CITY OF MILPITAS MARKET STUDY

SUBMITTED TO

City of Milpitas

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CITY OF MILPITAS MARKET STUDY

Executive Summary

Introduction to Study

In late 2006, the City of Milpitas contracted with Vernazza Wolfe Associates, Inc. (VWA) and Lamphier-Gregory to undertake a housing market study of current conditions and trends. The primary purposes of this study are as follows:

- Assess whether market conditions and city policies encourage the development of a diverse range of housing to meet the needs of residents and employees.
- Provide useful information for the upcoming Housing Element Update.
- Identify residential opportunity sites.

The information for this report was collected in Winter/Spring 2007. At the time information was collected for this study, the residential market was already showing signs that prices were weakening, and developers were considering whether to begin new projects, including additional phases of developments already started. Within the last year, the Bay Area has experienced problems with the mortgage market and a slowing of the overall economy, similar to most areas in the United States. At present, the housing market is experiencing one of its periodic slumps. However, as is the case with housing market cycles, at some point in the near future, it can be expected that development active will resume.

Demographic and Housing Trends in Milpitas

Relevant demographic and housing trends in Milpitas can be summarized as follows:

- Population and household growth will continue, both increasing by about 40% in the next 25 years.
- Average household sizes will remain relatively high.
- Average household incomes in constant dollars will increase by almost one-third in the next 25 years.
- There will be a continued imbalance between jobs and housing. However, there will be a slight improvement in this imbalance over the next 25 years.
- Employment will increase by about 30% in the next 25 years. The occupational categories with the highest growth are Computer and Mathematical, Sales, and

Construction.

- Overall, about 20% of people working in Milpitas live in Milpitas. Providing more housing choices could increase this percentage. However, since the Milpitas market is part of a larger housing market area, there is no guarantee that newly constructed housing will be occupied by Milpitas employees.

- Sales prices have increased since 2003. This has encouraged more for-sale development projects.

- Buyers prefer single family detached units, but settle for condominium units due to lower sales prices.

- Some move up housing is available, particularly in the lower hills and hillside locations.

- Although rents are rising slowly and vacancies are low, for the most part, private developers are not building rental housing in Milpitas.

New Development

Market rate developers are building housing that meets the demand of some market segments. The focus is on middle-income, high density condominiums, flats, and townhomes. Recent development trends in Milpitas indicate that the zoning regulations and ordinances adopted by the City are encouraging higher density housing near transit and other transportation corridors. In contrast, little housing is being developed in the hills, which are protected by an Urban Growth Boundary and hillside development standards.

In comparison to existing densities in the City, the new housing is built at much higher densities and is primarily multifamily. The majority of new and planned units are for-sale. Only 17% of new units are designated for the rental market. The type of housing under construction or planned can be described as high density, middle-income housing. A review of current sales prices indicates that while one-bedroom units below 1,000 SF in size are affordable to households earning average incomes in Milpitas, other new units are not affordable.

While new development provides homeownership opportunities for first-time homebuyers with incomes over $130,000 (and assuming savings of over $100,000), the type of new housing units planned and under construction is limited. For example, these new developments do not provide market options for those buyers who prefer single family homes (with front and backyards), nor does the market suit the needs of buyers that prefer larger or more luxurious homes.

Finally, the City is making good progress in expanding its inventory of affordable housing. However, there remains unmet demand for these units.

Opportunity Sites

This study analyzed all vacant sites, regardless of current zoning designation. There is a limited supply of vacant, residentially zoned parcels. Based on an analysis of all vacant sites (both residentially zoned and non-residentially zoned), the following sites and potential number of units on these sites are as follows:

- Potential for 119 units on vacant, residentially zoned land located east of I-680 to city boundary. A large parcel on North Park Victoria Drive appears promising.
- Potential for 376 units on vacant, non-residentially zoned land, located east of I-880 to Evans/Piedmont Roads.
- Potential for redevelopment of existing residential sites in older subdivisions located east of I-680 between Landess Avenue and Calaveras Boulevard.

Executive Level/Luxury Housing

At the initiation of the market study, staff and the consultants discussed ways to define luxury housing. Although the term "Executive Level Housing" has been used by staff and the City Council in initial discussions of the demand for high-end housing, the real estate market refers to executive level housing as luxury housing. Thus, the focus on this aspect of the market study is luxury housing.

Recommendations for Luxury Housing in Milpitas

Given Milpitas' regulatory framework and existing land use patterns, this study determined that the following types of luxury housing would make sense in Milpitas:

- High-rise multifamily (ownership and rental) – The advantages of high-rise development include views from windows, project amenities such as fitness centers and concierge services, and higher densities that reduce the land area needed for a building site. Both rental and ownership high rises are being developed in Silicon Valley. At this time, one high rise is planned in Milpitas (Landmark Tower).

- Mid-rise multifamily (ownership) – While there are mid-rise buildings under construction and planned for in Milpitas, none of these is considered a luxury development. Current densities allowable in the Midtown Specific Plan and the Transit Area Specific Plan Areas support mid- to high-rise, multifamily development. It would be possible to build mid-rise luxury housing units in these areas.

- Townhomes (ownership) – Townhomes are currently under construction at Terra Serena and planned at Town Center. Neither of these is a luxury development. Townhomes can be built in a variety of locations, since densities are lower.

- Large single family homes in small subdivisions (ownership) – There are opportunities for more small subdivisions of luxury single family homes. Optimal locations would be between I-680 and the hills.

- Individual hill homes (ownership) - Given the size of the lots in the hills, large villas can be constructed on hillside sites. Small subdivisions are rare in the hills; instead, hillside homes are built individually.

Identification of Vacant and Under-Utilized Sites for Luxury Housing

The best sites for single family luxury housing are those with views, located in quieter parts of Milpitas. Among the opportunity sites discussion above, recommended locations for single family luxury housing include the hills and portions of the residential area located between I-680 and Piedmont Avenue, between Landess Avenue and East Calaveras Boulevard. In addition, there is a 4.8-acre vacant parcel on North Park Victoria.

Recommended sites for luxury high rises are those within or adjacent to the specific plan areas with high densities, but located at a distance from I-880 in order to enhance views and reduce congestion.

Market Study Conclusions and Recommendations

- The City should consider developing an outreach program to luxury housing developers.

- The City should reconsider densities and product types to fit the needs of larger households.

- The City should consider undertaking site assembly and other actions to encourage targeted residential development.

- The City should reconsider rezoning industrial land for residential use.

- The City should consider working with neighbors of key development sites to address their concerns and overcome potential obstacles.

Introduction to Study

In late 2006, the City of Milpitas contracted with Vernazza Wolfe Associates, Inc. (VWA) and Lamphier-Gregory to undertake a housing market study of current conditions and trends. At that time, the City was in the middle of a major residential building boom, fueled, in part, by favorable financing, increased residential densities allowed in the Midtown Specific Plan Area, and strong market demand for ownership housing. While this building boom is attributable to

private development decisions, the City established the regulatory framework that encouraged new residential projects.

An important policy question for the City is whether its regulatory framework has facilitated the type of housing that meets housing demand of current residents and current and future employees. By providing a range of housing in Milpitas, it is the City's hope that there are move-up options for current residents, a reduction of employee commuting, and housing options with which to retain and attract major corporate employers. Since executive level housing (referred to in this report as luxury housing) has not been characteristic of the Milpitas residential market, a special chapter of this report focuses on luxury housing options in Milpitas.

Secondly, the City will be updating its housing element in 2008. Research on the housing market will be helpful in writing up background information sections in the housing element as well as helping the City formulate new housing policies and programs to be included in the housing element update.

A third issue of interest to the City is to learn more about potential building sites. Because there is so little vacant land in Milpitas that can be developed, the City is interested in identifying potential residential building sites. Identification of these opportunity sites can be useful in guiding developers to potential locations outside of the specific plan areas. Also, this information is useful in updating the City's Housing Element.

The information for this report was collected in Winter/Spring 2007.

Background to Milpitas Housing Market

The purpose of the background section of the Housing Market Study is to provide relevant information in the following areas:

- Demographic trends and projections
- Employment
- Sales price trends
- Rental market trends
- Homebuyer characteristics and preferences

This information is useful in assessing balance between supply and demand in the housing market.

Demographic Trends and Projections

The Association of Bay Area Governments (ABAG) provides the most recent projections for the City of Milpitas and Santa Clara County. Table 1 provides City of Milpitas projections between

2005 and 2030 for population, number of households, persons per household, jobs, employed residents, and average incomes. Information for Santa Clara County is provided for comparative purposes. Also, a measure of jobs to households provides a proxy measure of the comparison between jobs and housing.

Table 1: Demographic Projections 2005-2030, Milpitas Sphere and Santa Clara County

	City of Milpitas		Santa Clara County	
	Number	**Percentage Change**	**Number**	**Percentage Change**
Population				
2005	64,900		1,763,000	
2030	90,500		2,279,100	
Change	25,600	39.4%	516,100	29.3%
Households				
2005	17,890		595,700	
2030	25,500		769,750	
Change	7,610	42.5%	174,050	29.2%
Persons per HH				
2005	3.45		2.91	
2030	3.42	-1.0%	2.92	0.4%
Jobs				
2005	47,650		872,860	
2030	62,560		1,272,950	
Change	14,910	31.3%	400,090	45.8%
Ratio of Jobs to Households				
2005	2.66		1.47	
2030	2.45		1.65	
Employed Residents				
2005	26,070		734,000	
2030	47,170		1,232,300	
Change	21,100	80.9%	498,300	67.9%
Ratio of Jobs to Employed Residents				
2005	1.83		1.19	
2030	1.33		1.03	
Mean Income				
2005	$99,700		$97,900	
2030	$132,300	32.7%	$127,300	30.0%
Change	$32,600		$29,400	

Sources: ABAG's Projections 2007 and Vernazza Wolfe Associates, Inc.

Information presented in Table 1 reveals the following trends:

- Growth rates in the population and number of households are higher in Milpitas than in the County as a whole. During the 25-year period (2005-2030), the City's population is projected to grow by over 25,000 persons, and households are projected to grow by about 7,600 households. The population growth rate of 39% is similar to the growth rate in the number of households (42%) and indicates that average household size is unlikely to change.

- Average household size of over 3.4 persons per household stays about the same between 2005 and 2000. Average household size continues to exceed the Santa Clara County average household size of 2.9 persons per household.

- While jobs are expected to grow by over 30% in Milpitas, Santa Clara County's job growth rate is higher at 46%.

- There continues to be a mismatch between the number of jobs and the number of housing units (as measured by the number of households) in Milpitas.[1]

- Although the imbalance between jobs and employed residents continues in Milpitas, ABAG projects that there will be a better balance by 2030.

- The same ratios (jobs per housing units and jobs per employed residents) for Santa Clara County continue to show a better balance than Milpitas between 2005 and 2030.

- Finally, average household incomes in real dollars are projected to increase in Milpitas between 2005 and 2030 (from $99,700 to $132,300). The increase in income is slightly higher in Milpitas than in Santa Clara County.

Employment Growth and Projected Wages

Table 2 shows job growth by employment sector as projected by ABAG. Total jobs are anticipated to increase by about 15,000, for an increase of one-third between 2005 and 2030. The sectors with growth above 50% are Financial and Professional Services and Health, Education, and Recreational.

[1] ABAG's Projections do not estimate housing unit growth. However, by definition, the number of households cannot exceed the number of housing units. In areas with high vacancies, the number of housing units can exceed the number of households. However, according to the population and housing estimates provided by the State Department of Finance for January 1, 2007, the housing vacancy rate in Milpitas is approximately one percent. Thus, the use of households to approximate the number housing units is a valid approach.

Table 2: Job Growth by Employment Sector, City of Milpitas

Employment Sector	2005	2030	Numerical Change	Percent Change
Agriculture and Natural Resources	180	170	-10	-5.6%
Manufacturing , Wholesale & Transportation	25,370	29,140	3,770	14.9%
Retail	4,150	5,500	1,350	32.5%
Financial & Professional Services	4,610	7,070	2,460	53.4%
Health, Educational & Recreational	8,510	12,830	4,320	50.8%
Other	4,830	7,850	3,020	62.5%
Total Jobs	47,650	62,560	14,910	31.3%

Source: ABAG's 2007 Projections and Vernazza Wolfe Associates, Inc.

Projecting incomes associated with estimated job growth in Milpitas provides one way of thinking about the future demand for housing in the city. What new jobs will be created and at what wage or salary levels? The State of California Employment Development Department (EDD) provides occupational projections from 2004 to 2014 for the San Jose-Sunnyvale-Santa Clara MSA (Santa Clara and San Benito Counties). Although these projections are not broken out by city location within the County, information can be extrapolated from this data source to describe job growth in Milpitas and is presented in Table 3. (Appendix Table A1 provides detailed employment tables for the entire MSA.)

Table 3 presents estimates of the number of new Milpitas workers during the ten-year period for the occupational categories with median wages above $80,000 annually. These estimates assume that the share of new jobs added in Milpitas will equal the same percentage of all jobs in Santa Clara County that were estimated for the City as of 2005 (5.5%). Based on this distribution, Milpitas could experience growth of 1,600 well-paid jobs, with median salaries ranging from $82,410 to $122,658. Many of the jobs (716) will be in the Computer and Mathematical Occupations category (annual median wage of $92,269). Most of these employees, particularly those living in households with two wage earners, would be able to purchase a home in Milpitas. (See Table 4.)

Table 3: Selected Employment Projections - 2004-2014
San Jose-Sunnyvale-Santa Clara MSA and City of Milpitas

Occupational Title	Total New Jobs 2004-14 MSA (1)	Estimated New Jobs 2004-14 Milpitas (2)	Median Hourly Wage (3)	Median Annual Wage (4)
Management Occupations	7,560	416	$58.97	$122,658
Legal Occupations	850	47	$55.31	$115,045
Computer and Mathematical Occupations	13,020	716	$44.36	$92,269
Architecture and Engineering Occupations	4,430	244	$40.90	$85,072
Healthcare Practitioners and Technical Occupations	4,000	220	$39.62	$82,410
Sub-Total New Jobs Paying Median Wages Greater than $80,000	**29,860**	**1,642**		
Sales and Related Occupations	9,580	527	$15.66	$32,573
Construction and Extraction Occupations	8,160	449	$24.35	$50,648
Sub-Total New Jobs in the Second and Third Fastest Growing Occupational Categories	**17,740**	**976**		

(1) Although the MSA includes both San Benito and Santa Clara Counties, Santa Clara Count accounts for 98% of the jobs.
(2) Based on Milpitas's overall share of jobs in the County in 2005 (5.5%), based on ABAG's 2007 Projections.
(3) Median Hourly Wage is the estimated 50th percentile of the distribution of wages; 50 percent of workers in an occupation earn wages below, and 50 percent earn wages above the median wage. The wages are from the first quarter of 2006.
(4) The Median Annual Wage is the Median Hourly Wage multiplied by 2,088 hours.

