

Episode 2: What Is Opportunity Housing?

Welcome to Dwellings, a podcast from the City of San José Housing Department, where we talk with experts about ending homelessness, building affordable housing, and exploring housing policies at the city and state level. I'm your host, Alli Rico.

On today's episode, I'm joined by Michael Lane, director of SPUR San José, to talk about missing middle housing and opportunity housing in San José and the Bay area.

Alli Rico (AR): You are the San José director for SPUR. What do you do for SPUR?

Michael Lane (ML): Yeah so, obviously cover city hall and the key issues, land use, zoning, um, economic development from time to time, depending on the issue. Good governance is another one that we're following very closely to that obviously worked with, uh, transit issues as well. VTA and BART, we weigh in there, um, from time to time on those particular projects to try to really, um, push the urbanist agenda and message. I also do a lot of work at the state level still on behalf of SPUR. And we sponsored bills at the state level. We'll continue to do that as well. Michelle Huttenhoff is working on the, um, Guadalupe River Park and, and, and a lot of the design there and public, um, space, uh, making, uh place-making as she, as she calls it. Um, and just things to, to improve public spaces and amenities in the public realm.

AR: Can you define what “missing middle” housing is, and I know San José uses “opportunity housing,” so if you want to talk about why we use that specific term instead of missing middle housing, and then where did these, these terms come from?

ML: Sure. Dan Parolek from Opticos Design in Berkeley is credited with having, uh, coined that term. Uh, but it actually comes out of a larger movement. Uh, in particular, an opportunity also is a key piece of this, and I'll explain as we go forward, but it really comes out of the new urbanism movement, which began in the early 1990s. Which is really an “old urbanism,” but we call it new because we're trying to get back to the way human beings have lived for, for hundreds, if not thousands of years or millennia, uh, as, as it were. And something called the [Ahwahnee Principles](#), which was just a conference that was held in the Yosemite National Park in the early nineties as well, where we started to really embed smart-growth principles and human scale and livability, walkability, those kinds of things – sustainability, overall. And of course, that came out of the whole environmental consciousness and the movement of around Earth Day in the seventies, et cetera. And then we began to realize how important the built environment is and how planning affects everything we do. And of course, housing is just key. And the more that I've, I've worked in this, in this space for, you know, decades, I'm just totally convinced that really government has a real impact, obviously through the zoning and land use, but that also has a direct impact on our quality of lives and how we live and how we live together. And so I'm thrilled to be at SPUR now, too, because that's what SPUR is all about is how can we make our cities great places to live plan, work, as we say.

ML: But the idea is to get back to building patterns and types that are what we would call duplexes, triplexes, fourplexes oftentimes. I live here in South San José and when I walk

around my neighborhood, I see some of these older developments, um, where a fourplex is just a thing. It's just, it's just pretty common. Uh, we just stopped doing it for many decades. Um, and you can, it's not, it doesn't create parking problems. There's oftentimes there's offsite parking it's available. Uh, but it's just a more affordable way to live, particularly a very expensive place, like, like San José, where the median home price is a million dollars. Uh, we used to have something called starter homes where a young family could get into home ownership at an earlier age, but our homeownership rates have declined significantly too. So it's also kind of a solution for that, for those who would like to own their own homes, but also to make rentals more accessible near the urban core and near jobs. If we can have these smaller building types, we can create natural affordability or what we call affordability by design. And it's also can create more walkability, what we call gentle density, all those good things that we can do. So it gets all, a lot of stuff gets to a lot of, uh, co-benefits for us in terms of environmental, you know, just to, to, to, to build within the existing footprint and not have to annex additional land or sprawl out any further. You know, San José has already sprawled out significantly. And now it's really about building up and in, and obviously the urban core is important, but also in our neighborhoods. Because they basically have two building types that are available, uh, in the City of San José, which are the kind of the downtown high-rise towers, which we've been trying to promote, but that's a very expense. That's the most expensive building type, you know, steel over concrete, Class-A, type one kind of towers, very expensive. And so those rents are going to be very expensive and out of reach for, for much of our population. Or single-family homes, which as I said, you know, a million dollars, median price, that's also pricing people out. So can we create some gentle density, some smaller units and blend them in very well in existing neighborhoods and get people near, near transit and jobs in an affordable way. That's opportunity.

AR: You know, you mentioned that single-family homes, especially in this area, they're a million plus. And then we have these high-rise apartments that, while they're nice, they're all luxury buildings. They're going to be really expensive and out of, out of reach for most people. Who really is the target for missing middle housing, for this gentle density and like what demographic trends or patterns are there when it comes to building that, that housing and who lives in that housing?

