

# VI. SOCIAL EQUITY

## A. Social Equity Through Design

The Coyote Valley Vision is based on a fundamental premise that a key step to creating a strong, diverse community is to design its housing, infrastructure, employment centers, and institutions so that people from widely varied backgrounds and economic groups can live and work in Coyote Valley, interact with each other, and meet their basic needs. The Vision calls for substantial amounts of affordable housing in Coyote Valley distributed throughout the area so that residents of different economic backgrounds can live side by side. Integrating affordable housing into the fabric of the community also means that lower-income residents will be able to access community amenities like parks, libraries, and grocery stores as easily as higher-income residents. By calling for a robust public transit system that will allow residents to get around in the Valley and travel outside it, the Vision provides mobility to people who cannot drive, cannot afford to own a car, or simply choose not to drive.

The Vision sees Coyote Valley's Town Center and Neighborhood Centers as hubs of community social activity. These mixed-use areas will include essential destinations for residents like grocery stores, post offices, health care facilities, childcare centers and banks. They will also include restaurants and entertainment destinations like movie theaters and

nightclubs, to meet the entertainment needs of the entire community—including families, seniors, and young singles. In addition to providing local services, the individual Neighborhood Centers are likely to have facilities and characteristics that are unique to each and will attract residents from throughout the community and encourage cross-neighborhood interaction. For example, one Neighborhood Center may have a cultural orientation with a museum and performing arts center, while another may have an entertainment focus with movie theaters and nightclubs.

However, design alone will not guarantee social equity. If designed in accordance with Smart Growth principles, Coyote Valley is likely to be a very desirable place to live. However, communities like Mountain View and Palo Alto have seen this desirability push lower-income residents out of the community because they can not afford to live there. Also, if there is too much emphasis on high-tech employment, Coyote Valley runs the risk of providing a very limited range of employment opportunities and community facilities that appeal to only a narrow economic sector. The following discussion addresses options for creating affordable housing, excellent community facilities, and high-quality jobs.



A key concept is to provide convenient access for everyone in the community to essential destinations and services. Neighborhood Centers will include many of the daily destinations adjacent to transit to facilitate such access.

## B. Affordable Housing

The affordable housing crisis continues to grip the Bay Area, and nowhere is this crisis more acute than in Santa Clara County. According to the Silicon Valley Manufacturing Group's (SVMG) *Projections 2000* report, five times more jobs than housing units were added in Silicon Valley during the boom economy of the late 1990s, and housing rents increased by 60 percent. The report found that, despite the economic downturn, housing prices continue to rise by 8–12 percent annually, and that housing ownership rates in Silicon Valley have hit an all time low. According to the Association of Bay Area Governments (ABAG), the San José area will add 132,000 jobs by 2025, furthering the need to increase the housing supply.

The lack of affordable housing—in both the rental and ownership housing markets—is one of the primary causes of sprawl in the Bay Area. Feeling priced out of the housing market near job centers, countless families are drawn to bedroom communities on the urban edge in search of homes they can afford. This housing crisis results in the long commutes and traffic congestion that have negative effects on the environment, business productivity, family life, and the community as a whole. Placing 25,000 housing units and over 50,000 new jobs in Coyote Valley, as the City proposes, will inevitably lead to more cars on Santa Clara County's highways. To provide enough housing units in Coyote Valley to house everyone who is expected to work in the Valley, at least 33,000

housing units will be needed. If one assumes that a share of San José's households headed by non-working adults are also likely to eventually reside in Coyote Valley, the total housing demand, based on San José growth goals for the Valley would increase to over 35,000 housing units (see Housing Appendix E). This means the City's current plans will create a deficit of about 10,000 housing units and result in a substantial number of Coyote Valley workers needing to commute to their jobs from outside the Valley.

To minimize the traffic impact of development in Coyote Valley, and to provide the opportunity for workers across economic levels to live close to their jobs and avoid crushing commutes, the Coyote Valley Vision calls for developing a range of housing options that meets the needs of the full spectrum of households that will make up the diverse population of the Valley.