Sources: State of California Employment Development Department and Vernazza Wolfe Associates, Inc.

Table 4: Affordable Sales Prices at Selected Household Income Levels

HOUSE PRICE	**$370,000**	**$400,000**	**$450,000**	**$550,000**
Assumptions				
Interest Rate	6.5%	6.5%	6.5%	6.5%
Term	30	30	30	30
Loan	$296,000	$320,000	$360,000	$440,000
Downpayment (20% of price)	$74,000	$80,000	$90,000	$110,000
Property taxes	1.093%	1.093%	1.093%	1.093%
Determination of Monthly Housing Costs				
Mortgage payment	$1,872	$2,024	$2,277	$2,783
Taxes	$337	$364	$410	$501
Total Monthly Housing Costs	$2,209	$2,388	$2,687	$3,284
Monthly Income Required	$7,364	$7,961	$8,956	$10,947
Annual Income Required	$88,368	$95,533	$107,475	$131,358

HOUSE PRICE	**$650,000**	**$750,000**	**$850,000**
Assumptions			
Interest Rate	6.5%	6.5%	6.5%
Term	30	30	30
Loan	$520,000	$600,000	$680,000
Downpayment (20% of price)	$130,000	$150,000	$170,000
Property taxes	1.093%	1.093%	1.093%
Determination of Monthly Housing Costs			
Mortgage payment	$3,289	$3,795	$4,301
Taxes	$592	$683	$774
Total Monthly Housing Costs	$3,881	$4,478	$5,075
Monthly Income Required	$12,937	$14,927	$16,917
Annual Income Required	$155,242	$179,125	$203,008

Source: Vernazza Wolfe Associates, Inc.

On the other hand, new employees working in the second and third fastest growing occupation categories (sales and construction) would earn lower salaries of $32,573 and $50,648 respectively. It is likely that these new employee households would be priced out of the Milpitas market.

Three adjustments are necessary to convert the estimated number of new jobs to an estimate in demand for additional housing units. The first adjustment is to translate job growth into household growth. As of the 2000 Census, there was an average of two wage earners in every household. A second adjustment is to estimate the number of these households that would live in Milpitas. Again, based on the 2000 Census, a conservative estimate is that 20% of the new employee households would live in Milpitas.[2] Finally, a third adjustment assumes that the second wage earner in a household earns at least one-half the salary of the primary wage earner. Therefore, the wages described above are increased by 50%.

Thus, the expected job creation of 1,600 higher paying jobs in Milpitas could generate demand for approximately 164 market rate housing units, priced between $550,000 and $750,000 in current dollars. However, the two second fastest growing occupational categories (Sales and Construction) could create 975 new jobs and potentially generate demand for 98 additional affordable housing units.

Residence Location of Current Employees

To assess whether the Milpitas housing market presently meets the needs of employees currently working in Milpitas, it is helpful to consider where employees live and to see whether there is any difference in residential location based on income levels. Since 2000, one of the more important planning issues in the San Francisco Bay Area is whether the housing market can provide opportunities for members of the local work force to live near their jobs. Work force housing can be defined as housing for households earning up to 150% of the area median income. For a four-person household in the City of Milpitas, the upper income limit for work force housing is $141,750. This income is adequate to purchase a home that costs $575,000, assuming a 20% down payment and a fixed rate 30-year loan at 6.5%.

When housing is available and affordable to the local work force, individuals and communities benefit. There are several reasons why it is important for the local work force to live in or near the city where they work.

- Employees with local responsibilities, such as teachers, understand the local communities better by living in the area and can participate in community activities.

- Employees can respond faster to unexpected events. For example, there can be faster response times by firefighters, police, and technicians whose services are required unexpectedly.

[2] It is possible that if more housing options are available in Milpitas, a higher percentage of employees would live in Milpitas. Thus, providing an estimate based on 2000 Census information can be considered “conservative.”

- By living closer to jobs, resident employees spend less time commuting. This is a regional goal designed to protect air quality and reduce traffic congestion.

- Reduced commuting also allows more time for residents to be active in the community, participate in local government, and spend more quality time with their families.

While there is no one source of information describing all employees who work in Milpitas, this Market Study was able to collect information on residence locations and incomes of Milpitas Unified School District and City of Milpitas employees. In addition, the 2005 Economic Strategic Plan for the City of Milpitas provided information on residence location of employees that work at one of the major corporations in Milpitas.[3]

First, approximately the same percentage of City of Milpitas employees and corporate employees live in Milpitas. According to Table 5, 18% of corporate employees and 19% of City of Milpitas employees live in Milpitas.[4] Interestingly, the percentage of School District employees residing in Milpitas is almost double these rates at 35%. About the same percentage of employees from all three subgroups live in San Jose and the Tri-Cities (Fremont, Newark, and Union City). However, a higher percentage of corporate employees (in comparison to School District and City employees) lived in one of the other Santa Clara County cities.

Table 5: Residence Location of Milpitas Employees

	City Employees	**School District Employees**	**Corporate Employees**
Milpitas	19%	35%	18%
San Jose	26%	30%	27%
Tri-Cities	11%	12%	11%
Other Santa Clara County	12%	12%	23%
Total (Four Locations)	**68%**	**89%**	**79%**
Additional Locations	32%	11%	21%
Total Number of Employees in Analysis	413	870	252

Sources: City of Milpitas Dept. of Human Resources, Milpitas Unified School District, and the City of Milpitas Economic Strategic Plan.

Knowing more about employee incomes provides some assistance in understanding why School District employees are more likely to live in Milpitas.

- For School District employees, the median income of employees residing in Milpitas is $41,200. In comparison, the median income of School District employees living in other Santa Clara cities is higher at $67,805. In other words, those School District employees with lower incomes tend to reside in Milpitas.

[3] A survey of all employees at one major Milpitas employer was conducted in 2004/05; 263 employees returned surveys.
[4] The percentage of corporate and city employees living in Milpitas (18% and 19% respectively) is very close to the percentage of city residents who work in Milpitas (20%) according to the 2000 Census.

- Similarly, city employees who live in Milpitas have lower incomes than employees living in other locations. The median income for City of Milpitas employees who live in Milpitas is between $53,051 and $84,900. In comparison, the median income of city employees who live in other Santa Clara County cities is between $94,501 and $113,400.

Possible explanations for this income differential between employees living in Milpitas and employees residing in other areas include the following:

- Housing Affordability – Housing costs less in Milpitas relative to other locations. Therefore, employees earning less money are more likely to live in Milpitas.

- Renters – Employees with relatively lower incomes are more likely to be renters and may be less willing to commute longer distances than are homeowners.

A final issue to consider is whether the City of Milpitas should pursue policies to encourage more employees working in Milpitas to live in Milpitas. Milpitas is part of a larger housing market area. There are many reasons for locational preferences within this market area that may have nothing to do with the cost and type of housing and the amenities and services available in Milpitas. For example, proximity to a spouse's job or other family members may be as important as the type and price of available housing. Consequently, as long as the housing market in Milpitas is able to provide options for all market segments, employees can decide where to live, based on personal preferences.

Sales Price Trends

Sales prices have been steadily increasing throughout the San Francisco Bay Area since 2000. While some prices fell in Silicon Valley in 2002 (particularly prices at the high end of the market), overall prices have continued to rise. Table 6 compares 2004 sales prices in Milpitas with 2006 prices. Although the number of existing single family homes and condominiums that sold declined between 2004 and 2006, prices increased by an average of 23% for single family homes and 94% for condominium units. For investors and buyers already in the market, these price increases provide profits that can either be reinvested in housing or used for other purposes. However, for buyers, particularly first time buyers, home purchase has become less affordable.

Table 6: Resales of Existing Housing (2004-2006)

	2004 Sales of Existing Homes		2006 Sales of Existing Homes		Percent Change (2004-2006)	
	Single Family	**Condos**	**Single Family**	**Condos**	**Single Family**	**Condos**
No. of Units	841	274	533	176	-36.6%	-35.8%
Median Price	$543,000	$287,000	$681,000	$500,000	25.4%	74.2%
Average Price	$577,910	$259,706	$708,354	$503,712	22.6%	94.0%
Price Range	$410,000 - $3,200,000	$50,000- $400,000	$175,000- $2,050,000	$161,000- $710,000		

Source: DataQuick and Vernazza Wolfe Associates, Inc.

It is not possible to provide a comparison table of new home sales prices in 2004 and 2006, since only three new single family homes and one new condominium unit were marketed in 2004. However, information on new housing units is available for 2006. As Table 7 indicates, the median price for new condominiums was $523,000 in 2006, and the median price for new single family homes was $1,190,000. The average price of new condominiums at $503,358 is about the same as the average price of existing (or resale) condominiums that sold in the same year.

While the median and average prices for new single family homes are much higher than the sales prices for existing single family homes, this comparison may be misleading due to the small number of new single family homes sold in 2006. There were only 13 new single family homes sold during this period in comparison to 533 sales of existing units.

Table 7: Sales Prices of New Homes (2006)

	New Housing	
	Single Family	**Condos**
No. of Units	13	183
Median	$1,190,000	$523,000
Average	$1,175,000	$503,358
Range	$1,080,000- $1,230,000	$239,000 - $679,500

Source: DataQuick and Vernazza Wolfe Associates, Inc.

Furthermore, 12 of the 13 new single family homes listed above are part of Kennedy Park, the only luxury single family home small subdivision recently built in Milpitas.

Trends in the Rental Market

The percentage of Milpitas households that rent was 30% as of the 2000 Census. This is a relatively low proportion of renters. In comparison, the percentage of renters in Santa Clara County was 40% in 2000, and 43% statewide.

Rental housing units may be single family homes, duplexes, small complexes, and larger rental complexes. One of the larger new complexes, the Crossroads, was recently converted to condominium units. Other rental developments include mixed income developments such as the Crossing at Montague, Montevista Apartments, and Sunnyhills Apartments, and market rate developments (Dry Creek Apartments, Mill Creek, and Casa Grande). Vacancy rates are low. According to the State of California, Department of Finance (2006), the vacancy rate in Milpitas (for both rental and owner-occupied housing) was very low at 1.3 percent.

Market rate rents dropped in 2003-2004, but are presently increasing. According to information provided on apartmentratings.com website for Milpitas, rents paid at 14 apartment complexes are climbing after they dipped to a low in 2003-2004. For example, the unadjusted average rent for a two-bedroom unit in 2004 was $1,200, and in 2006, the average rent for the same complexes for a two-bedroom unit had climbed to $1,500.

The only new market rate rental project included on the new development project list for the City of Milpitas is the apartment component of the Fairfield Murphy Ranch Project located near I-880. A total of 374 apartment units are planned. The majority of these units are one- and two-bedroom units. In addition, two new affordable rental projects will be developed in Milpitas. One is under construction (DeVries Place, a 100% affordable senior housing project), and the other (Aspen Family Housing, a 100% affordable family project) has been approved.

Profile and Preferences of Milpitas Homebuyers

As part of the research for this housing market study, local real estate brokers were contacted in March and April, 2007 regarding their experiences with clients who were interested in buying homes in Milpitas. The comments summarized below are based on those interviews.

Prior Location of Buyers - Buyers come from Milpitas and other local areas. Some buyers are renters who want to buy their first homes; some are living as part of an extended family and want to move out to their own homes. At the high end, the buyers are moving up. In addition, there are buyers moving in from outside the Bay Area, including buyers from Asia.

Where Buyers Work - All of the brokers mentioned Milpitas, San Jose and other nearby areas, and noted that buyers considered proximity to work and minimizing commuting time important. Two brokers cited examples of former Milpitas residents who had moved backed to Milpitas after moving to Tracy because of the long commute to their jobs in Milpitas.

Buyer Profile - There does not appear to be one buyer profile. The brokers have clients in all of the categories (singles, couples and families) as well as seniors. Many buyers are first-time buyers, who can afford to buy in the $700,000 to $800,000 price range. Often they have been looking elsewhere, for example in the Cupertino area because of the quality of the schools. However, they cannot find homes that they can afford in other Santa Clara County locations.

Buyer Preferences - The brokers mentioned a number of factors affecting buyers' decisions to purchase including the following:

Affordability - Price is most important. The deciding factor is what they can afford. Milpitas is attractive because of its affordable prices.

Proximity to Work – Commute time is important to many buyers.

School Ranking – Younger buyers want better schools. One broker said that the quality of schools in Milpitas has always been an issue. However, she said that they are getting much better. One broker mentioned that private schools and tutoring could compensate.[5]

Type of Housing – Everyone wants a single-family detached home. However, because there are very few single family homes on the market below $630,000, buyers compromise by purchasing more affordable condominium units or smaller homes.

Size – Buyers prefer large units, if possible.

Curb Appeal/Condition – Well-maintained property in good condition is important.

Outdoor Space – This is important to buyers including those who purchase condominium units.

Move-up Housing - Three of the five brokers did not think that there was a lack of move-up housing. There are move-up choices and luxury homes for those who want them, such as a 4,500 SF home in the hills and homes on 10,000 SF lots. Specific examples included older subdivisions such as Weller Ranch and Scott Creek Highlands, and re-sales of custom homes in the hills.

The other two brokers noted that some residents do leave Milpitas because they cannot find the housing that they want in the city. While there are some houses in the hills, some buyers are not interested in moving there because the area is too rustic. Furthermore, some executives prefer a more centralized location with easier access to transportation, shopping and services. These residents may move to Fremont, where the schools are better or to North Valley in San Jose.

Summary

Relevant demographic and housing trends in Milpitas can be summarized as follows:

- Population and household growth will continue, both increasing by about 40% in the next 25 years.

[5] There were mixed comments on the quality of schools in Milpitas. However, the school issue does not appear to be stopping sales. Brokers said that buyers would like to be in the Cupertino or Fremont areas because of the quality of the schools and often look there first. However, the prices are higher there. The consensus seems to be that the Milpitas schools are improving. Three of the elementary schools have now achieved California Distinguished School status. The fact that there is only one high school was cited as a problem. However, the School District is planning for a second high school to meet the increased enrollment expected from recent and planned residential construction.

- Average household sizes will remain relatively high.

- Average household incomes in constant dollars will increase by almost one-third in the next 25 years.

- There will be a continued imbalance between jobs and housing. However, there will be a slight improvement in this imbalance over the next 25 years.

- Employment will increase by about 30% in the next 25 years. The occupational categories with the highest growth are Computer and Mathematical, Sales, and Construction paying annual salaries of $92,269, $32,573, and $50,648, respectively. Employees working in Sales and Construction would be unable to afford market rate housing in Milpitas.