ML: Yeah, so the way the term "missing middle" arose was really from the building type. But on the other hand, what we're trying to serve really as a more, uh, broadly speaking, I think moderate-income families and households, and that could be two income earners with a lower wages or, one person earning, um, a moderate income, which typically is 80% to 120% of AMI. Of course, our AMIs are very high, in the Bay Area and in particular in Santa Clara County. But so you can even go a little bit below that potentially. But it's your teachers, it's a middle management, um, could be folks who work in retail and restaurants if you have multiple incomes in a household. We just don't have that building type for people that, you know, even if they want to rent, the homes are very expensive to rent. And as you had mentioned, you really can't make something pencil out, unless you're building luxury downtown because of the cost of land, and labor and materials, um, to, to build those types of buildings as well. And so the idea is can we keep more of those, those essential workers that we need in our city, you know, in our schools, in our public agencies, uh, et cetera, keep them close and be able to work and live in the same, in the same jurisdiction. So that's,

that's one of the goals. We also have seniors who want to downsize now, and that if they downsize, they have to leave the area, typically, because even to get back in with something small, it's very expensive because we have, you know, scarcity. And so, uh, and I would say that families who are newly formed and are looking to rent or to afford to buy, I think they they're scared of the prices in the Bay Area and oftentimes feel they have to leave as well. And that can create a brain drain and we can lose a lot of our good young talent that way as well. So it's really a broad spec-, broad spectrum of people who want to, want a different kind of lifestyle. Oftentimes they want to be near amenities and they want the, the activity and the excitement and the culture of a large city. And to be able to live closely like you do, and to be able to walk to City Hall or to the theater, uh, or the convention center, those are just wonderful opportunities, and at different stages in our lives we want to do different things. So that's why I have a broad variety of options. It's really important and we've forgotten that. And that's, what's missing is the missing middle that can create additional opportunities for various lifestyles and different points of our, of our lifetime.

AR: So, one thing that I've noticed is that a lot of these building types, they look like they're all coming from, like the thirties, the forties, the fifties; what was happening to make this type of housing less appealing?

ML: You're right, we had the bungalow apartment, garden apartments; you'd oftentimes you'll see that in the twenties and thirties, but I think it really does trace back and sociologists, as well as planners have kind of identified sort of the post-World War II time period, um, when demobilization was taking place and veterans are coming back home, we had the GI bill and, um, you know, 30 year mortgages are become available. Mass production of cars. Uh, mass production of homes and subdivision tracks, right. To really create that kind of prosperity. Well, to put people back to work and make sure we didn't fall back into a depression. Right. But we already had just come out of, uh, during the war, great way to sell additional furniture, right. And domestic appliances. And so this whole mass production created this sense of, uh, prosperity. And then with the car, we thought, well, now we have a new freedom to travel. And so we can actually all have very large lots of homes, et cetera, single-family homes and subdivisions. Obviously, a lot of people were excluded from that. African-Americans are unable to get access to mortgages. Um, there were racially-restrictive covenants on existing homes. Very often, um, people of color were excluded from neighborhoods. So there was an, obviously a really dark side to this as well. And obviously land use and zoning politically part in that. You could have an invisible gated community just by making sure it was very expensive, um, and excluding people economically and racially. And so that's, that's obviously the downside, in addition to all the environmental impacts, it's the probably the least efficient and least sustainable, uh, forms that you can build, these tract-subdivisions.

ML: And so while it did create a momentary prosperity, it also creates tremendous burdens for local jurisdictions who have to provide the police and the fire services and pave the roads, uh, and provide the parks. And it became a very expensive kind of sprawling operation that we're now seeing impacts to San José, but so many other jurisdictions as well, to be able to staff up and to be able to provide all these services under the under, in the context of Proposition 13, where property taxes are of course limited, uh, and it creates all

kinds of fiscal challenges as well. So that's another great benefit of the smart-growth, dense, urban kind of, uh, gentle density, is that we can then try to build back our fiscal system as well, to be able to provide these amenities in a fiscally sustainable way, as well as environmentally sustainable.

AR: I feel like sometimes I hear people talk about developers aren't interested in this kind of housing and, a) is that even true? And if it is true, how do we, how do we get developers interested in building this kind of housing?