### **Affordable Housing Need and Supply**

Appendix E analyzes the likely makeup of a future Coyote Valley workforce and finds that meeting the affordable housing needs of Valley residents will be a significant challenge. More than 37 percent of workers are expected to be from low-income households (making less than 80 percent of Santa Clara County's median income), and half of those will be very low-income workers (less than 50 percent of median income). An additional 24 percent will be from moderate-income

households (80 percent to 120 percent of median income). Given the housing market of Silicon Valley, an array of public policies and subsidies will be needed to provide an adequate supply of housing affordable to each of these income categories.

The City of San José has set a goal that at least 20 percent of the housing units—5,000 units—developed in Coyote Valley will be affordable (although the City has not specified to what income levels). Considering the housing need of low-income workers and the fact that these workers are the least likely to secure housing they can afford without assistance, the Coyote Valley Vision calls for an aggressive goal of making one-third of these 5,000 units affordable to low-income households, another one-third to very low-income households, and another one-third to extremely low-income households (less than 30 percent of median income). Reaching this goal will require substantial subsidies and political will. It will be critically important for this housing to be kept affordable over time through deed restriction mechanisms.

To avoid the creation of a stratified community, made up almost exclusively of high-income residents who can afford market-rate housing and low-income residents that benefit from affordable housing policies, the City should also develop policies and programs to assist moderate-income households. Programs such as inclusionary housing (see below) could

create moderate-rate housing units without the need for subsidies, and modest public subsidies can help first-time home buyers with down-payment assistance. Policies that encourage the creation of moderate-income housing, such as "unbundling" parking costs from the cost of buying or renting a unit and allowing small-lot clustered developments, will also be essential. Such programs would require substantially less subsidy than is needed to create housing for low-income households, and perhaps no subsidy, since moderate-income households need less help accessing the market.

To meet the needs of a diverse community, a range of housing sizes and types should be provided. These should include units for families of various sizes, as well as for individuals, the elderly, and non-family households. Long-term, deed-restricted, affordable housing units should include both ownership and rental housing. A fair amount of such housing will be in the form of deed-restricted below-market-rate units included in market-rate housing developments. Another portion will be provided as affordable housing developments created by non-profits or the public sector. The most economically marginalized households often do not have the ability to pursue homeownership, therefore much of the rental housing will need to be available to very low- and extremely low-income households. Programs to promote homeownership will mostly benefit moderate-income households and some low-income workers.



A range of housing types and sizes should be provided to meet the diverse needs of the community.

### Housing Distribution

Affordable housing units—whether provided as part of market-rate housing or as 100 percent affordable housing developments—should be distributed throughout Coyote Valley, and not concentrated in any one area of the Valley. Although special attention should be given to locating lower-income affordable housing within convenient walking distance (1/4 to 1/2 mile) to transit. Further, affordable housing units in market-rate developments should also be fully and indistinguishably integrated with the market-rate units, and affordable housing developments should blend seamlessly into the surrounding neighborhoods.

### Inclusionary Zoning

Inclusionary zoning programs require developers to dedicate a percentage of units in a project for moderate- and/or lower-income households. Eight of Silicon Valley's cities already apply some variation of this strategy. In Coyote Valley, a viable program could require 20 percent of for-sale condominiums and townhomes to be affordable, with a portion targeted to moderate-income, a portion to low-income, and a smaller portion to very low-income households. Considering the likely affordable housing need in the Valley, the City should explore whether a higher percentage of affordable units can be feasibly required as part of the inclusionary policy for the Valley, or if the policy can target lower-income households. Some evidence from other newly developed California communities indicate this may be possible.

