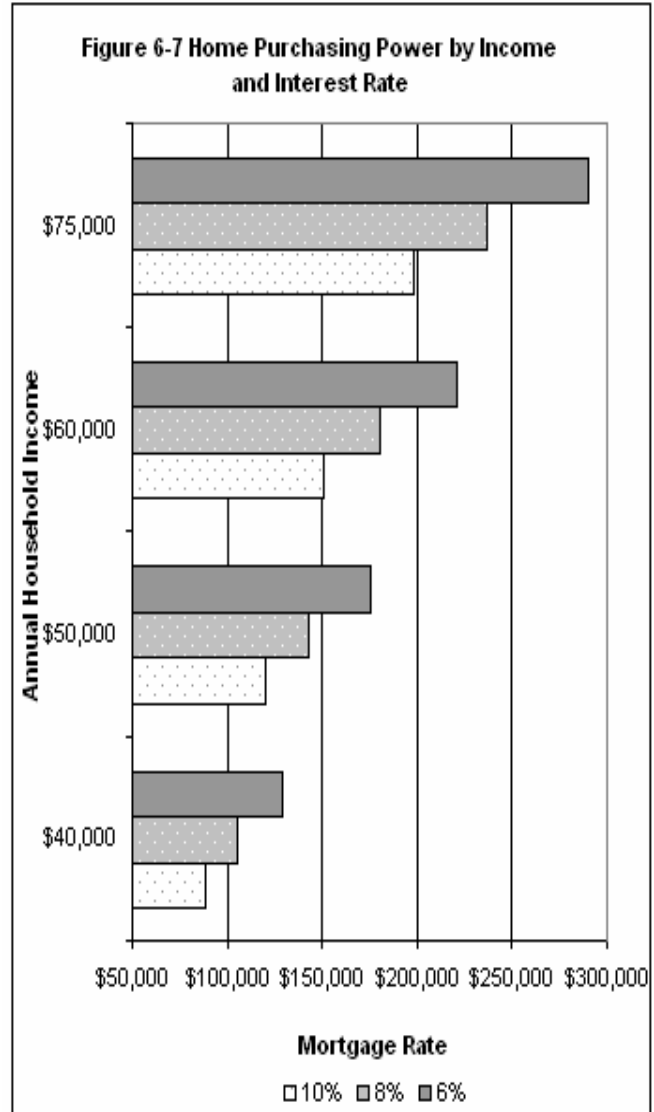
#### Supply and Availability of Mortgage Credit For Home Ownership

*The Statewide Housing Plan 2000* foresees that mortgage money should remain plentiful and inexpensive as long as inflation remains under control, and as long as there are no significant increases in mortgage default rates. In the 1990s, home mortgage credit has been readily available at attractive rates throughout the United States. “Borrowing costs on fixed rate mortgages during the first quarter of 1999 were at their lowest point in 25 years.” The beneficial effects of lower mortgage interest rates translate directly into more affordable home ownership. For example, with mortgage interest rates at 10 percent, and assuming a 15 percent down payment, a family with an annual income of \$60,000 can qualify to purchase a \$151,041 home. With interest rates at 8 percent, the same household with the same \$60,000 income qualifies to purchase a \$180,642 home. Were interest rates to fall to 6 percent, the same household could qualify for a \$221,081 home (see Figure 6-6). The benefits of low mortgage rates to households in

the \$40,000 to \$50,000 category are even more profound.”<sup>5</sup> The opposite is true also - as interest rates rise the opportunity for home ownership quickly evaporates, particularly for lower income households. Finally, saving adequate amounts of money to meet down payment requirements can be difficult for moderate-, low-, and very low-income residents in the city.

**Figure 6-6 Home Purchasing Power for Selected Household Incomes, at 6%, 8%, and 10% Mortgage Rates**

Income	Annual Interest Rate	Amount one can borrow	Maximum Home Purchase Price
\$40,000	6	\$110,082	\$129,508
\$40,000	8	\$89,947	\$105,820
\$40,000	10	\$75,207	\$88,479
\$50,000	6	\$149,001	\$175,295
\$50,000	8	\$121,747	\$143,232
\$50,000	10	\$101,796	\$119,760
\$60,000	6	\$187,919	\$221,081
\$60,000	8	\$153,546	\$180,642
\$60,000	10	\$128,385	\$151,041
\$75,000	6	\$246,295	\$289,759
\$75,000	8	\$201,245	\$236,759
\$75,000	10	\$168,267	\$197,961
Assumptions:			
30 year loan			
15% down payment			
Annual Real Estate Taxes			\$2,500
Annual Homeowners Insurance			\$300
Annual Mortgage Insurance			\$480
Qualification was based on the industry standard 28/36 ratio, meaning that no more than 28% of gross monthly income can go toward total housing expenses (loan payment, taxes, insurance and assessments) and no more than 36% of gross monthly income can go toward total monthly debt expenses (including housing).			