ML: Well, so you're actually absolutely right. We do have a labor shortage and a lot of the subcontractors that we do have are all focused on office buildings right now, because that's, what we've been doing is building large office complexes and most of the labor. And it's very lucrative. Most of the labor has been focused in, in that particular space. And so, there's been less availability or interest, less profitability, oftentimes in residential development. And as you said, we really haven't created that kind of a market or industry yet. We're starting to do that, for example, with the ADUs, and that's directly the result of state legislation, but also the City of San José, very proactively [making it easier for homeowners to understand how to build an ADU](#), for example, uh, and to make it accessible, go down and get your permits, you know, off the shelf pre-approved plans, whatever it may be - prefab, um, drop it in the backyard. And so we now have contractors who are willing to do that work because it can scale now and there's an ongoing, uh, workload as it were, they can actually allow a small GC or a small subcontractor, uh, to be able to afford to live and work here in this very expensive area. And to know that they're going to have consistent employment, because there's going to be a real need, as for ADUs. Can we do the same uh, for duplexes and triplexes, for example, can we make sure we have the bank financing that's necessary? And the answer is, is yes. If we have the right policies at the state and local levels to create that kind of environment and set the table, we can actually create a whole new industry here. It's going to bring in, uh, minority and women owned enterprises, for example, who are very interested in becoming contractors and subcontractors and doing this work. And it's actually going to be a source of economic development and small business development. In addition to providing the needed housing.

AR: That actually leads very beautifully into my next question. Um, I remember back in December at a General Plan meeting, Dan Parolek, uh, [he showed this image of a Sears and Roebuck catalog where you could actually buy a fourplex](#), like straight out of the catalog. And we're seeing that again, like you said, with ADUs where the city, we have a list of prefabs that you can purchase. How can we bring back prefab housing? And is that a viable solution for duplexes, triplexes, fourplexes?

ML: Well, I think we can, uh, and it's the way to go. We've got to bring down the cost per unit of housing. Absolutely. In all types of housing. Uh, and this is a way, certainly a way to do it. We've got to get people comfortable with the customer and the neighbors. Are they gonna, are they, how are they? And health and safety codes, for example, at the state and local levels. Will these materials hold up, you know, will the structures last, will they continue to look attractive over time? And so we have to get back into it. But I think quite frankly, the economics are going to drive us to more and more of these types of solutions

over time. And I've even heard about, you know, 3d laser printing or whatever, homes and so lots of, I'm not sure if we're there yet, but you know, all types of creative, alternative ways of providing new housing. And so it's going to take a top to bottom look, but there are lots of interests who oppose any of this, to make it easier to build, for a variety of reasons. Uh, so we'll have to overcome some of that opposition or then in exchange for doing it and making it easier, then we have to pile on additional, you know, fees or requirements. Um, and that that's always the danger. Um, you know, in California, we've tried to make something easier. Do others want to, to latch on as, as a policy hook? So we will want to be careful about that, but make sure we're doing it right. And maintain health and safety and attractiveness and durability. But I think the economics will continue to drive that as they've done with the ADUs for example. Uh, and I think, you know, particularly as the work-from-home movement may or may not grow over time, we have seen an uptick in demand or interest in, uh, creating additional space at one's home. Maybe, maybe living near an urban core, but not in it. And, and I think some of these building types of smaller building types and these alternative building methods and materials are going to make that possible for more people.

AR: Uh, particularly in San José recently, we've had conversations about opportunity housing and, you know, for like as much support as there has been for it, there has also been a lot of community pushback around it. How can we shift this community mindset to a more positive view of this type of housing? Like how, how do we, as government employees, as advocates, as nonprofits, how do we change that, that conversation, so it's a more positive conversation?

ML: Well, I think it's a, it's a cultural shift as well. And I'm really proud of, of the young people like you and others who have really worked in this space in promoting this and, you know, doing great work in the Housing Department as well to educate people and to show them that it doesn't have to be scary and in fact, it's how we used to live. And so this actually cuts across, I think, partisan politics and affiliations both there, you know? Republicans and Democrats who oppose new development, but others who say let's get back to a more humane way of living a more human scale, walkable, healthy kind of a lifestyle. And so I'm really seeing a movement in that direction as well. And if you can demonstrate that aesthetics are important, aesthetics kind of form how we are as a people together. And so as long as we can have those high design standards and aesthetics, um, and site plan review, that could still happen, uh, without killing a project, uh, it's kinda like the form-based code movement as well. Let's be less concerned about what's happening inside a particular building or how many people are there per, you know, dwelling units per acre. Let's just take a look at something that blends in well, that's attractive, but actually meets the needs of our people and to be able to afford to live near where they work. And so I think if we can make both that moral and aesthetic case as well, we need to bring that because we're not trying to harm people's lifestyle. It's actually trying to create a more healthy way of living in the world.