- Overall, about 20% of people working in Milpitas live in Milpitas. Providing more housing choices could increase this percentage. However, since the Milpitas market is part of a larger housing market area, there is no guarantee that newly constructed housing will be occupied by Milpitas employees.

- Sales prices have increased since 2003. This has encouraged more for-sale development projects.

- Buyers prefer single family detached units, but settle for condominium units due to lower sales prices.

- Some move up housing is available, particularly in the lower hills and hillside locations. Hillside homes do not appeal to all potential buyers.

- Although rents are rising slowly and vacancies are low, for the most part, private developers are not building rental housing in Milpitas.

The next section of this Market Study describes and evaluates new housing planned, under construction and recently completed in Milpitas. In this way, it will be possible to assess whether the market is building the type of housing to meet current and future demand from residents and employees in Milpitas.

New Development

City Regulations Impacting Development

The regulations, zoning, and plan policies discussed in this section constitute the “regulatory framework” in which new housing is developed.

City Plans and Policies

A comprehensive update of the City's General Plan was conducted in 1994. Since that time, the Midtown Specific Plan was adopted, and the Transit Area Specific Plan will be adopted in 2007-2008. Both Plans increase residential densities in the areas covered. [6] The General Plan was updated in January 2002 to incorporate the Midtown Specific Plan and includes revisions to the General Plan land use map and text for consistency between these documents.

Milpitas Midtown Specific Plan (2002)

This Plan covers a 20 year development time frame. There are several reasons why the Midtown Specific Plan was created. Included among these are the following:

- Light rail was extended to Milpitas. Three Stations are now open, and two are located in the Midtown Area (Great Mall/Main Street) and one at Montague Expressway.

- Also, there will be two BART Stations. One will be located at Capital Avenue and Montague Expressway and the other is planned at Calaveras Boulevard and North Milpitas Boulevard, across from City Hall.

- The City had received several development proposals for this area and decided it would be better to plan for the area in a comprehensive fashion.

Since the Specific Plan was adopted, the Milpitas Redevelopment Agency has expanded and merged the two project areas (Milpitas Redevelopment Project Area No.1 and the Great Mall Redevelopment Project Area). Thus, many of the parcels located in the Midtown Specific Plan area are also located in the Redevelopment Project Area.

Regarding residential units, 4,860 potential residential high density units are identified in this Plan. Since the Plan was adopted, approximately 2,415 of these units are either planned or under construction.

Transit Area Specific Plan

The Transit Area Specific Plan is still in process. The purpose of the Transit Area Specific Plan is to encourage even higher densities near the transit stations. While the Plan has been approved in concept, remaining tasks include an environmental assessment and financing plan. At this time, 7,109 units are planned for the Transit Area Specific Plan Area. Since much of the area covered by the Transit Area Plan overlaps with the Midtown Specific Plan, Table 8 presents information on the net units (9,969) that can be built under both Specific Plans.

[6] ABAG recognized the success of Milpitas' Midtown and Transit Area Specific Plans in increasing densities along transit corridors in its recent publication, *A Place to Call Home: Housing the San Francisco Bay Area* (2007), page 21.

Table 8: Midtown Specific Plan Area and Transit Specific Plan Area Residential Unit Counts

	Midtown Plan (1)	Transit Plan with Overlap	Net Units (2)
Unit Count	4,860	7,109	9,969

(1) 2,415 units of this total have already been planned or are under construction in the Midtown Plan Area. These units **have not been** subtracted from this table.
(2) 2,000 of the projected units in the transit plan were also counted as part of the Midtown plan build-out.

Sources: Milpitas Transit Area Specific Plan and Vernazza Wolfe Associates, Inc.

Residential Densities

For the housing market, one of the major consequences of these two specific plans will be to increase residential densities in the areas covered by the plans. A few of the new residential projects in the Midtown area are already completed, and several are under construction, so it is possible to observe this denser development directly. In addition, a comparison between citywide residential densities and densities of new residential developments quantifies this difference. As of 2002, according to Table 2.2 of the updated General Plan, the average citywide residential density figure was five units to the acre. Densities were much lower in the Hillside area (less than one unit per acre) and greater in the Valley Floor Area (approximately six units per acre). (See Table 9.)

The new development under construction and approved in Milpitas covers 96 acres on which 3,312 residential units are under construction or planned.[7] This translates to an average density figure of 34 units per acre, or almost seven times higher than existing residential development in the City.

These high densities attract new development, since development costs are lower due to reduced land costs per unit. Table 10 provides information on the new units added annually to the City of Milpitas housing stock since 2000. The total number of units added during this seven-year period was 995 units. In comparison, the total number of units planned or under construction is presently 3,492 units or over three times the number of units completed between 2000 and 2007.

[7] Currently, there are actually 3,492 housing units planned or under construction. However, we were only able to compute densities on 95% of these units (3,312 units).

Table 9: Comparison of Milpitas General Plan Densities with Average Density of New Residential Projects

	Developed Acres	Units	Computed Density
Hillside			
Medium	89	96	1.08
Low	218	39	0.18
Very Low	41	15	0.37
Total Hillside	**348**	**150**	**0.43**
Valley Floor			
SF Low	2,092	9,471	4.53
SF Mod	185	1,359	7.35
MF Med	165	1,417	8.59
MF High	324	4,339	13.39
Town Center	82	266	3.24
Highway Service	227	563	2.48
Total Valley Floor	**3,075**	**17,415**	**5.66**
Grand Total General Plan Units	**3,423**	**17,565**	**5**
Total Planned/Under Construction Units With Density Information	**96**	**3,312**	**34**

Sources: 2002 Milpitas General Plan Table 2.2, City of Milpitas Building Department, and Vernazza Wolfe Associates, Inc.

Table 10: Change in Housing Unit Count 2000-2007 (Actual and Planned)

Year	Unit Count	Change in Number of Units
2000	17,364	
2001	17,413	49
2002	17,639	226
2003	18,081	442
2004	18,082	1
2005	18,095	13
2006	18,197	102
2007	18,359	162
Total (2000-07)		995
Planned, UC (2007)		3,492

Sources: State of California, Department of Finance, City of Milpitas, and Vernazza Wolfe Associates, Inc.

Affordable Housing Requirements

New housing developments in Milpitas are subject to affordable housing requirements specified in the City's Municipal Code, Chapter XI-10-38.10 Affordable Housing.

> *Affordable housing units should be provided in all new housing projects. While twenty percent (20%) is the minimum goal, affordable unit requirements will be determined on a project by project basis, taking into consideration the size and location of the project, the type of housing unit, proximity to transit and the mix of affordable units in the vicinity. (Ord. 38.759 (part), 4/2/02)*

Because the City's policy provides options for developers, local developers have not found compliance with the City's affordable housing requirement to be difficult. (The number of current and future affordable units developed in Milpitas is discussed in a later subsection of this study.)

Urban Growth Boundary and Hillside Standards on Housing Development

Residents in Milpitas approved an Urban Growth Boundary (UGB) in 1998 to be in effect for 20 years. According to the City's 2002 Housing Element, public support for the UGB remains very high, and major revisions to the UGB appear unlikely. "

The UGB is in keeping with the general principles of "smart growth" advocated by ABAG and planning agencies throughout the Bay Area. Beyond the UGB are the hillsides in which development is restricted according to a slope density formula that dictates minimum lot sizes. Development standards are defined in the Hillside Combining District. The UGB and hillside development standards will result in the future development of very few hill homes.[8] This is the intent of these regulations. Although development on the hillsides is theoretically possible, the area has serious seismic and landslide constraints. Hillside homes would be expensive to construct and could have significant environmental impacts. Residents would be subject to ongoing geologic and wildfire risks. The high cost of extending City services to this area also represents a development constraint.

Housing production is further constrained by wetlands on the west and city boundaries on the north and south. Because of these physical limitations, future housing development will largely occur through infill and redevelopment.

Detailed Information on New and Proposed Market Developments

As mentioned above, newly constructed housing and planned housing developments have significantly increased in the last several years. There are several explanations for this new growth. First of all, the City increased its residential densities and adopted other policies that have encouraged residential development. Secondly, Milpitas occupies a strategic location in Silicon Valley with excellent access to employment centers via transit and several freeways. Third, in the early part of this decade, the San Francisco Bay Area enjoyed a positive economic climate including access to favorable financing for both builders and buyers. This encouraged significant residential building. However, within the last year, problems with the mortgage market and a slowing of the overall economy have resulted in a slump in the housing market.

[8] According to the City's revised General Plan Land Use Chapter, as of 2002, there was the potential for 88 homes in the hillside area.

When this housing cycle improves, it is likely that new residential construction in Milpitas will continue.

Table 11 provides detailed information on new residential projects that are planned or under construction as of February 2008. Of the 3, 492 housing units listed on this table, 603 units (17% of the total) will be affordable. The vast majority of new market rate units are condominiums, townhomes, or flats. Single family homes are provided in only one community (Terra Serena). The majority of new and proposed housing is intended for the sale market, with the exception of two affordable rental projects (DeVries Place and Aspen Family Housing) and proposed apartments as part of the proposed Fairfield Murphy Ranch development.

Many of the units completed prior to 2007 sold quickly. However, as of summer 2007, there was evidence that the market demand was slowing. For example, developer advertisements for new condominium units offered very favorable initial financing terms as a means to encourage purchases. Since many of the proposed developments are built in phases, it is possible that developers will delay construction of future phases, until market demand strengthens.

Table 11: New Milpitas Residential Projects Planned or Under Construction (July 2007)

Name, Location and Status of Project	Ownership/ Rental	Total Housing Units
Under Construction (April 2007)		
Centria - Apartments in two 4-story buildings Abel/Main/Great Mall Parkway (Information on size only available for 137 units located in the East Building.)	Ownership	464
Terra Serena (Viento –Single Family & Cielo – flats & townhomes). Located on the east & west sides of Abel St. north of Curtis Avenue.	Ownership	368
Terra Serena Luna (condos)	Ownership	315
Paragon (condos) - 1696 S. Main St. & 75 Montague Expressway	Ownership	147
Parc Place (condos) - NE corner Curtis Ave. & Hammond Way	Ownership	285
Town Center (townhomes) - E. Calaveras Blvd./N. Milpitas Blvd./Hillview	Ownership	65
DeVries Place (affordable senior units) - West side of North Main St.	Rental	103
Subtotal		**1,747**
Approved Projects		
Fairfield Murphy Ranch-townhomes-Murphy Ranch Rd.	Ownership	285
Fairfield Murphy Ranch-apartments	Rental	374
Aspen Family - Affordable apartment units-1666 S. Main St., E side of S. Main, south of Cedar Way	Rental	101
Matteson (condos) - S. Main St., S. Abel St.	Ownership	126
Subtotal		**886**
In-Review		
Alexan Condos (5 story buildings) - 1556 S. Main St.	Ownership	391
Subtotal		**391**
Plan Check		
Apton Plaza (condos and mixed use) - 230 N. Main St., Northeast corner of N. Main & Weller	Ownership	93
Subtotal		**93**
Pre-Application		
Landmark Tower – 600 Barber Lane	Ownership	375
Subtotal		**375**
Total Units		**3,492**

Source: City of Milpitas and Vernazza Wolfe Associates, Inc.

The new and proposed units are not large, primarily because they are multifamily units. As Table 12 indicates, over half of the new units will have an average size below 1,050 SF. In contrast, of the approximately 530 re-sales of existing single family homes in 2006, the median size was 1,588 SF, and the average size was 1,712 SF. For re-sales of condominium units, the median size was 1,165 SF, and the average size was 1,211 SF.

The number of bedrooms in the new units reflects this size difference between existing single family housing stock and new housing development. In new developments, the median number of bedrooms is two; in comparison the median number of bedrooms in existing single family units that sold in 2006 was three.

Table 12: New Residential Projects - Average Unit Sizes

Number of Bedrooms	Total Number of Units (1)	Number of Units in SF Calculation	Size Range in SF	Average Size in SF
Studio	3	2	585	585
One Bedroom	497	404	710 - 1,171	774
Two Bedroom	1,094	1,034	1,015 - 1,243	1,046
Three Bedroom	1,057	1,025	1,219 - 1,821	1,348
Four Bedroom	11	11	1,704 - 2,432	1,969
Total	2,662	2,476		

(1) Excluded from this calculation are two affordable projects (DeVries Place and Aspen Family Housing), as well as projects for which unit size information was not available.

Sources: City of Milpitas and Vernazza Wolfe Associates, Inc.

Price information for new units is only available for new developments that are either completed, such as Parc Place condominium units (sold in 2006), or are currently being marketed to buyers (Paragon, Centria, Terra Serena).[9] Table 13 lists the initial sales prices of these four developments. Larger units, such as the single family units developed at Terra Serena, are priced close to $800,000, and the smallest units (at Centria) are priced below $400,000. Assuming that "move-up" buyers want bigger units, most of these new developments are not meeting the needs of the "move-up" market segment.

[9] Developers do not establish prices for new units during the planning or early construction phases.

Table 13: Initial Sales Prices of Four New Housing Developments (1)

Project Name	Price
Paragon (12 Plans)	
Residence 1 or 2 bedrooms (1,234 SF)	Upper $400,000
Residence 5EM - 3 bedrooms (1,693 SF)	Low $600,000
Centria (14 Plans)	
Residence A-Five- 1 bedroom (767 to 820 SF)	$369,900
Residence C-Two - 2 bedrooms (1,281 SF)	$529,900
Parc Place (6 Plans)	
Sophisticate - 2 or 3 bedrooms (844 SF to 1,243 SF)	$475,990 - $629,990
Contempo - 2 or 3 bedrooms (1,075 SF to 1,316 SF)	$533,990 to $598,000
Terra Serena (3 Communities)	
Cielo Townhomes and Flats - 2 or 3 bedrooms (1,275 SF to 1,825 SF)	$549,000 - $677,722
Luna Condominiums - 1 to 3 bedrooms (905 SF to 1,853 SF)	$396,490 to $567,990
Viento Single Family Units - 3 to 6 bedrooms (1,770 SF to 2,045 SF)	$750,000 to $792,000
Parc Place (6 Plans) – Sold in 2006	
Sophisticate - 2 or 3 bedrooms (844 SF to 1,243 SF)	$475,990 - $629,990
Contempo - 2 or 3 bedrooms (1,075 SF to 1,316 SF)	$533,990 to $598,000

(1) Although there are several models at each development, Table 13 presents information on the smallest and the largest units at each development in order to illustrate the range of prices.