For the low- and very low-income targeted units to be financially feasible, the developer could be expected to absorb half the required subsidy; public resources would be required for the other half. Apartment complexes would also have a 20 percent obligation, with half of the affordable units accessible to extremely low-income families and half to very low-income families. Volatility in the economics of apartment construction requires that the balance between developer subsidy and government subsidy be determined closer to the completion of the City's Coyote Valley specific planning process, and revisited from time to time as economic conditions evolve. In

light of the difficulty of applying an inclusionary program to the relatively small number of single-family detached projects in Coyote Valley, an in-lieu fee program should be established. The fees should be high enough to make a meaningful contribution to meeting Coyote Valley's affordable housing need.

## Policy Recommendations:

• • • •

**The City should establish an Inclusionary Zoning Program for Coyote Valley that includes the following guidelines for all affordable housing units:**

- Through deed restrictions, units will maintain their affordability status for at least 30 years.
- Construction of affordable units shall be linked to phasing of market rate units, and not postponed until after market rate housing is finished.
- Below-market-rate inclusionary units should reflect the mix of unit types and sizes of the overall development.
- The City should encourage that Coyote Valley's affordable housing include a mix of both rental and ownership (i.e., for-sale) units.

• • • •

**Public Subsidies. Public revenues will be required to generate units affordable to the most economically marginalized**

**families. A number of sources for these funds exist, or potentially could be created, including the following possibilities:**

- **Redevelopment Tax Increment Funding** - California cities are required to set aside 20 percent of the tax increment generated by Redevelopment Agencies for low- and moderate-income housing. San José recently went beyond this minimum and now puts 30 percent of the tax increment toward such housing. This money can be spent throughout the city, not just in the Redevelopment Project Area.
- **State and federal affordable housing tax credits and funds** - Federal resources include the Community Development Block Grants, HOME funds, and Low Income Tax Credits (LIHTC). State resources include the Multifamily Housing Program administered by the Department of Housing and Community Development (HCD), the Multifamily Rental Housing program administered through the California Treasury Department, and the State's LIHTC program. Programs that specifically assist those trying to achieve homeownership include the California Home Program and a myriad of California Housing Finance Agency programs that directly assist home buyers.
- **County Housing Funds** - Allocation from funds that have been created from "pass-throughs" from the San José Redevelopment Agency. Recent agreements between the City of San José and Santa Clara County have provided

- the County with substantial resources that can be allocated for capital projects, including housing. The Board of Supervisors has expressed interest in making housing one of the priority uses for these funds; some of this allocation could be targeted toward low-income or special needs housing in Coyote Valley.
- **Santa Clara County Housing Trust** - The Housing Trust is a public private partnership of Santa Clara County and a number of major private organizations. The Trust has established a policy of dedicating one-third of its resources to helping finance affordable housing in San José. A portion of these resources could be dedicated to Coyote Valley. The Trust does not act as the primary funder of projects. Instead it uses its resources to provide "gap" financing to non-profit developers to make up the difference between funds generated from other sources and the full cost of the project.
  - **2002 State Housing Bond** - San José and Santa Clara County are able to compete for the vast majority of the \$2.1 billion in grants raised by the bond. This money is available only to projects that have been approved at the local level by the end of 2007.
  - **Santa Clara County and/or San José Housing Bond** - Santa Clara County and the City of San José should both make it a priority to place housing bonds on the ballot for voter approval. Housing bonds can raise substantial funds to subsidize affordable housing. For example, a San

José bond generating \$200 million would require a property tax assessment of approximately \$18.00 per \$100,000 of assessed valuation.

- **U.S. Department of Housing and Urban Development (HUD) Section 8 Project Specific Certificates** – Financing of affordable housing projects can be greatly facilitated if it is guaranteed that Section 8 certificates will be attached to all or a percentage of the project's units. Currently, HUD does not encourage linking certificates to projects. To attach Section 8 certificates to specific projects, there would need to be a change in HUD policy at the federal level.
- **Assess non-residential properties for affordable housing** - As part of a Community Facilities and Services Districts (see following discussion in Section C) funds for affordable housing could be raised by assessing non-residential property.
- **Local transportation sales tax revenues** - While it will probably be several years before Santa Clara County puts forth a new transportation sales tax measure, a portion of revenues from the measure could be earmarked to support construction of affordable housing near transit lines or transit stations. For example, a half-cent sales tax increase would generate approximately \$135 million per year, for use county-wide, over 20 years. If 20 percent of that amount were earmarked for affordable housing and that revenue stream were bonded, at least \$270 million per year could become available.