AR: The state of Oregon passed a missing middle bill, I think last year. Minneapolis recently eliminated single-family zoning citywide, and Portland within like the past two months just passed their residential infill, uh, project bill. Um, I know there have been a lot of bills in the

past, like maybe two or three years with the California legislature. What, what has California done to try or to successfully change zoning citywide? And what else can we do to make, make that kind of an impact on our cities?

ML: Yeah, I think it's an example of California sometimes isn't as progressive as it thinks it is. We're actually, we're falling behind, uh, some of these other states and jurisdictions, which is unfortunate. And as you know, Scott Wiener running bill SB 50, which had some of these components and was really, I think, building on and based on some of the work that had happened in Minneapolis and in Portland and, and Oregon. Uh, for example, but we're not giving up hope. We did have a bill, SB 1120, that the Senate president pro tem, uh, Toni Atkins had run and actually got through the legislature. But then at the end of the session, it got caught up in needing a concurrence vote and didn't quite make it, but the votes were there and that's the good news, uh, to really make by-right, uh, uh, lot splits and duplexes, which would be tremendous progress. And that's all we're asking from the state is not to be too prescriptive, but just hit kind of a baseline, those more progressive jurisdictions that want to do more can do that. But at a minimum, I think the other argument that creates additional property rights for someone who owns a piece of property may want to do something with it. So it's not one size fits all. It's just, this is kind of the basics. If we're really going to move and address climate change, which I think that's another big issue with all these fires going on. That's really brought people's attention to the fore about how and where we build is so important. Uh, and it's not a question of not building at all or trying to maintain, in amber, neighborhoods. I mean, no neighborhood should see radical change, but every neighborhood is going to have to see some change, is kind of the Strong Town's movement likes to put it. Uh, and so I think that's the message we want to deliver, but let's bring the good examples. Maybe it's a pilot program where we have some willing, uh, homeowners. I mean, that's the other thing when these bills pass, it's not like immediately overnight, you're going to have everyone demolishing their homes or creating duplexes. It's going to be really more subtle than that. It's going to take time. Um, and I know people claim that Wall Street is going to come in and buy up all these homes, but I'm just not, um, necessarily seeing that, what we'd like to do is create more home ownership opportunities. I think for households of color, for lower income households, for people across the spectrum, really in a metropolitan area where there are, uh, good employment opportunities. And, and these are ways that we can get at that.

AR: Uh, kind of, kind of to build off of that, Vox recently had an article and then Sightline kind of built on it, this idea of, when the state approves this type of legislation, where it loosens restrictions on zoning, the state doing it, doesn't have to, it just gives cities more of a, um, a green light to do the thing that they might've been trying to do for a while, but didn't really feel any pressure to do it. And I'm wondering if like a bill, like SB 50 or SB 1120, do you see that, do you see that giving San José some fire to be like, Oh, okay. Now that we have like goals from the state, this is going to be a lot easier instead of trying to do it on our own.

ML: I think that's right. Sometimes it takes the forcing mechanism of the state to preempt the local jurisdictions, because if you wait around, even in the more progressive jurisdictions, it's very difficult as you saw with the opportunity housing discussion. I mean,

San José is a large city. Yes. But let's face it. It's really a series of suburbs kind of stitched together, um, in reality. And so we have to make the case that we're not ruining people's quality of life. We're actually improving the overall quality of life for everyone and making our city function better.

AR: Is the solution to missing middle housing about creating new housing product, implementing local zoning changes, establishing more income-restricted housing, or a combination, or is it something else?