Sources: Vernazza Wolfe Associates, Inc., City of Milpitas, and Developer Websites

Based on information provided by Table 4 (estimate of household incomes required to purchase homes of various prices), households at the estimated average income of $99,700 in 2005 (based on ABAG's Projections) could afford to purchase a home for approximately $400,000. However, the majority of the new units listed in Table 13 would be beyond the means of the average household. This is an important finding, given the widely held assumption that high density units sell at relatively lower prices. While the higher density unit prices are relatively low and are below new single family homes prices, many of these units would not be affordable to the average household in Milpitas.

New Affordable Housing and Demand for Affordable Housing

Affordable housing units are income restricted. In Milpitas, affordable units are provided in three ways:

- As part of a development that is completely affordable (e.g., Terrace Gardens, DeVries Place, and Aspen Family Housing) and usually developed by a non-profit developer;

- As part of a mixed-income development (e.g. Parc West, The Crossing Apartments at Montague);

- As part of a market rate development to satisfy city affordability requirements, or,[10]

- To satisfy Density Bonus requirements if a developer decides to take advantage of the density bonus law that permits higher densities as long as developers provide the required number of affordable housing units. (This is pursuant to Milpitas Municipal Code Section XI-10-54.20- Density Bonus for Affordable Housing Developments.)

The number of affordable units in the City of Milpitas has recently expanded due to the new development activity and the City's goal of requiring that 20% of new housing be affordable. Table 14 lists current and future affordable housing units by project name. At present, there are 816 subsidized rental units (including 204 units under construction or approved) and 373 subsidized ownership units (including 267 units recently constructed, under construction or approved). Then, under affordability agreements with a market rate developer, there will be an additional 88 affordable rental units and 44 affordable ownership units. By the time construction is completed, 1,321 affordable units will be located in the City of Milpitas.

There are several ways to gauge whether the affordable housing in Milpitas is adequate to meet housing needs. First, Table 15 presents information on the City's progress in meeting the regional housing needs goals established by the Association of Bay Area Governments for the period 1999 – 2006. According to the information in this table, Milpitas has already met 75% of the very low-income housing goals.[11] In comparison, the entire County has met 57% of its low-income housing goals. A second measure is to assess whether there are any vacancies in affordable housing projects and if waiting lists exist for affordable housing units. According to a survey of affordable housing developments in summer 2006, there are waiting lists for the affordable rental units.[12] Thus, while the City has been successful in developing more very low-income housing units, there remains a high level of demand for affordable rental housing in Milpitas. This situation is not unique to Milpitas; unmet demand for low-cost rental housing is a problem throughout the State of California.

[10] The City negotiates affordable housing agreements with developers of market rate housing. In this way, affordable units are included in market rate developments, such as Terra Serena. Most of these affordable units are designated for ownership, except for Fairfield Murphy Ranch, which will provide apartment units. Where on-site provision of affordable units is not feasible, the City collects fees from developers to satisfy the affordable housing requirement.

[11] Since the time that ABAG published the information in this table, additional affordable units have been built in Milpitas.

[12] VWA contacted managers of all Milpitas properties with affordable rental units as part of a market study for an affordable senior project (DeVries Place). This survey collected information on waiting lists and vacancies.

Table 14: List of Affordable Housing Units in Milpitas

Name of Project	Type of Project	Affordable Unit Count
DEVELOPMENTS BUILT WITH SUBSIDIES		
Rental Units		
Existing Rental Developments		
Terrace Gardens (Rental)	100% Affordable for Seniors	148
Parc West (Rental)	Mixed Income	68
Montevista Apts. (Rental)	Mixed Income	153
Sunnyhills Apartments (Rental)	Mixed Income	149
The Crossing Apartments at Montague (Rental)	Mixed Income	94
Approved/Under Construction - 100% Affordable Rental Units		
DeVries Place (Rental)	100% Affordable for Seniors	103
Aspen Family (Rental)	100% Affordable for Families	101
Ownership Units		
Existing Ownership Developments		
Summerfield Homes (Ownership)	Mixed Income	22
Parc Metropolitan (Ownership)	Mixed Income	28
Parc Place (Ownership)	Mixed Income	56
Newly Constructed and Planned Affordable Ownership Units		
Terra Serena (Ownership)	Mixed Income	110
Centria (Ownership)	Mixed Income	93
Town Center (Ownership)	Mixed Income	16
Paragon (Ownership)	Mixed Income	29
Apton Plaza (Ownership)	Mixed Income	19
Planned Affordable Housing Units to be Built Without Subsidies		
Fairfield Murphy Ranch (Ownership)	Mixed Income	44
Fairfield Murphy Ranch (Rental)	Mixed Income	88
TOTAL AFFORDABLE UNITS		**1,321**

Sources: City of Milpitas and Vernazza Wolfe Associates, Inc.

Table 15: Progress in Meeting Regional Housing Needs Milpitas and Santa Clara County

Income Category	Milpitas	Santa Clara County
Very Low-Income	75%	57%
Low-Income	50%	108%
Moderate-Income	40%	23%
Above Moderate-Income	100%	143%

Source: ABAG, *A Place to Call Home: Housing the San Francisco Bay Area* (2007), page 39.

Summary

Recent development trends in Milpitas indicate that the zoning regulations and ordinances adopted by the City are encouraged higher density housing near transit and other transportation corridors. In contrast, little housing is being developed in the hills, which are protected by an Urban Growth Boundary and hillside development standards. In comparison to existing densities in the City, the new housing is built at much higher densities and is primarily multifamily. The majority of new and planned units are for-sale. Only 17% of new units are designated for the rental market.

The type of housing under construction or planned can be described as high density, middle-income housing. A review of current sales prices (available for only some new projects) indicates that while one-bedroom units below 1,000 SF in size are affordable to households earning average incomes in Milpitas, other new units are not affordable, assuming conventional financing with a 20% down payment.

While new development provides homeownership opportunities for first-time homebuyers with incomes over $130,000 (and assuming savings of over $100,000), the type of new housing units planned and under construction is limited. For example, these new developments do not provide market options for those buyers who prefer single family homes (with front and backyards), nor does the market suit the needs of buyers that prefer larger or more luxurious homes.

Finally, the City is making good progress in expanding its inventory of affordable housing. However, there remains unmet demand for these units.

Opportunity Sites

This chapter discusses potential residential sites in the City of Milpitas. The opportunity sites discussed below include only two parcels included in the Midtown Specific Plan and no parcels located in the Transit Area Specific Plan (which will be adopted by the end of 2007 or early 2008). These specific plans provide information on redevelopment and infill opportunities in the specific plan areas.[13]

Vacant Residentially Zoned Sites for Residential Development

Future residential growth within the City of Milpitas is constrained by a lack of vacant developable land. A review of the land use database provided by the County of Santa Clara Assessor's Office and the City of Milpitas indicates that there are 29 vacant residentially-

[13] Both specific plans provide projections of the potential number of housing units that can be built in the specific plan areas. However, this Study was unable to obtain documentation of each site that is included in the unit count summary. Therefore, it is not possible to distinguish between redevelopment of a particular site (at a higher residential density) and development on a vacant site. While this market study discusses recent and proposed developments in the specific plan areas, it does not provide detailed lists by APN's or addresses of potential residential development in the specific plan areas.

designated sites where new housing could be possible. These sites are in scattered locations but are mostly in the northeastern part of the City, consisting of either empty lots within existing subdivisions (e.g., Calaveras Ridge Estates, Calera Creek Heights, Vista Ridge), or as larger undeveloped parcels that extend up from the base of the hills along Piedmont Road and Evans Road, or along the sloped portion of County Club Road. Most sites are located within the City's Urban Growth Boundary and would be subject to the restrictions of voter-approved hillside residential overlay in the City's zoning ordinance. At current General Plan and zoning densities, these sites are estimated to yield approximately 119 units. Most of these would be appropriate sites for luxury, upper-end single family homes.

One of the larger and more interesting sites that emerged from the survey is a 4.8-acre vacant parcel on North Park Victoria Drive. It is located along the west side of North Park Victoria Drive and across from the intersection of Country Club Road, inside the Urban Growth Boundary and is zoned for residential use. It appears to have never been developed except for a single family house located at the southeast corner of the property, a house that appears to have suffered fire damage and is currently unoccupied. The location and size of this parcel suggest that it might make a good candidate for luxury housing. This site could yield approximately 29 units (at six to the acre). A more intense small-lot development could potentially generate 50 to 60 units.

Vacant Commercial/Industrial Zoned Sites for Residential Development

In addition to sites designated for residential use, other vacant sites with commercial or industrial zoning are also included in our tabulation of housing opportunity sites. However, there are not many of these, since the City's policy is to preserve its industrial land base.[14]

The site survey excluded from consideration all of the large vacant parcels west of I-880 that are designated for light industrial or R&D type uses (e.g., primarily the McCarthy Business Park south of Dixon Landing Road, and the Milpitas Business Park, north of Tasman Drive). In addition, some sites that might appear to be vacant based on the County's land use database are actually in active use, or do not appear to be appropriate for residential used due to site constraints or incompatible land uses on adjacent parcels.

This survey identified only eight sites in Milpitas that are currently vacant, are zoned for commercial uses and appear to be viable for residential development. These sites are located along major thoroughfares (e.g., Calaveras, Dixon Road) between I-680 and I-880 and tend to have commercial – as opposed to industrial - zoning. Based on a potential density of 30 units per acre, the combined 12.5 acres of land at these sites could yield a maximum of approximately 376 units.

[14] This policy is reflected in two city studies: The *Industrial Land Conversion Assessment*, Conley Consulting Group, June 2007 and the *Milpitas Industrial Land Analysis*, City of Milpitas, (Draft) July 2007.

Discussion of Opportunity Sites

A summary showing the number of both residentially-designated and non-residentially designated sites, their combined sizes and an estimate of the number of residential units that might be generated is shown in Table 16. This table ignores the over 7,554 additional housing units that are projected to be possible within the Midtown Specific Plan Area and/or the Transit Area Specific Plan Area.[15] Site specific information on each parcel, including APN, Address, Size, etc. and maps showing the locations of each parcel are provided in Appendix B.

Table 16: Vacant/Undeveloped Sites for Potential Residential Development

	Sites	Acres (1)	Units
Residentially designated	29	651.0	119
Non-Residentially designated	8	12.5	376
City Total	37	663.5	495

(1) Of the 651 residential acres shown, one parcel accounts for 474 acres and only the lower 10 to 15% of the parcel is within the Urban Services Boundary.

Sources: Santa Clara County Assessor's Office, City of Milpitas, Lamphier-Gregory 2007.

To understand the locational attributes of the sites summarized in Table 16, this analysis groups each site into one of four geographic sub-areas of the City as follows: west of I-880, between I-880 and I-680, between I-680 and Evans/Piedmont Roads, and east of Evans/Piedmont Roads. Table 17 shows the geographic location of each vacant opportunity site, the number of acres, and potential residential yield from each area.

Table 17: Geographic Distribution of Opportunity Sites (1)

Location	Current Land Use	Sites	Acres	Potential Units
Area 1: West of I-880	Residential	0	0	0
	Non Residential	0	0	0
Area 2: I-880 to I-680	Residential	0	0	0
	Non Residential	5	9.3	279
Area 3: I-680 to Evans/Piedmont Roads	Residential	1	4.8	29
	Non Residential	3	3.2	97
Area 4: East of Evans/Piedmont Roads	Residential	28	646.1	90
	Non Residential	0	0	0
Total		**37**	**663.4**	**495**

(1) Excludes sites in the Specific Plan Areas and all territory west of I-880.

Sources: Santa Clara County Assessor's Office, City of Milpitas, and Lamphier-Gregory

[15] The number of potential units presented in Table 8 (9,969) does not reflect units that were recently developed or planned (2,415). The sum of 7,554 units is the difference between 9,969 and 2,415 and represents the remaining potential units that can be developed under the two Specific Plans.

The information presented in Table 17 highlights an important land use policy question. Should the City retain the vacant, flat, and easy to develop land in Area 1 for job-generating industrial and R & D businesses or, alternatively, encourage residential development of this land through General Plan Amendments and rezonings. The proposed Fairfield development on a 22-acre site on Murphy Ranch Road in the Milpitas Business Park is an example of a current development that seeks a General Plan amendment in order to build housing units in an industrially zoned area.

There is a significant amount of vacant land in Area 1 (west of I-880) that theoretically could be designated for residential development. The downturn following the 'dot com bust' of 2001/2002 in the various high-tech industries that form the core of the office and light industrial market in Milpitas and subsequent increase in long-term vacancies, is of major concern to City decision-makers (not to mention landlords). However, the City prefers to pursue a policy that will consider the City's long-term economic interests, which may not include rezoning commercial and industrial land.

Notwithstanding the proposed Murphy Ranch Road project, the City is reluctant to rezone its remaining industrial land resources. Instead, the City is prepared to stay the course in the hopes that a resurgent demand for space from the technology industry will absorb the remaining vacant space. The City appears to favor the industrial and R & D land uses because they offer long-term and more sustainable economic benefits to the City than would come from conversion to residential.

We are also aware that the City is close to adopting and launching the Transit Area Specific Plan (TASP). Along with the Midtown Specific Plan, the TASP seeks to generate higher intensity residential and mixed-use development in the center of town through private-sector reinvestment and redevelopment of previously (and mostly) light industrial or commercial land uses. Substantial new residential development is well along in parts of the Midtown Specific Plan Area, including the Terra Serena, Parc Place, Paragon and Centria developments. The two Specific Plans permit conversion of approximately 289 acres of the City's industrial land base to residential use.

In light of the high priority that is given to preserving the City's industrial land base, the restrictions applied to preserve the City's eastern hills, and the limited number of vacant sites designated for residential use, there is the open question of where the City can realistically hope to accommodate future demand for new housing outside of the two specific plan areas. One possibility is to consider residential conversion of older industrial areas (Industrial Zone 1, as defined in the Milpitas Industrial Land Analysis) that are located north of Montague and extend north along both sides of Milpitas Blvd. The vacant land survey identified a few vacant sites in this area but the predominantly heavy industrial nature of the area and lack of good access makes these sites premature for consideration as residential sites in the near term.

At some point in the future, however, this will become a transition area in which demand for industrial and commercial sites will weaken, so that it will be easier to make a case for rezoning for residential use. The reasons for this conclusion are as follows:

- This older industrial area is adjacent to the TASP, the future BART station, the VTA Light Rail. This is a positive attraction of the area for residential development.

- The fragmented configuration of parcels makes land assembly for large industrial uses difficult, but will not constrain smaller residential projects.

- A location near heavy rail is much less important for businesses, since there is less reliance on rail as a means for shipping goods. Freeway access is more important. Thus, the proximity of rail would no longer be a key attraction for this area.

Consequently, large industrial tracts and outmoded industrial buildings will become opportunities for new uses. Sites within this area will become candidates for residential conversion with increasing frequency.