• • • • •

**Private Housing Assistance. Tools to make housing more affordable are not limited to the public sector. Among the private sector mechanisms that could be used to support affordable housing in Coyote Valley are:**

- **Location Efficient Mortgages (LEM's)** - LEM's are designed to help homebuyers who are interested in living in dense, transit-accessible neighborhoods. With a LEM, participating lenders take into account the transportation-related savings realized by households that use public transit amenities located within the community. This allows the lender to modify standard debt-to-income ratios, resulting in households being able to qualify for larger mortgages. LEM's typically benefit households that are just under the qualifying limit for market-rate housing—in other words, those with moderate incomes.
- **Employer Assisted Housing programs** - Around the country, some employers have developed innovative programs to encourage employees to live close to work. The G.1440 Company in Baltimore provides grants of over \$1,000 as a match to City provided dollars that help employees buy homes in selected neighborhoods. The company also pays the first month's rent of employees who rent in neighborhoods close to work. Another example is the San Francisco bio-tech company Tularik Inc., which provides home purchase loans of \$30,000 to \$70,000 to relocating employees.

• • • • •

**Density.** The Vision calls for a wide range of housing densities in the Valley, and encourages some housing at densities of up to 125 units per acre to allow developers to spread the cost of affordable units over larger numbers of market rate units. Density ceilings (i.e., maximum densities) should not be applied anywhere in Coyote Valley; instead the Vision recommends density "floors" (i.e., minimum densities) to encourage maximum creativity in the design of buildings with less costly units.



Affordable housing should be seamlessly integrated with market-rate housing.

• • • • •

**Incentives.** To assist developers in meeting the Vision's affordable housing goals, the City should develop a program of incentives that will help mitigate the cost of construction. Such incentives might include:

- “Reduction” or “waiving” of application and processing fees, and streamlined processing of applications for affordable housing developments. Under state law, these fees cannot technically be waived, but can be offset with redevelopment or general fund dollars.
- Reduction in parking requirements for affordable housing developments.
- Reduction in the park dedication requirements for affordable housing developments.
- Reductions in fees and requirements to market-rate developers willing to exceed the inclusionary housing requirements.
- Since a Master Environmental Impact Report (EIR) will be completed as part of the San José's Coyote Valley Specific Plan, the environmental review of specific projects can be tiered from the Master EIR minimizing the time and money spent conforming to CEQA.
- Allowing inclusionary units to have less costly interior finishes, appliances, and features.
- Provision of "reverse density bonuses" to developers who construct high-density, affordable housing projects. Although the average densities in Coyote Valley will be

high, some low density, high-end housing is compatible with the Vision. This strategy links the opportunity to build such housing to developers who assist in meeting the Vision's affordability objectives. For example, certain portions of the Valley might be zoned for moderate densities with the option of lower-density construction available to holders of special permits. Access to permits would be limited to developers that accomplish specified objectives that are beyond the minimum affordable housing requirements.



At least 5,000 affordable housing units will be developed in Coyote Valley.

## C. Community Facilities

In addition to housing, it is important that the Coyote Valley community provide convenient and affordable access to community services, particularly for lower-income households. The Vision recommends that key commercial and social services be located near transit to facilitate convenience and minimize vehicle trips. Key community services such as daycare (for children and seniors), health care, and job training, and key retail services such as grocery stores, dry cleaners, drug stores, etc. should be located near transit stations. By locating these facilities near public transit, families can accomplish all of their daily routines and errands without needing an automobile. The ability to function without a car on a daily basis translates into significant savings related to reduced automobile operation, maintenance, and insurance costs. It also translates into greater productivity and enhanced quality of life since less time is spent driving to dispersed destinations.