ML: Of course the answer's yes. Right? All of the above. We're all about, cause there's no one particular policy that's going to solve this. Uh, and it's like inclusionary housing, very effective, very important. It can also be, uh, can, um, can limit, um, development or make it infeasible if it's, if it's excessive. And so it's always a balancing act right with these various policies. Uh, but to the extent that San José can, can lean forward on this, it's very helpful to have, you know, the third largest city in the state saying yes to legislation instead of saying, hell no, cause we've got lots of folks up there in the Capitol opposing some of this. But then also demonstrating locally how to do it and how to implement, which you've done with the ADUs, for example. So we'd love to see you take up the opportunity housing and get the green light from the City Council. Really, I think to pursue this and then have some demonstration projects and some willing, um, homeowners who are willing to say, hey, we can do this the right way and we can show you. I mean, we obviously we can bring in pictures, but it's also good to see some live examples. And sometimes, and I know you've done this in the past too, is that we take people on tours, they can be walking tours, or we can take them on the bus cause San José's a big city, you know, but, um, to just show them some neighborhoods, because sometimes we think it's all single-family, but like, like you said, in your neighborhood or in mine, there's lots of examples of the way this can work very well. And it can be very beneficial, uh, to, you know both the tenants and the owners and the neighborhoods and the schools and, and quite frankly, some of our legacy commercial centers that are out there, they're dying, let's, let's redevelop and repurpose those and make some kind of a mixed-use and mixed-income communities that can be much more, more dynamic. And I think it'd be better, uh, for the city in every manner of way, including, uh, generating revenues for the city.

AR: I have some friends that live, like, in Campbell and in, in cities, smaller cities surrounding San José, and they have been very interested in what San José is going to do for opportunity housing. So I'm wondering if you can speak at all to what SPUR is hoping to see. Like, if, if San José does this, how great will that be for the rest of the region? And like, are you hoping that Oakland and San Francisco will then go like, well, if San José did it, then....

ML: As San José goes, goes the Bay Area and California. Now we're encouraged to be bold. And to provide that leadership. I know Mayor Liccardo and the Council are really interested in that. Uh, but it, it would really, I think create the kind of leadership that we need right now to say, for all kinds of reasons, and to meet our climate change goals and everything, economic recovery, all kinds of, of benefits that would accrue apart from just the housing, which we all also need very much. And so let's, let's, um, address the issues of concern that are valid, that, that our residents may have, but let's not allow negativity to dominate, uh, or

opposition, um, to win the day, I think on this, because this is just too important for future generations and for our own, you know, our current, um, quality of life quite frankly. To make transit run better, and every everything worked better um quite frankly, so it's really a time to stand up and be bold. And that's why I think the department can really play a key role by bringing forward people like Dan Parolek and show people what this looks like and what the potential and possibilities are. And we begin to say, Hey, this isn't so unusual. It's just that we stopped doing it for a while. And so we forgot. And so now we've got people defending the status quo, which quite frankly, is a relatively recent status quo, which really isn't working for a lot of people anymore. Um, and so let's get out there and make and make that case, but do so, you know, as, as, um, um, as truthfully as possible, you know, and, and, and not, not attack people who were opposed, but just kind of bring them along because we understand, um, the fears, but this is not fear of the unknown because it's the known, it's what we've done before. And like I said, the newer, urbanism is the old urbanism that we really want to bring, bring back and get back to.

AR: So what, what would be one piece of advice that you would give to people? Uh, If they are looking to get more involved in creating more options for housing and in the town that they live in, whether or not it's in San José?

ML: Yeah. So Dan Parolek actually has some a new book out, *Missing Middle Housing*, which is exciting, but he also [has a great website](#), which is for free and just go on there and take a look. But start to, um, educate yourself, get aware of some of the pictures that you talked about and, and some of the renderings about what it actually looks like and what we're talking about and begin to, to share this with other people as well, uh, so that we can reduce the fear factor and really realize that we're actually bringing back a more humane, uh, style of life and quality of life. And that's really what we're all about. Fundamentally, it's not about units in our buildings. It's actually about people and the way we all live together. And so that's, that's what, what this is all about. And so let's, let's take those good examples. Let's share pictures with each other about what duplexes and triplexes look like and how beautiful they can be, uh, and, and really blend in well with exist, in existing neighborhoods and, you know, and without disrupting the character of the neighborhood at all. In fact, I would say actually enhancing it and may in many ways. Um, with a, with a, with a lifestyle that we actually had in the last and whether we can, that we can, can recapture. And so going to that website. I would say also with this comes before the City Council, we need people, we need your support, let's get out there and talk about this. Uh, let's bring those examples also from other states and jurisdictions that have done this, um, and make the case, as I said, if you go into that four year, the [General Plan review task taskforce website](#), you can see the SPUR letter, but you can see other communication too, on opportunity housing and how people are weighing in on that. But we need, we need people to come out and raise their voice and say, look, we support this. We not only don't think it's destructive of existing neighborhoods, we actually think it's beneficial, to our city and to our people.

Thanks again to Michael Lane for joining me on today's show. To learn more about the work SPUR does in San José and the Bay Area, check out their website at [SPUR.org](#).

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