A second opportunity for additional residential development is the existing older residential district that lies east of I-680, between Landess Avenue and Calaveras Boulevard. The housing stock in this area is old, since much of the housing was built in the 1950s and 1960s. This area is a positive residential location. Over time, and given the limited opportunities elsewhere in Milpitas for conventional, mid-market single family housing, it is likely that sites within this area will become candidates for private re-investment and redevelopment. Furthermore, this area provides one of the more significant opportunities for expanding the range of housing opportunities in the City without necessitating major public reinvestment in infrastructure, parks, schools or other services. To the extent that private reinvestment begins to happen, the City could encourage this investment through favorable zoning and permit expediting.

Summary of Opportunity Sites

Based on the above analysis, the following sites are recommended for residential development:

- Potential for 119 units on vacant, residentially zoned land located east of I-680 to city boundary. A large parcel on North Park Victoria Drive appears promising.
- Potential for 376 units on vacant, non-residentially zoned land, located east of I-880 to Evans/Piedmont Roads.
- Potential for redevelopment of existing residential sites in older subdivisions located east of I-680 between Landess Avenue and Calaveras Boulevard.

Executive Level/Luxury Housing

Description of Luxury Housing and its Importance for Milpitas

At the initiation of the market study, staff and the consultants discussed ways to define luxury housing. Although the term “Executive Level Housing” has been used by staff and the City Council in initial discussions of the demand for high-end housing, the real estate market refers to

executive level housing as luxury housing. Thus, the focus on this aspect of the market study is luxury housing.

Why make this distinction? While there are executives at each major company in Milpitas, there are also highly paid professionals and managers who will pay $1 million or more for a home. Thus, the use of the term "executive level" can be seen as more restrictive, whereas the term "luxury" encompasses the broader market for expensive and high amenity housing.

Aside from housing in the Milpitas hills and some housing in the lower hills, this type of housing is not readily available in the Milpitas housing market. The importance of providing luxury housing in Milpitas was underscored in the 2005 Milpitas Economic Strategic Plan. One of the conclusions of that plan was that Milpitas needs to expand the high end of the market, in order to strengthen the attraction of Milpitas as a place for managers and executives to live. Furthermore, the need for housing is not so much from the CEO's of major corporations, but from CEO's of smaller companies, well-paid engineers and computer specialists.

Market Demand for Luxury Housing in Milpitas

Although Milpitas experienced a building boom in residential development, for the most part, this high rate of development did not include many units of luxury housing, although one high rise is under consideration. Aside from custom built homes on hillside lots, the only new luxury housing recently completed in Milpitas is a small single family home subdivision called Kennedy Park. The newer mid-rise multifamily housing, townhomes, and single family homes under construction in Milpitas typify a middle-income market and not a luxury market.

As part of the market study, the consultants interviewed five Milpitas area real estate brokers and three luxury housing developers working in the broader market area. According to the brokers interviewed, there is a demand for luxury housing in Milpitas. However, these brokers commented on the limited availability of land to build additional luxury housing. One broker pointed out that there are some million dollar homes available for "corporate people," but not as many as in some other areas. Another broker stated that because of the lack of land, luxury projects would have to go high-rise.

According to one of the brokers, executive/luxury buyers are looking for the following:

- Certain size home, with 3,000 SF as a minimum.
- A nice yard for entertaining outdoors.
- Guest quarters, separate or attached.
- Modern and newer (no time to fix up or remodel).

The developers interviewed were also very positive about Milpitas as a location for luxury housing. Again, the issue of finding sites surfaced as an impediment to development. Another

developer mentioned that Milpitas is at the center of the Bay Area a focal point for the area from San Jose north to Union City, and is in the top third of places to live in the Bay Area.

Luxury Housing Sales Prices and Necessary Income to Purchase

Table 18 lists specific luxury housing developments and their prices. These examples include two single family small subdivisions (Villa Savona in Fremont and Kennedy Park in Milpitas), a townhome development (Woodmark in Palo Alto), and two condominium developments both in San Jose (Santana Row and City Heights). Initial sales prices for these units ranged from the low $400,000s for a small unit at City Heights to a high of $2.5 million for a condominium unit at Santana Row. Most prices were between $1 million and $2 million. In order to purchase housing at these prices, buyers would need to have incomes approximately between $200,000 and $400,000, assuming down payments between $250,000 and $500,000.[16] (See Table 19.)

It is not possible to estimate the number of households in Milpitas that have both sufficient incomes and savings to purchase luxury housing in Milpitas. However, there is evidence that there are potential buyers with sufficient incomes.

- According to the 2000 census data, there were 1,089 households with incomes over $100,000.
- According to ABAG's income projections, the average income for Milpitas was $99,700 in 2005.
- According to EDD's employment projections (with extrapolations by VWA), there could be 463 new employees in management and legal occupations by 2014 who will earn median salaries of $115,045 and above in current dollars.

Finally, if a larger market area is considered (City of Milpitas and the adjacent cities of Santa Clara, Fremont, and North San Jose), 2006 Claritas estimated household incomes indicate that there are 5,627 households with incomes between $250,000 and $499,999, and an additional 1,935 households receive incomes in excess of $500,000.

[16] It may be assumed that buyers who can afford down payments of these amounts have a very high level of savings. A buyer who would consider investing $250,000 or more as a down payment is likely to be a move-up buyer. This buyer would use the capital gains from previous house to purchase a new house.

Table 18: Sales Prices of New South Bay Luxury Homes

Name of Development	Date	Sales Prices
Santana Row, San Jose (Condominiums)	2005	$525,000 for a 700 SF Unit $1,450,000 for a 2,200 SF Unit $2,500,000 for a 3,800 SF Unit
City Heights, San Jose High Rise (Condominiums)	Proposed 2007	One Bedroom price ranges from low to high $400,000s Two Bedroom price ranges from high $500,000s to high $600,000s. Penthouses are more than $1 million.
Kennedy Park, Milpitas (Single Family Homes)	2006	$1,200,000+
Villa Savona, Fremont (Single Family Homes)	2006	$1,699,800 for a 3,731 SF Unit $1,685,000 for a 3,889 SF Unit
Woodmark, Palo Alto (Town Houses)	2005	Prices started in the low $1 million range and went up to $1.8 million for units between 1,237 and 2,239 SF in size.

Source: Vernazza Wolfe Associates, Inc.

Table 19: Household Incomes Required to Purchase Luxury Housing

HOUSE PRICE	$1,000,000	$1,500,000	$2,000,000	$2,500,000
Assumptions				
Interest Rate	6.5%	6.5%	6.5%	6.5%
Term	30	30	30	30
Loan	$750,000	$1,125,000	$1,500,000	$1,875,000
Downpayment (25% of price)	$250,000	$375,000	$500,000	$625,000
Annual Income Required	**$205,621**	**$308,432**	**$411,242**	**$514,053**

Source: Vernazza Wolfe Associates, Inc.

Luxury Housing Built in Adjacent Communities

Types of Luxury Housing

The luxury housing Appendix attached to this report provides detailed information, including photos, of seven luxury housing developments, either completed recently or about to be completed. The names of these projects are as follows:

- Santana Row, San Jose (both rental and for-sale units)

- City Heights, San Jose (for sale)
- Vendome Place, San Jose (rental)
- Kennedy Park, Milpitas (for sale)
- Custom home in Milpitas Hillside area (for sale)
- Villa Savona, Fremont (for sale)
- Woodmark, Palo Also (for sale)

Market Niche

The sales and rental offices provided some description of who rents/buys units in these developments. For the downtown locations in San Jose and Palo Alto, proximity to jobs and other downtown amenities were important. Other specific comments include the following:

- In Santana Row, the condominium sales office mentioned that the typical buyer was relatively young, well-educated, and affluent.
- Santana Row Heights, the rental office mentioned that renters were professionals, CEOs, Vice- Presidents of IT firms, and mortgage industry. There are some families with children, but mostly singles. Average age is about 35 years of age.
- At City Heights, which has not yet marketed its units, the agent mentioned that she thought the project would appeal to empty nesters, young people, first time home buyers, and buyers who already live in downtown San Jose and want to try out high rise living.
- At Vendome Place (high-rise rental), the agent mentioned that the development appeals to renters who are relocating from cities where high rise living is more common, Asian renters and young professionals. Very few children live at Vendome Place.
- At Kennedy Park, buyers were families that already live in San Jose or Milpitas. These were move-up buyers. Many buyers were Asian families; some with extended families.
- At Woodmark, many buyers were "buy downs" (those selling their $2+ million homes to move to a $1 million home. Sixty percent of the Woodmark buyers were over 50 years old. There were only a few younger buyers. Some buyers use the Woodmark units as second homes, because of their connections to Stanford or other employers in Palo Alto.

Recommendations for Luxury Housing in Milpitas

Given Milpitas' regulatory framework and existing land use patterns, this study determined that the following types of luxury housing would make sense in Milpitas:

- High-rise multifamily (ownership and rental) – The advantages of high-rise development include views from windows, project amenities such as fitness centers and concierge services, and higher densities that reduce the land area needed for a building site.[17] Both rental and ownership high rises are being developed in Silicon Valley. At this time, one high rise is planned in Milpitas (Landmark Tower).

- Mid-rise multifamily (ownership) – While there are mid-rise buildings under construction and planned for in Milpitas, none of these is considered a luxury development. Current densities allowable in the Midtown Specific Plan and the Transit Area Specific Plan Areas support mid- to high-rise, multifamily development.

- Townhomes (ownership) – Townhomes are currently under construction at Terra Serena and planned at Town Center. Neither of these is a luxury development. Townhomes can be built in a variety of locations, since densities are lower.

- Large single family homes in small subdivisions (ownership) – There are opportunities for more small subdivisions of luxury single family homes. Optimal locations would be between I-680 and the hills.

- Individual hill homes (ownership) - Given the size of the lots in the hills, large villas can be constructed on hillside sites.[18] Before the UGB and subsequent down zoning in the hills, there was the potential for an additional 600 to 620 units in the hills. (Allowable density was one unit per acre.) Residential density in the hillside area is now one unit per 10 acres. Given the amount of vacant hillside land, theoretically, the capacity is closer to 90 units in this area, based on the opportunity site analysis presented earlier. However, this does not take into consideration other factors, such as steepness of lots or availability of services and infrastructure. Small subdivisions are rare in the hills; instead, hillside homes are built individually.

Identification of Vacant and Under-Utilized Sites for Luxury Housing

The best sites for single family luxury housing are those with views, located in quieter parts of Milpitas. Among the opportunity sites discussion above, recommended locations for single family luxury housing include the hills and portions of the residential area located between I-680 and Piedmont Avenue, between Landess Avenue and East Calaveras Boulevard. In addition, there is a 4.8-acre vacant parcel on North Park Victoria.

Recommended sites for luxury high rises are those within or adjacent to the specific plan areas with high densities, but located at a distance from I-880 in order to enhance views and reduce congestion.

[17] While high rises may enjoy lower land costs per unit, higher construction costs generally result in the highest development costs per SF of any other housing prototype described here.

[18] The Luxury Housing Appendix provides an example of a villa that was on the market in January 2007. The home is a six bedroom, four bath house that was offered at $2,750,000. The interior living area is 6,000 SF, and the lot size is between one and two and a half acres. The house is three years old. Additional features include three fireplaces, and two master suites.

Conclusions and Recommendations

The City should consider the following recommendations:

- The City should consider developing an outreach program to luxury housing developers.
- The City should reconsider densities and product types to fit the needs of larger households.
- The City should consider undertaking site assembly and other actions for the redevelopment agency to encourage targeted residential development.
- The City should reconsider rezoning industrial land for residential use.
- The City should consider working with neighbors of key development sites to address their concerns and overcome potential obstacles.
- The City should consider real estate brokers' suggestions, including the following:
    - The City should consider encouraging development of high-end housing (5,000 SF lots with large homes) in the city.
    - To make Milpitas more attractive, the City should pursue code violations that detract from the atmosphere in the city. Examples are very large mobile homes parked on streets or driveways or boats stored on the front lawn.
    - The City should emphasize city beautification. Make Milpitas a "treed" city. Take care of the neglected city landscaping. Install modern signage and updated lighting.
    - Because much of the housing stock is older, the City should make it easier to remodel or make additions legally, including adding second stories.
    - The City should review the 17-foot height limit, which may deter some housing development.
    - The City should review the Building Department permitting and processing procedures to ensure that they are not discouraging development in the city.

Bibliography

City of Milpitas Planning Documents

Milpitas Economic Strategic Plan (July 5, 2005)
General Plan Land Use Chapter
Milpitas Midtown Specific Plan (March 19, 2002)
Milpitas Transit Area Specific Plan (Draft Preferred Plan, April 2006)

Other City of Milpitas Documents

The *Industrial Land Conversion Assessment*, Conley Consulting Group, June 2007
The *Milpitas Industrial Land Analysis*, City of Milpitas, (Draft) July 2007.

Other Data Sources

ABAG 2007 Projections
ABAG, "A Place to Call Home: Housing the San Francisco Bay Area" (June 2007)
City of Milpitas Human Resources Department Occupation and Wage Information
DataQuick (recent sales prices)
Milpitas Unified School District Occupation and Wage Information
Santa Clara Assessor's Office
State of California Employment Development Department Data

Interviews with Milpitas City Staff, Brokers and Developers Winter/Spring 2007

Appendix A: Detailed Tables

Table A-1: Occupational Employment Projections - 2004-2014
San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area [1]

Occupational Title [2]	Total New Jobs	Annual New Jobs	Median Hourly Wage [3]	Median Hourly Wage Range	Median Annual Wage [4]
Management Occupations	**7,560**	**756**	**$58.97**	**$18.31-$70.01**	**$122,658**
Business and Financial Operations Occupations	6,190	619	$33.40	$10.48-$57.74	$69,472
Computer and Mathematical Occupations	**13,020**	**1,302**	**$44.36**	**$28.91-$62.95**	**$92,269**
Architecture and Engineering Occupations	**4,430**	**443**	**$40.90**	**$23.15-$61.01**	**$85,072**
Life, Physical, and Social Science Occupations	1,460	146	$32.84	$15.76-$58.58	$68,307
Community and Social Services Occupations	1,080	108	$19.58	$14.95-$30.49	$40,726
Legal Occupations	**850**	**85**	**$55.31**	**$24.12-$70.01**	**$115,045**
Education, Training, and Library Occupations	7,830	783	$22.80	$14.24-$32.79	$47,424
Arts, Design, Entertainment, Sports, and Media Occupations	1,640	164	$26.09	$12.61-$47.26	$54,267
Healthcare Practitioners and Technical Occupations	**4,000**	**400**	**$39.62**	**$10.65-$70.01**	**$82,410**
Healthcare Support Occupations	3,270	327	$15.76	$10.21-$24.96	$32,781
Protective Service Occupations	1,830	183	$18.71	$10.24-$52.93	$38,917
Food Preparation and Serving Related Occupations	7,690	769	$8.53	$ 8.02-$20.92	$17,742
Building and Grounds Cleaning and Maintenance Occupations	4,730	473	$10.98	$10.13-$24.99	$22,838
Personal Care and Service Occupations	2,880	288	$11.16	$ 8.39-$20.94	$23,213

Occupational Title (2)	**Total New Jobs**	**Annual New Jobs**	**Median Hourly Wage** (3)	**Median Hourly Wage Range**	**Median Annual Wage** (4)
Sales and Related Occupations	9,580	958	$15.66	$ 9.98-$47.99	$32,573
Office and Administrative Support Occupations	3,400	340	$18.23	$10.19-$29.67	$37,918
Farming, Fishing, and Forestry Occupations	0	0	$8.55	$ 8.40-$24.15	$17,784
Construction and Extraction Occupations	8,160	816	$24.35	$10.01-$34.14	$50,648
Installation, Maintenance, and Repair Occupations	3,230	323	$22.65	$10.75-$32.15	$47,112
Production Occupations	960	96	$16.26	$ 8.60-$31.39	$33,821
Transportation and Material Moving Occupations	3,700	370	$12.77	$ 8.61-$26.34	$26,562
Total - All Occupations	97,490	9,749	$22.06	$ 8.02-$70.01	$45,885

(1) Although the MSA includes both San Benito and Santa Clara Counties, Santa Clara Count accounts for 98% of the jobs.
(2) Self-employed, unpaid family workers and farm employment are included. Occupations with employment below 100 in 2004 are excluded.
(3) Median Hourly Wage is the estimated 50th percentile of the distribution of wages; 50 percent of workers in an occupation earn wages below, and 50 percent earn wages above the median wage. The wages are from the first quarter of 2006.
(4) The Median Annual Wage is the Median Hourly Wage multiplied by 2,088 hours.