The Federal Reserve Board has successively cut interest rates in 2001. The federal funds rate was 3.70 percent and the prime rate was 6.50 percent as of September 4, 2001. These rates indicate the overall cost of capital. Some average mortgage rates as of September 4, 2001 were: a 30-year, fixed rate mortgage rate was 6.884 percent; a 15-year, fixed rate mortgage rate was 6.444 percent; a 1-year adjustable rate mortgage was 5.88 percent.

The financing of single- and multifamily residential development projects also represents a constraint to development. Financial institutional institutions must see clear potential for return on financing. Projects must represent low risk to lenders. When investors perceive a high level of risk, they may refuse to finance, require large premiums over and above other types of real estate investments, or require the loan to be a recourse loan. This problem is particularly difficult in achieving financing for affordable housing projects. In the past, Redwood City has had to step in and provide "bridge" financing for projects that private lending institutions would not support.

In the past, a former banking practice known as "redlining" was a constraint to the development of housing in some communities. Redlining is a discriminatory financial practice whereby lenders refuse to make loans to people with property in certain areas or to people of certain income levels, despite their ability to be able to afford a home. There is no reported evidence of "redlining" described in the section on Barriers to Affordable Housing in the City's *Consolidated Plan 2000 – 2005*. (The U.S. Department of Housing and Urban Development requires disclosure of any evidence of unfair local lending patterns such as higher mortgage interest rates or lesser availability of mortgage credit in certain areas of a city, as an impediment to fair housing in a city's Consolidated Plan.)

#### Other Non-governmental Constraints

One of the key routes to enabling residents, who are, or will be, in the labor force to afford housing is to create enough jobs that pay a living wage and to provide opportunities for residents to obtain the education and job training to obtain those jobs. This is why it is important to maintain a sufficient amount of land for uses that generate living wage employment. The City seeks to provide the opportunity for both living wage employment and housing within the city to reduce the gap between wages and housing affordability. The approach of balancing jobs and housing and matching employment creation with the skills of residents also helps residents to avoid long commutes and the attendant costs, which are prevalent in the Bay Area.

The following is an example of how the City maintained a balance of land use, and therefore a balance of potential employment opportunities, during a time of extraordinary market pressure to become one-sided. In 2000, office development was much more profitable than most other type of development and was rapidly replacing other land uses with offices, and in the aggregate outstripping other commercial, industrial, and multifamily development. The City studied the phenomena and recognized the benefit of a certain amount of new office development, but also decided to retain a balance of land uses. The City amended the zoning ordinance to: limit office development; create incentives to construct mixed use (commercial and housing) projects; provided additional opportunities for high density residential development; and retained some of its industrial land to balance its employment base.

At the same time, other residents, such as seniors and some of the disabled, are not part of the labor force and cannot take advantage of these opportunities. The government can provide for, and cause to be constructed, some below-market-rate, affordable housing; however, it cannot build enough affordable (below-market-rate housing) housing, or set requirements on the private sector to cause enough construction of affordable housing to satisfy the housing needs of everyone who needs below market rate housing. (Housing should be reserved for 20 to 30 years as below market rate in order to be classified as affordable.)

Finally, as previously noted, housing needs in Redwood City cannot be met exclusively through the efforts of the public and non-profit sectors. The for-profit development community must play a significant role. Also, Redwood City will need to be vigilant in evaluating its and other agencies' development regulations, including impact fees, to ensure the proper balance between requiring what is needed to

maintain health and safety standards and quality of life and the impact those requirements have on the cost of development. Constraints imposed by agencies and groups other than the City of Redwood City will need to be proactively resolved to reduce their impact on the housing market in Redwood City.



1. Urban Water Management Plan 2000, City of Redwood City, Public Works Services Department, December 2000
2. San Francisco Chronicle, July 31, 2001, pages A11 and A12.
3. City of Mountain View staff report to the Environmental Planning Commission, July 11, 2001, page 4.
4. RS Means Company, Building Construction Cost Data 2001, page 619.
5. State of California Department of Housing & Community Development, Statewide Housing Plan 2000, page 119.
6. *Ibid.*, State of California Department of Housing & Community Development, page