### Community Facilities and Services Districts

Some community amenities, like grocery stores, will be provided via market mechanisms. Others, like libraries and schools, have dedicated sources of public money to fund their development. Other facilities however, like low-income childcare and health care facilities, will benefit significantly from additional revenue sources.

A Community Facilities and Services District (CFSD) is a designated land area in which property owners agree to pay special assessments on their parcels in order to receive specific benefits from the local government. The terms of the District must be approved by two-thirds of the property owners before it can be implemented. Typically a District is used to provide services—like roads, sewers, and flood management—that are financially beyond individual landowners. While CFSD's typically only cover these major infrastructure projects, they can be used to fund other community amenities.

The City of San José has already designated a Community Facilities District for the North Coyote Valley. For a variety of reasons, including infrastructure costs, the need of landowners to coordinate on projects like flood management, and what may be a slow pace of development in Coyote Valley, a Mid Coyote Valley CFSD will also likely be established. The CFSD would plan and organize infrastructure requirements, allocate cost, issue bonds to finance infrastructure construction, and recoup its expenses over time from assessments on benefiting property owners.

The North Coyote Valley CFSD only covers major infrastructure needs. When the Mid Coyote Valley CFSD is created, the District should also be authorized to fund things such as:

- Costs associated with the affordable housing requirements (discussed earlier in this chapter).
- Costs associated with land preservation for parks, agriculture, and open space (discussed in Chapter IV).
- Costs associated with community amenities, such as provision of land for childcare centers or health clinics.

To equitably distribute responsibilities among landowners throughout the Valley, a supplemental North Coyote Valley district should be established that is authorized to handle affordable housing and community amenity costs.

### Childcare

As many as 4,250 children may require subsidized childcare slots or after-school care in Coyote Valley—1,320 between the ages of 0 and 5, and 2,910 between 7 and 17. This estimate is based on the following assumptions:

- 5,000 affordable housing units will be built in Coyote Valley.
- These units will generate .85 children per household (the average for the City of San José).
- The age distribution of children is the same as in the rest of San José.
- Households living in affordable housing will lack the economic capacity to pay for unsubsidized childcare and after school care.

An average daycare facility cares for 55 children, meaning that as many as 80 daycare facilities that serve low-income families may be needed in Coyote Valley. To partially accommodate this need, the Coyote Vision calls for sites for 10 childcare centers to be provided without cost to centers that offer subsidized slots to low-income families. The cost of these centers could be covered with funds generated through Coyote Valley's Community Facilities and Services Districts or via other mechanisms as deemed appropriate. Childcare centers should be located at all transit villages and at major commercial centers.

### Health Care

The City of San José currently has 21 clinics for an average of one clinic per 42,600 people. Based on this average, Coyote Valley should have two community clinics that provide services to all residents in the community, including the uninsured. These clinics will be especially important given the distance of the Coyote Valley community from a hospital. The land for these clinics should be provided without cost to a non-profit or public provider. Costs for the land could be included within the assessments allocated through the CFSD's and additional funding resources should be pursued to guarantee the construction of these clinics.



### Policy Recommendations:

• • • • •  
*Provide a minimum 22,000 square feet of library space to serve the new town. Priorities for the location of library facilities should include Central Park, the Town Center, and neighborhood commercial centers. Opportunities for the co-location of library and other community facilities should be explored.*

• • • • •  
*Provide at least 40,000 square feet of community center space to serve the new town. Priorities for the location of community center facilities should include neighborhood commercial centers and community parks.*

## D. High Quality Jobs

The Coyote Valley Vision calls for the creation of a diverse and integrated employment base that includes the full range of jobs and services necessary to support a community of 80,000 people, rather than developing the Valley primarily for a narrow sector of high tech office and industrial park jobs. Providing for a wide range of employment is an essential component of equitable, livable communities. Ensuring that a variety of job types exist in Coyote Valley will provide for an "interesting mix of people" that adds spice to day-to-day interactions, and help reduce vehicle trips by providing jobs, goods, and services all within the community.