Sources: State of California Employment Development Department and Vernazza Wolfe Associates, Inc.

Table A-2: School District Employee Incomes by Residence Location (April 2007)

	No. of Employees	Income	
Employees Residing in:		**Median**	**Mean**
Milpitas	303	$41,200	$39,069
San Jose	259	$60,123	$62,285
Other Santa Clara County Cities	96	$67,805	$69,462
Tri-Cities	107	$66,794	$68,011
All Employees	783	$54,123	$56,859

Source: Department of Human Resources, Milpitas Unified School District and Vernazza Wolfe Associates, Inc.

Table A -3: City of Milpitas Employee Incomes by Residence Location (April 2007)

Income Group	**Income Amount**	**Total All Employees**		**Milpitas**		**San Jose**		**Other Santa Clara County Cities**		**Tri-Cities**	
HH of Four		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
30% AMI	**0 - $31,850**	9	2%	7	9%	1	1%	1	2%	0	0%
31%-50% AMI	**$31,851 - $53,050**	9	2%	5	6%	4	4%	0	0%	0	0%
51%-80% AMI	**$53,051 - $84,900**	148	36%	43	***54%***	38	36%	12	24%	23	***50%***
81%-100% AMI	**$84,901 - $94,500**	43	***10%***	5	6%	12	***11%***	6	12%	6	13%
101%-120% AMI	**$94,501 - $113,400**	92	22%	11	14%	24	22%	17	***34%***	5	11%
121%-150% AMI	**$113,401 - $141,750**	89	22%	6	8%	24	22%	13	26%	7	15%
151%-175% AMI	**$141,751 - $165,375**	13	3%	0	0%	2	2%	1	2%	3	7%
Above 175% AMI	**Above $165,375**	10	2%	3	4%	2	2%	0	0%	2	4%
	Total	413	100%	80	100%	107	100%	50	100%	46	100%

Median income categories are listed in bold, italics on Table A-3.
Source: Department of Human Resources, City of Milpitas, and Vernazza Wolfe Associates, Inc.

Appendix B: List of Opportunity Sites and Corresponding Maps (Separate Document)

Appendix C: Luxury Housing Appendix (Separate Document)

CITY OF MILPITAS MARKET STUDY

APPENDIX B

LISTING OF OPPORTUNITY SITES AND CORRESPONDING MAPS

February 2008

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www.vernazzawolfe.com
In Conjunction with Lamphier-Gregory

Table B-1: List of Residentially Designated Opportunity Sites

Site No.	Map No.	APN	Location	Size (acres)	Density (du/ac)	Potential Units
1	1	2940040	No. Park Victoria	4.8	6	29
2	1	2902015	El Camino Higuera	15.7	1	5
3	1	2952024	none listed	3.2	1	3
4	1	2952025	none listed	2.7	1	3
5	1	2952015	Camarillo	12.1	1	3
6	1	2907013	none listed	1	1	1
7	1	2907014	Country Club	1.7	1	2
8	1	2907009	none listed	1.4	1	1
9	1	2907010	none listed	1.1	1	1
10	1	2907011	none listed	1	1	1
11	1	2907012	none listed	1.1	1	1
12	1	2903019	Country Club	1.5	1	1
13	1	2903024	Calaveras Ridge	21.1	1	1
14	1	2903023	Calaveras Ridge	11.7	1	1
15	1	2903020	Country Club	6.1	1	1
16	1	2906007	Evans	9	0.1	1
17	2	9237046	Piedmont	1.5	1	1
18	2	8844099	Piedmont	1.7	0.1	0
19	2	9235002	Piedmont	474.1	0.1	47
20	2	9234014	Piedmont	0	0.1	0
21	2	9234008	Old Piedmont	57.6	0.1	6
22	2	4230027	Vista Norte	2	1	1
23	2	4230008	Vista Ridge	4.7	1	1
24	2	4230021	Vista Spring	2.4	1	1
25	2	4230022	Vista Ridge	1.4	1	1
26	2	4230015	Vista Ridge	2	1	1
27	2	4230029	Vista Ridge	4.3	1	1
28	1	2935023	Calera Creek	1.5	1	1
			Total	**648.4**		**116**

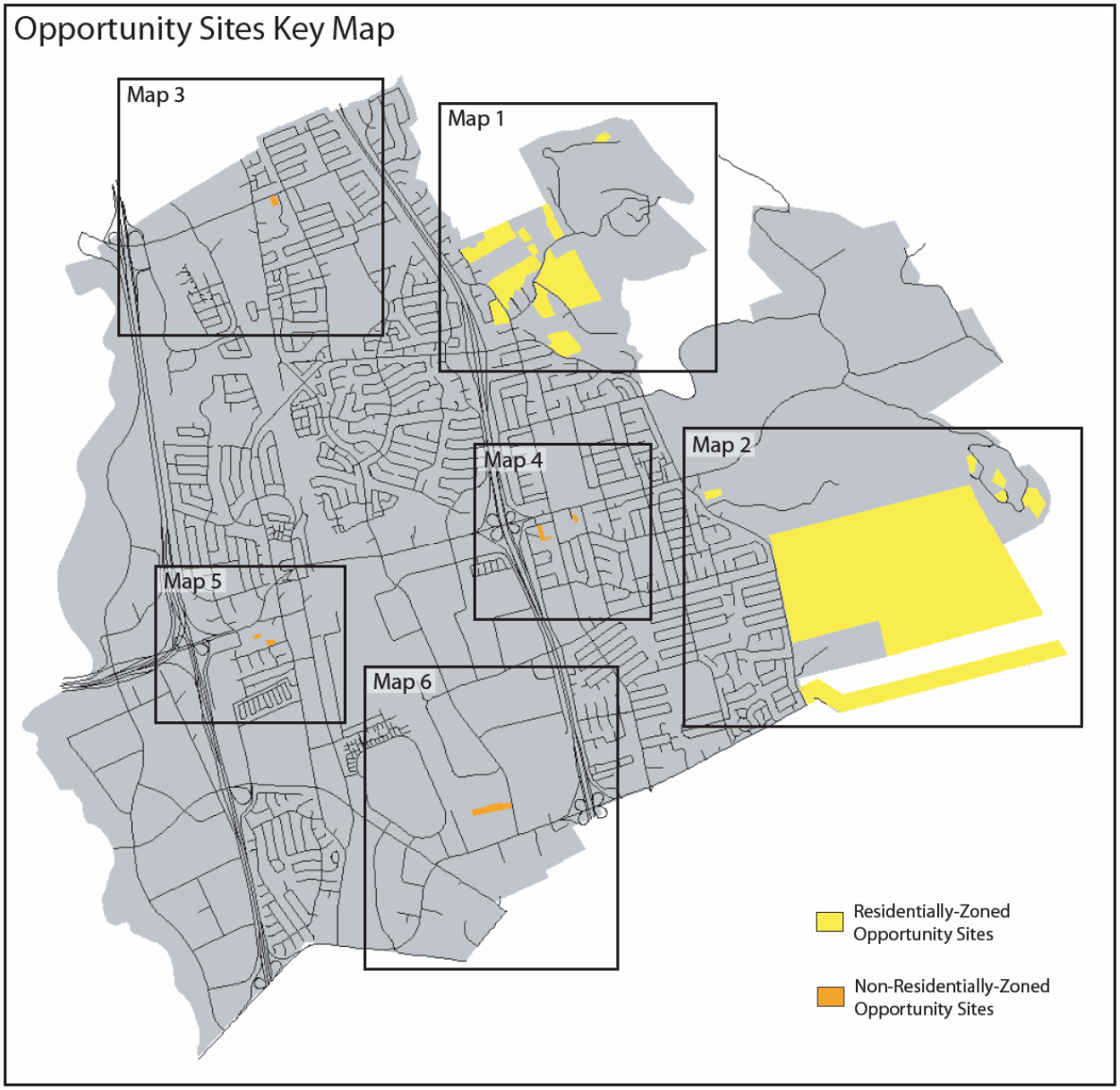
Sources: Santa Clara County Assessor's Office and Lamphier-Gregory.

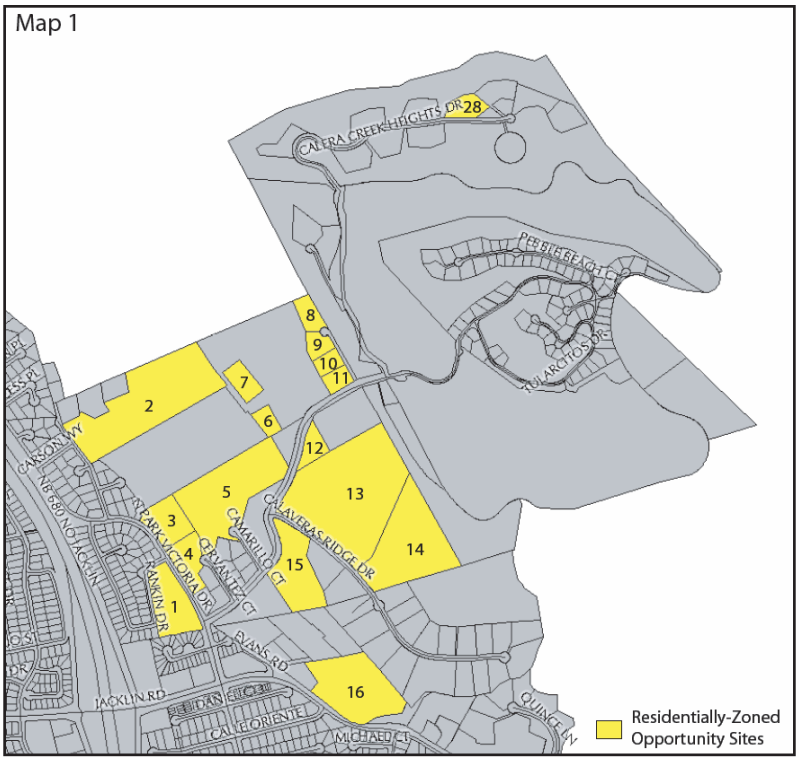
Table B-2: List of Non-Residentially Designated Sites

Site No.	Map No.	APN	Location	Size (acres)	Potential Units (Assumes 30 units per acre)
29	3	2606012	Dixon Rd	0.89	27
30 (1)	5	8607028	Junipero	3.15	95
31(1)	5	8607044	Serra	0.89	27
32	6	8632038	Milpitas Blvd	2.38	71
33	6	8632039	Milpitas Blvd	1.96	59
34	4	8804060	Dempsy	1.2	36
35	4	8804076	Dempsy	0.29	9
36	4	8804072	Calaveras	1.72	52
			TOTAL	**12.48**	**376**

(1) These two sites are located in the Midtown Specific Plan Area.

Sources: Santa Clara County Assessor's Office and Lamphier-Gregory.


Opportunity Sites Key Map
Map 3
Map 1
Map 2
Map 4
Map 5
Map 6
Residentially-Zoned Opportunity Sites
Non-Residentially-Zoned Opportunity Sites


Map 1
CALERA CREEK HEIGHTS DR
PEBBLE BEACH CT
POLARIS DR
CARSON WY
NB 680 N JACKLIN
PARK VICTORIA DR
RANKIN DR
CAMARILLO CT
CALAVERAS RIDGE DR
EVANS RD
JACKLIN RD
CALEORIENTE
MICHAEL CT
QUINCE
1
2
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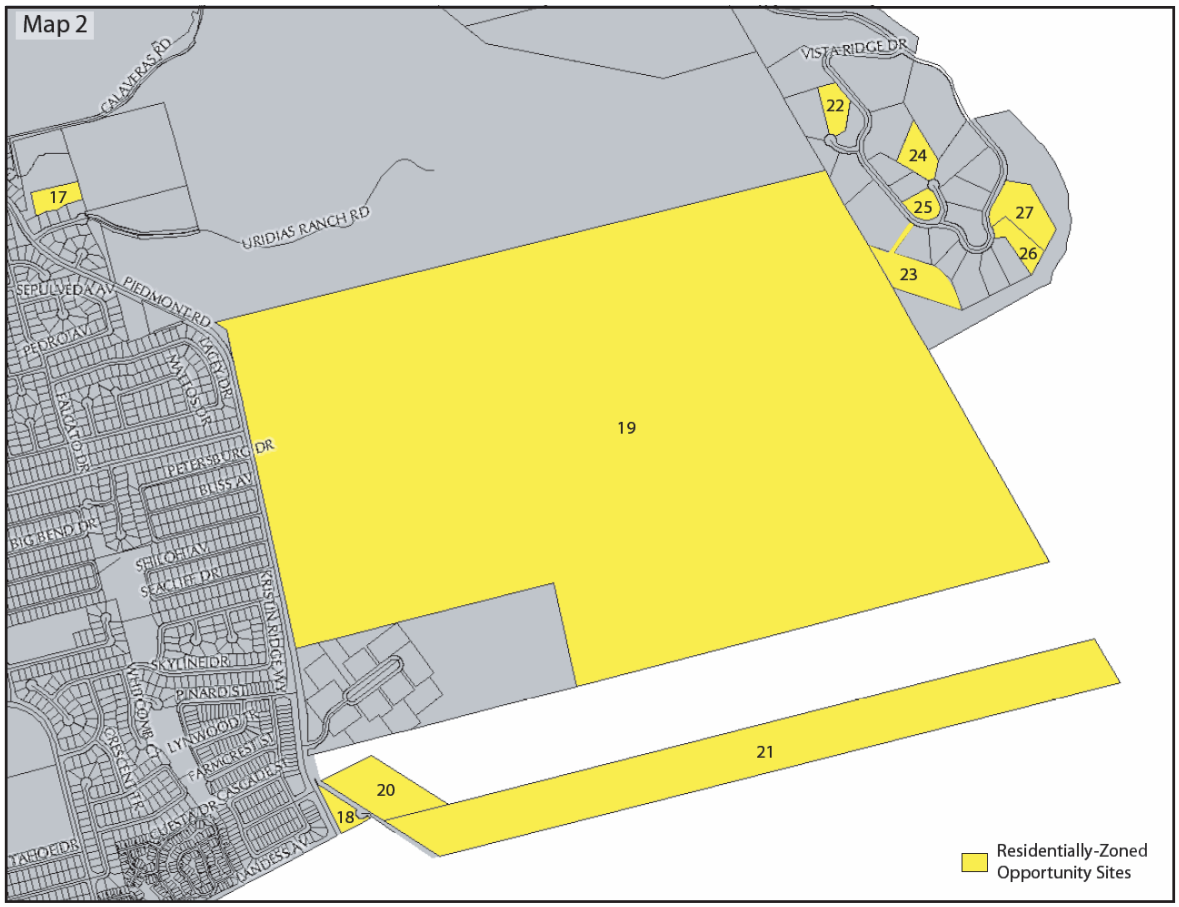
28
Residentially-Zoned Opportunity Sites


Map 2
CALAVERAS RD
VISTA RIDGE DR
URIDIAS RANCH RD
SEPULVEDA AV
PIEDMONT RD
PEDRO AV
MILTOS DR
PETERSBURG DR
BLISS AV
BIG BEND DR
SHILOH AV
SEACLIFF DR
KRISTIN RIDGE WY
SKYLINE DR
PINARD ST
WHITCOMB
LYNWOOD DR
CRESCENT DR
FARMCREST ST
CASCADE ST
VIESTA DR
TAHOE DR
VANESSA WY
17
18
19
20
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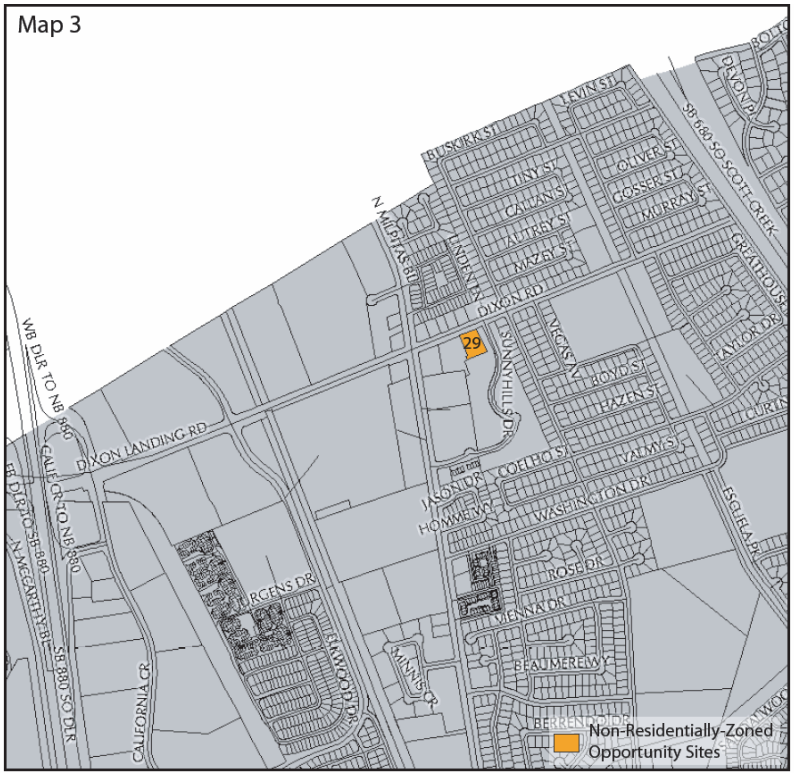
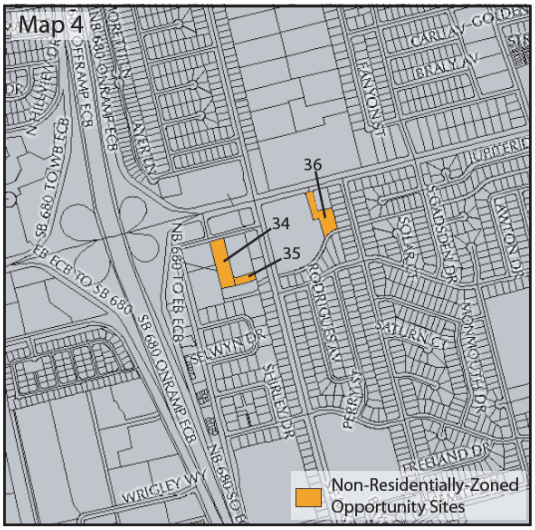
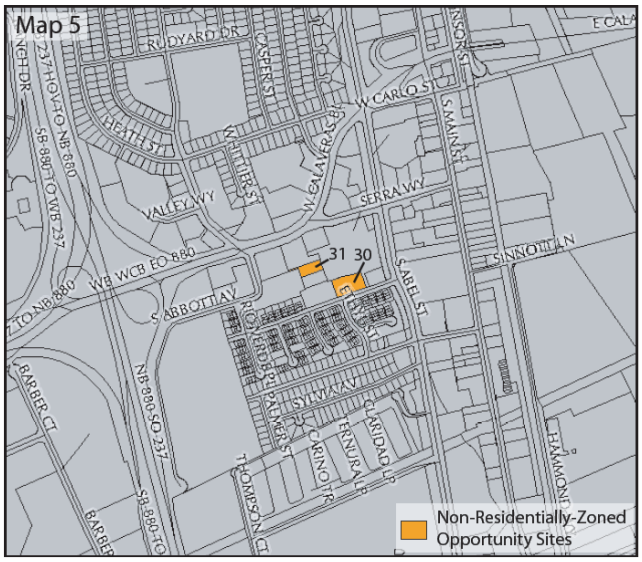
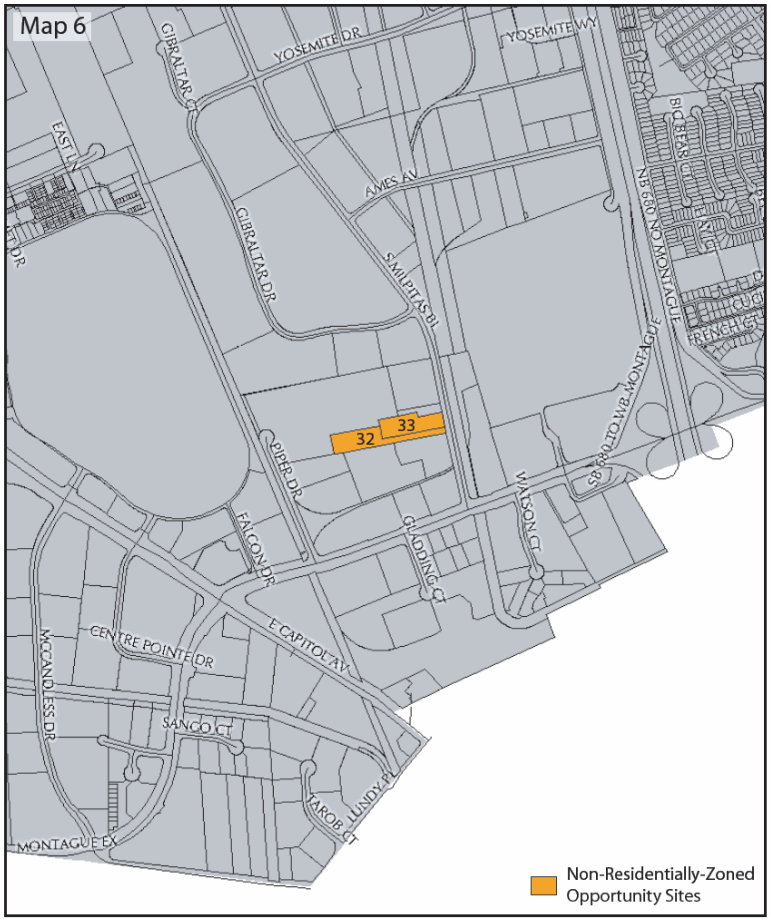
27
Residentially-Zoned Opportunity Sites


Map 3
29
Non-Residentially-Zoned
Opportunity Sites
BUSCREK ST
LEVIN ST
DEVON PL
SB 680 SO SCOTT CREEK
TINY ST
OLIVER ST
GOSSER ST
MURRAY ST
CALLAN ST
AUTREY ST
MAZEL ST
N MILPITAS BL
LINDEN DR
DIXON RD
CREATHOUSE
TAYLOR DR
WB DLR TO NB 680
SUNNYHILLS DR
VICAS CT
LLOYD ST
HAZEL ST
CURTIS
DIXON LANDING RD
COELHO ST
VALMY ST
JASON DR
HOMMEL WY
WASHINGTON DR
ESCUELA PL
EB DLR TO SB 880
CALIFORNIA DR
NB 680 TO SB 880
SB 880 SO DLR
LURGENS DR
ROSE DR
VIENNA DR
CALIFORNIA CR
BEAUMERE WY
BERRENDO DR


Map 4
36
34
35
Non-Residentially-Zoned
Opportunity Sites
CARLA LN
BRALY LN
HANYON ST
UPTERIDGE
SB 680 TO WB ECB
NB 680 ONRAMP ECB
SB RAMP ECB
EB ECB TO SB 680
NB 680 TO EB ECB
SB 680 ONRAMP ECB
SOLAR PL
GADSEN DR
LAWTON DR
SELWYN DR
RODRIGUES ST
SATURN CT
LAKEMOUNT DR
SUNLEY DR
PERRY ST
FREELAND DR
WRIGLEY WY
NB 680 SO EB


Map 5
RUDYARD DR
JASPER ST
W CARLO ST
S MAIN ST
HEATH ST
W CALAVERAS ST
SERRA WY
VALLEY WY
31
30
S SINNOTT LN
WB WCB EO 880
S ABBOTT AV
S ABEL ST
SYLVIA AV
BARBER CT
NB 880 SO 237
SB 880 TO
THOMPSON CT
Non-Residentially-Zoned Opportunity Sites


Map 6
GIBRALTAR CT
YOSEMITE DR
YOSEMITE WY
EAST LN
AMES AV
GIBRALTAR DR
SMITH LAS DR
NB 680 CONNECTOR TO MONTAGUE
BIG BEAR CT
FRENCH CT
32
33
PIPER DR
SB 680 TO WB MONTAGUE
WATSON CT
FALCON DR
GLADDING CT
E CAPITOL AV
CENTRE POINTE DR
MCCANDLESS DR
SANCO CT
LUNDY PL
TAROB CT
MONTAGUE EX
Non-Residentially-Zoned Opportunity Sites

CITY OF MILPITAS MARKET STUDY

APPENDIX C
EXAMPLES OF LUXURY HOUSING

February 2008

VERNAZZA WOLFE ASSOCIATES, INC.
5464 College Avenue
Oakland, CA 94618
Telephone (510) 596-2475
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www.vernazzawolfe.com

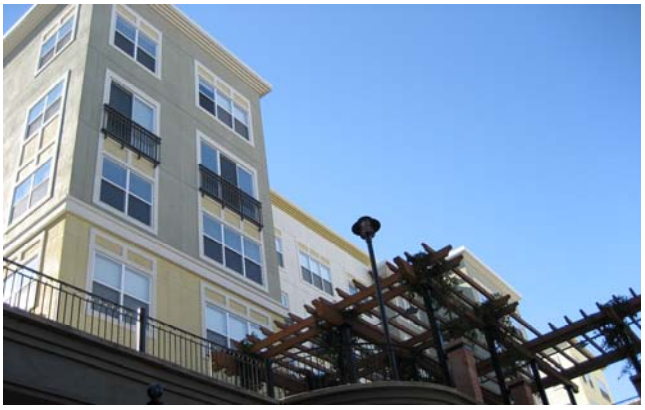
In Conjunction with Lamphier-Gregory

SANTANA ROW MIXED USE DEVELOPMENT

PROJECT DESCRIPTION – SANTANA ROW CONDOMINIUMS, SAN JOSE

DEVELOPMENT NAME	Santana Row	**BUILDING TYPE**	Condominiums above ground floor retail and services
ADDRESS	3055 Olin Avenue Suite 2100	**TOTAL UNITS**	219
CITY	San Jose	**LOT SIZE**	
MGR/CONTACT	Federal Realty Investment Trust	**DENSITY**	
TELEPHONE NO.	(408) 551-4611	**CONDITION**	Excellent
TENURE	Ownership	**YEAR BUILT**	2006
MARKET NICHE	Relatively young (28 to 40 years), well educated, affluent, and some professional athletes.	**PARKING**	Garage
RENTS/SALES PRICES	Average price for condos was $700,000. In 2005, prices were $525,000 for 700 SF unit, $1.45 million for a 2,200 SF unit and $2.5 million for a 3,800 SF unit.	**UNIT SIZES**	
SPECIAL AMENITIES		**OTHER INFORMATION**	