### Small Business Opportunities

The creation of a new community provides the opportunity to support the development of new small local businesses. The introduction of large employers to the Valley will generate significant demand for support services. This in turn provides a perfect opportunity to incubate new small businesses that are owned and operated by San José residents, and ideally Coyote Valley residents. Studies have shown that locally owned businesses bring numerous benefits to a community, including much higher retention and reinvestment of profits within the community, greater likelihood to hire local workers, greater support, and synergy with other local businesses, and more community identity and pride.

### Job Training and Local Hiring

To sustain a diverse and stable employment base, the new community should commit to practices for training and hiring local residents. While the absence of any current residents in Coyote Valley makes this objective impossible in the near term, it should be a long-term objective once a residential population has been established. In addition to supporting the creation of a stable pool of trained employees, local hiring and job training practices will reduce commute time and distances as a higher percentage of local jobs are filled by local residents. While the job training might be operated by an independent party such as a local non-profit, larger employers should be encouraged to assist in the funding and operation of on-going job training programs. The service providers and advocates could use such funding as leverage to raise money from other public and private sources for job training.

### Employee Compensation

Several components of the Coyote Valley Vision—such as providing significant affordable housing and access to transit—will make it easier for low-income residents to live in Coyote Valley by reducing essential costs. However, the goal of economic diversity and social equity in Coyote Valley cannot be fully achieved unless residents earn adequate wages to cover necessary expenses. The City of San José recognized the critical importance of maintaining adequate wages when it adopted its "living wage" policy in 1998. The ordinance applies to firms that provide contract services to the City or that receive subsidies from San José. As opposed to the federal

minimum wage, which is \$5.15/hour, and the California minimum wage, which is \$6.75/hour, the San José living wage is \$10.10/hour with health care and \$11.35/hour without insurance.

One way of ensuring that employees earn enough pay to cover their expenses is to provide for a diversity of employers in Coyote Valley that pay decent wages, and to provide for the job training programs that will give Coyote Valley residents the skills to fill those jobs. The City should view the establishment and growth of firms that pay wages sufficient to support a family as an essential component of its economic development objectives for Coyote Valley.

During the next several years, it is also likely the City will be considering modifications to its economic development policies regarding job quality, including requirements that businesses that receive major subsidies or other specialized assistance from the City provide adequate compensation and benefits to their workers. Since the City will almost certainly be playing a substantial role in organizing the provision of infrastructure in Coyote Valley, and will probably provide other assistance to businesses, these future economic development policies, once adopted by the City, will likely be applicable to Coyote Valley. To the extent that these requirements involve costs that should be broadly shared throughout Coyote Valley, they could be partially funded by the Community Facilities and Services Districts.

### Policy Recommendations:

• • • •

*The City should establish a program that encourages Coyote Valley businesses—especially large businesses—to contribute to a job training program for local residents by donating seed money, program meeting space, and encouraging employees to volunteer time as teachers and mentors.*

• • • •

*The City should establish an incentive program that encourages the hiring of people educated through local job training programs.*

*Some job training facilities, especially those that serve low-income residents, could be partially funded with money generated by the Valley's Community Facilities and Services Districts.*

• • • •

*Many programs exist to support small businesses—from federal and State low interest loan programs to private community venture funds. The City should establish a program that assists local businesses in accessing these resources so they can establish operations in Coyote Valley.*

• • • •

*The City should establish a program of incentives that encourages larger businesses in Coyote Valley to commit to contracting with local businesses for a certain percentage of their service contracts.*

• • • •

*The City should provide zoning flexibility to support the development of live-work projects. Live-work buildings can provide excellent environments for the growth of new small businesses in that they can reduce the initial overhead associated with the start-up of a new business. Policies should be adopted to ensure that a percentage of these live-work units remain affordable over time.*



*Mixed-use projects such as the Historic Housewives Market in Oakland are excellent incubators for small local businesses.*