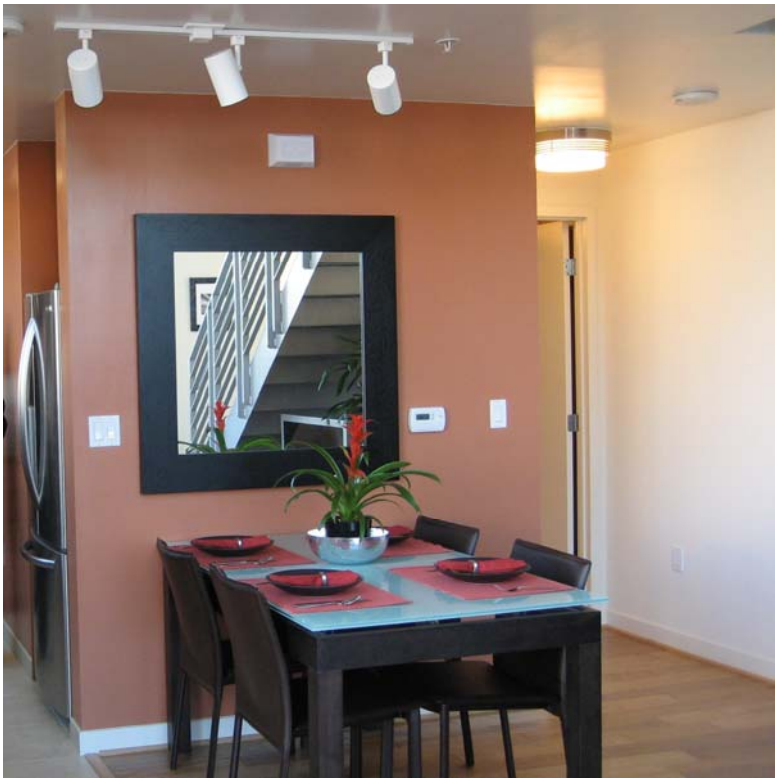
SANTANA HEIGHTS RENTALS, SAN JOSE



PROJECT DESCRIPTION – SANTANA HEIGHTS, SAN JOSE

DEVELOPMENT NAME	Santana Heights	**BUILDING TYPE**	Town houses, lofts, and flats above ground floor retail. Three separate rental options. City Heights provides 256 units; VIA provides 3 units, and there are 36 town house units in the Serrano Building.
ADDRESS	Residential Leasing -334 Santana Row, Suite 1035	**TOTAL UNITS**	295
CITY	San Jose	**LOT SIZE**	Air rights over commercial space
MGR/CONTACT	Jennifer	**DENSITY**	Three types of rental units: Via, townhomes, and flats. These are densely developed.
TELEPHONE NO.	408-988-3600	**CONDITION**	Excellent
TENURE	Rental	**YEAR BUILT**	2005-06
MARKET NICHE	Professionals, CEOs, Vice-Presidents of IT firms, and mortgage industry. Some families with children, but mostly singles. Average age is 35 years.	**PARKING**	Garage parking for the flats and townhouses; private garages with storage for Via units. One bedrooms = one space; two-bedroom units = 2 spaces; three- and four-bedroom units = 3 spaces.
RENTS/SALES PRICES	Rents vary widely. For example, the lowest rent for a one-bedroom, one-bath flat unit is $2,000, and the highest flat unit rents for $2,950 (two-bedroom, two baths). For townhomes, the lowest rent is $2,800 for a two bedroom, two bath unit, and the highest rent is $5,450 for a four bedroom, three bath plus den unit.	**UNIT SIZES**	Flats: One-bedroom, one bath units are 873 SF, two-bedroom, two bath units are 1,195 SF, and three-bedroom, 2 bath units are 1,611 SF. Townhome units are two, three, or bedrooms, with two to three baths. The smallest unit is a two-bedroom, two bath plus den at 1,457 SF and the largest unit is four-bedrooms, three baths plus den and is 2,271 SF. Townhomes are built on three levels. Finally, there are Via Penthouses are 2,900 SF and contain three-bedrooms, two baths plus den.
SPECIAL AMENITIES	Concierge, 24 hour fitness center, lounge, outdoor terrace, pool, spa, and clubhouse.	**OTHER INFORMATION**	Units have gourmet kitchens. Some units have private balconies. Washers/dryers in flats and townhomes.

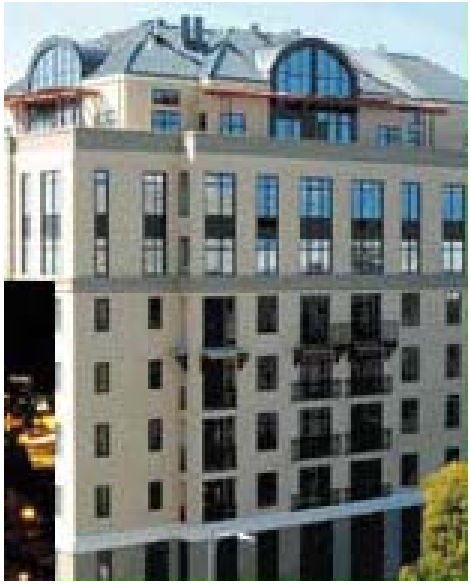
CITY HEIGHTS – CONDOMINIUM HIGH RISE IN DOWNTOWN SAN JOSE



ONE-BEDROOM LOFT MODEL DINING ROOM.

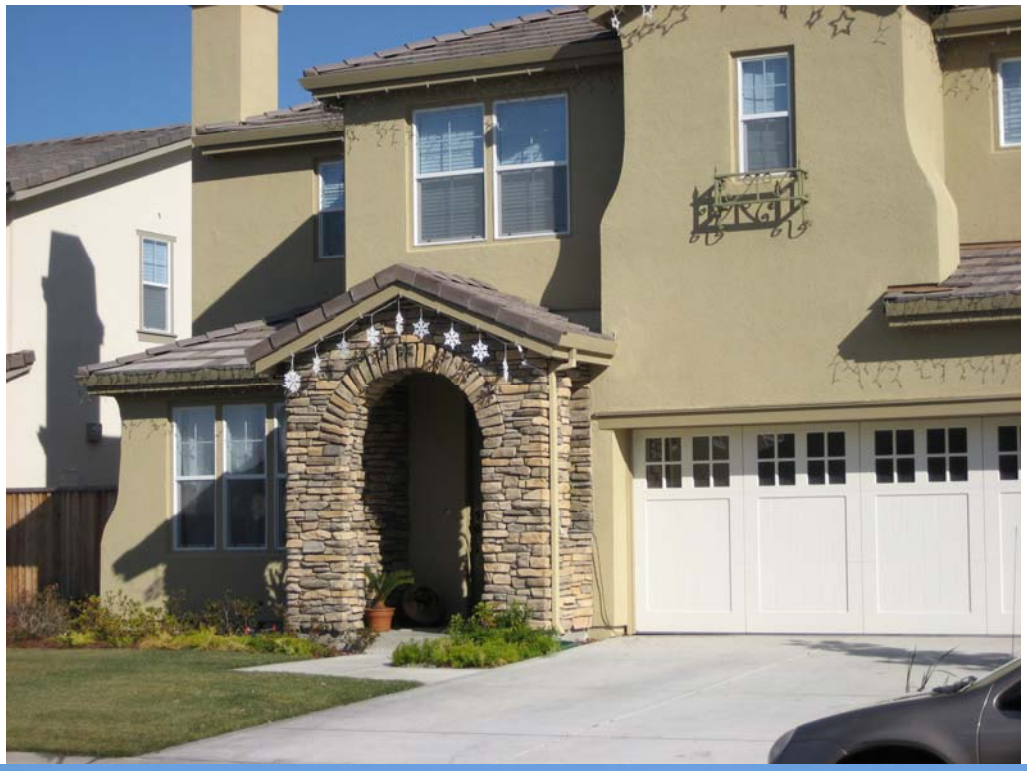
DEVELOPMENT NAME	City Heights	**BUILDING TYPE**	High Rise Residential Condos
ADDRESS	San Pedro and West S. James Streets	**TOTAL UNITS**	124 flats and loft-style condos
CITY	San Jose	**LOT SIZE**	.77 acres
MGR/CONTACT	Barry Swenson, Builder	**DENSITY**	161 units per acre
TELEPHONE NO.	Sales Office: 408-286-2489	**CONDITION**	New - Excellent
TENURE	Ownership	**YEAR BUILT**	Completion anticipated by Summer 2007
MARKET NICHE	According to the sales agent, this development will appeal to empty nesters, young people, first time home buyers, and people who already live in downtown San Jose who want to try high rise living.	**PARKING**	One or two spaces, depending on the plan purchased.
RENTS/SALES PRICES	One bedroom, one bath units range in prices from low $400,000 to high $400,000. Two bedrooms, two bath units range from high $500,000 to high $600,000. Prices are more than $1 million for the penthouses.	**UNIT SIZES**	Range from 647 to 1,813 SF. One- and Two-Bedroom units; 3 live/work lofts, and two commercial/office units.
SPECIAL AMENITIES	None	**OTHER INFORMATION**	Faces historic city park. HOA fees estimated at $450/month

VENDOME PLACE- HIGH RISE RENTAL DEVELOPMENT IN SAN JOSE ADJACENT TO LIGHT RAIL



DEVELOPMENT NAME	Vendome Place	**BUILDING TYPE**	High Rise Residential Apts. – 10 floors of apartments
ADDRESS	750 Miller St.	**TOTAL UNITS**	76 units
CITY	San Jose	**LOT SIZE**	Two more towers will be built at site.
MGR/CONTACT	Jessie at Barry Swenson's Office	**DENSITY**	Currently approved density is 134 du/acre, but builder is asking San Jose for 175 du/acre for the next two towers.
TELEPHONE NO.	408-287-0246	**CONDITION**	Excellent
TENURE	Rental	**YEAR BUILT**	2005
MARKET NICHE	Several market groups including people who are relocating from other cities where high rise living is more common; Asian renters, young professionals, and people who can walk to work in area. Very few households with children.	**PARKING**	On-grade, per city requirements. 10% reduction in parking due to proximity to light rail.
RENTS/SALES PRICES	Studios rent for $1,100 to $1,200; one-bedrooms start at $1,400, and two-bedroom rents range from $2,000 to $2,800. There are six penthouses that rent from $2,500 to $6,000 per month. Lowest rents are on bottom floors, highest rents on top floors.	**UNIT SIZES**	Penthouse unit consists of 1 bedroom 1.5 baths and is 1,425 SF; 2 bedroom, 2bath unit is 1,152 SF, 1 bedroom, 1 bath is 639 SF, studio unit is 484 SF.
SPECIAL AMENITIES	Total project will be 42% open space and recreational area. Two-story residential lobby, bi-level penthouse units, fitness center.	**OTHER INFORMATION**	Phase I is completed. Future phases will start in 2009. Zoning issues under discussion. Within 100 yards of light rail.

KENNEDY PARK, SMALL NEW SUBDIVISION, MILPITAS



DEVELOPMENT NAME	Kennedy Park	**BUILDING TYPE**	Single Family
ADDRESS	Off Kennedy Drive	**TOTAL UNITS**	19
CITY	Milpitas	**LOT SIZE**	6,100 SF to 9,800 SF
MGR/CONTACT	Mission Peak Company	**DENSITY**	5.28 units per acre
TELEPHONE NO.	Sales Information Office Phone: (510) 354-9888	**CONDITION**	Excellent – New Homes
TENURE	Ownership	**YEAR BUILT**	2005
MARKET NICHE	Families that already live in San Jose or Milpitas. Move-up buyers. High turnover. Asian families. Some extended families	**PARKING**	Garage
RENTS/SALES PRICES	$1,190,000-first floor plan $1,900,000-second floor plan $1,290,000 second floor plan	**UNIT SIZES**	4-bedroom, 2.5 baths-2,873 SF; 5-bedroom, 4.5 baths-3,310 SF; 5-bedroom, 4.5 baths-3,695 SF
SPECIAL AMENITIES	Located across from an elementary school – lower hills of Milpitas.	**OTHER INFORMATION**	Houses appear similar to SummerHill's Villa Savona. Houses appear to be on small lots, since they are so large. Former Mormon Church site.

INDIVIDUAL HOME ON LARGE HILLSIDE LOT, MILPITAS

This is a six bedroom, four bath house, offered at $2,750,000. The interior living area is 6,000 SF, and the lot size is between one and two and a half acres. The house is three years old. Additional features include three fireplaces, and two master suites.

VILLA SAVONA, SMALL UPSCALE SUBDIVISION FREMONT

Interior of a unit at Villa Savona

DEVELOPMENT NAME	Villa Savona	**BUILDING TYPE**	Large single family homes on regular lots
ADDRESS	Sales office is at 42098 Benbow Drive, Near Irvington District	**TOTAL UNITS**	30
CITY	Irvington District, Fremont	**LOT SIZE**	2.5 acres
MGR/CONTACT	SummerHills Homes	**DENSITY**	Calculated at 12 units per acre
TELEPHONE NO.	510-445-1999	**CONDITION**	Excellent-New
TENURE	Ownership	**YEAR BUILT**	As of 2007 remaining units are under construction
MARKET NICHE	Upscale	**PARKING**	Two and three car garages
RENTS/SALES PRICES	4 bedroom, 4.5 baths, loft-approximately 3,731 SF priced at $1,699,800. 5 bedroom, 4.5 baths, bonus room – approximately 3,889 SF priced at $1,685,000.	**UNIT SIZES**	Three models, ranging from three to five bedrooms, and from 3.5 to 4.5 bathrooms. Size ranges from 3,545 SF to 3,889 SF.
SPECIAL AMENITIES	Upscale features. Lower hills location. Small park in interior of development.	**OTHER INFORMATION**	Former school site. While this development is more upscale than surrounding homes, it still fits in.

WOODMARK AT UNIVERSITY PARK, PALO ALTO

DEVELOPMENT NAME	Woodmark – Part of SummerHills' University Park community.	**BUILDING TYPE**	Condominiums and Townhouses
ADDRESS	Information Office is at 325 Channing Avenue, Unit 108	**TOTAL UNITS**	36
CITY	Palo Alto	**LOT SIZE**	NA
MGR/CONTACT	SummerHill Homes	**DENSITY**	30 DU/acre (includes park that is part of the development)
TELEPHONE NO.	650-857-0122 (Elaine Breeze, VP, who worked on the project)	**CONDITION**	New - Excellent
TENURE	Ownership	**YEAR BUILT**	2005
MARKET NICHE	Many buyers are "buy downs" (those selling their $2 million or more homes to move to a $1 million home. Sixty percent of the Woodmark buyers were over 50 years old – only a few younger buyers. Some buyers use units as second homes, because of connection to Stanford or other employment.	**PARKING**	Private, gated underground parking with two spaces per unit, and guest parking
RENTS/SALES PRICES	Prices start in the low $1 million range. Went up to $1.8 million.	**UNIT SIZES**	Range from 1,287 to 2,239 SF
SPECIAL AMENITIES	Arts and Crafts architecture and period details of fine craftsmanship. High end finishes. Energy saving features.	**OTHER INFORMATION**	22 floor plans. As of 1/2005, 2/3 of units had been sold. Part of a larger development at University Park (Weatherly – 30 condos at Homer Avenue and Bryant Avenue and Channing Collection – 10 single family homes)

HIGH RISE VIEW FROM THE TOP OF THE
EMBASSY SUITES HOTEL IN MILPITAS
VIEW FROM POTENTIAL HIGH RISES IN MILPITAS
NEAR I-680 COULD BE SIMILAR

VIEW TO THE WEST

VIEW TO THE EAST