



# Terwilliger Center for Housing



The Kelsey Ayer Station is a six-story, transit-oriented, inclusive housing community providing 115 affordable homes. (Bernard Grijalva)

## ULI CASE STUDY: THE KELSEY AYER STATION

— ★ —

**WINNER**

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**ULI TERWILLIGER CENTER**

**2025**

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**AWARD FOR  
INNOVATION IN  
ATTAINABLE HOUSING**

### SAN JOSÉ, CALIFORNIA

**LOCATION:**

457 North First Street  
San José, California

**PROJECT TYPE:**

Transit-oriented, mixed-income, mixed-ability, multifamily housing

**UNITS:**

115

**SIZE:**

85,946 square feet

**COST:**

\$75 million

**COMPLETION DATE:**

April 2024

**OWNERS:**

The Kelsey, Sares Regis Group of Northern California, and Devine and Gong

**PARTNERS:**

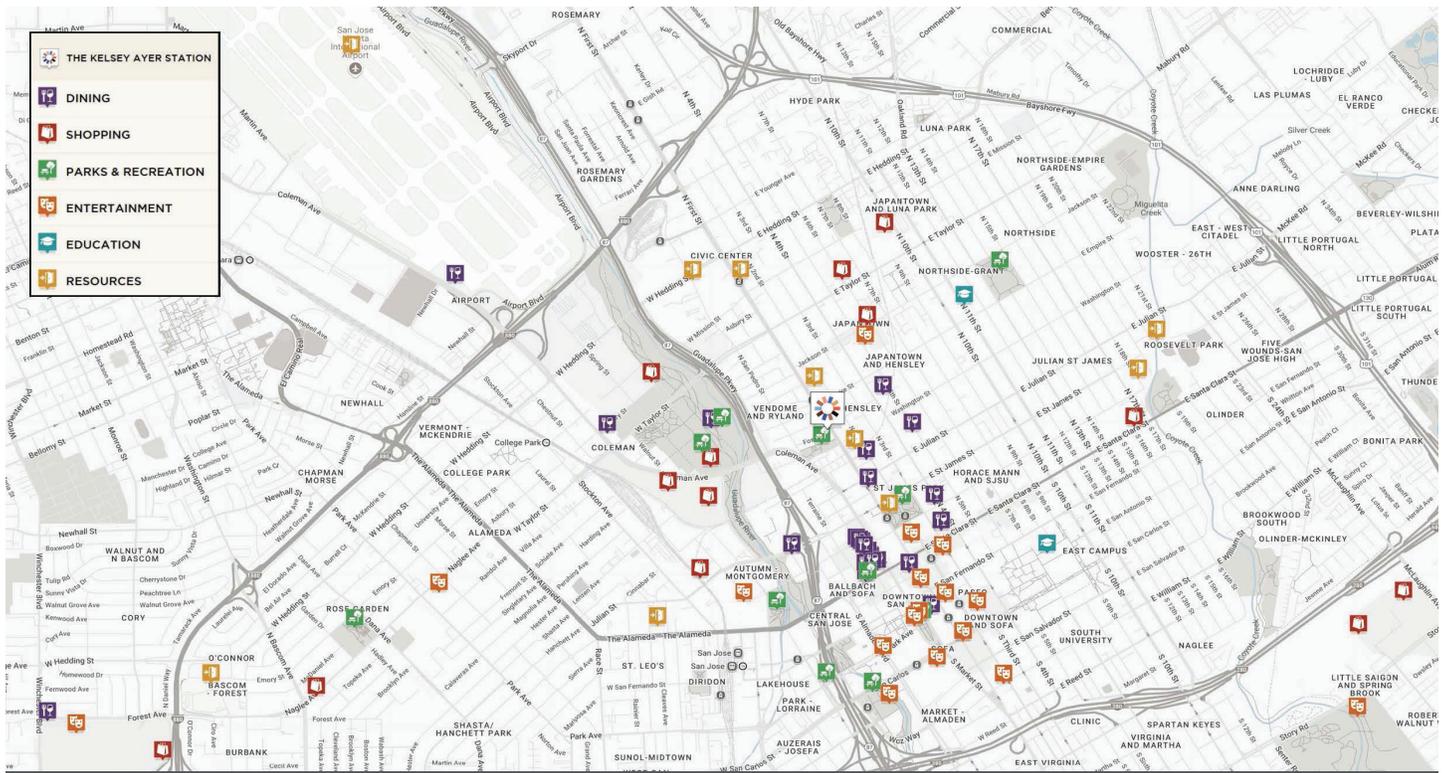
Google, City of San José, Enterprise Community Partners, CalHFA, U.S. Department of Housing and Urban Development (HUD), Capital One, Comerica Bank, Housing Trust Silicon Valley, The Harry and Jeanette Weinberg Foundation, California Department of Housing and Community Development's Transit-Oriented Development Program, individual supporters

**PROJECT WEBSITE:**

<https://thekelsey.org/projects/ayer-station/>

**CONTACT:**

Micaela Connery, Co-Founder and CEO, The Kelsey Architecture + Planning



The building sits directly on a VTA light rail line and is within walking distance of major bus routes, employment centers, cultural amenities, and essential services. [Sares Regis Group of Northern California (SRGNC)]

## Project Overview

The Kelsey Ayer Station is a six-story, transit-oriented, inclusive housing community providing 115 homes affordable to households earning between 20 percent and 80 percent of area median income (AMI). Twenty-five percent of the units are reserved for people with disabilities. Located at 457 North First Street in San José's First Street Urban Village corridor, the building sits directly on a Valley Transportation Authority (VTA) light rail line and is within walking distance of major bus routes, employment centers, cultural amenities, and essential services.

As The Kelsey's inaugural development, the project embodies The Kelsey's mission of building affordable, accessible, inclusive housing. Amenities include a fitness room, sensory garden, rooftop terrace, maker space, dog run, community lobby, coworking space, and the Inclusion Concierge program: a program created by The Kelsey to connect residents to formal services and supports as well as to build an active, supportive community. By combining affordability

with disability-forward design, the development redefines what inclusive housing can look like in one of the nation's most expensive markets.

## Planning and Design

The Kelsey Ayer Station was planned and designed as a model of disability-forward housing, guided throughout by Inclusive Design Standards. These standards, which include more than 300 individual elements, were co-created by people with and without disabilities, including The Kelsey, the Inclusive Design Council, and Mikiten Architecture. Their purpose is to ensure that cross-disability access, racial equity, safety, and sustainability are embedded from the earliest stages of development. The Kelsey Ayer Station was the first project to implement the Inclusive Design Standards, which are now used by public and private developers nationwide to develop more disability-forward homes.

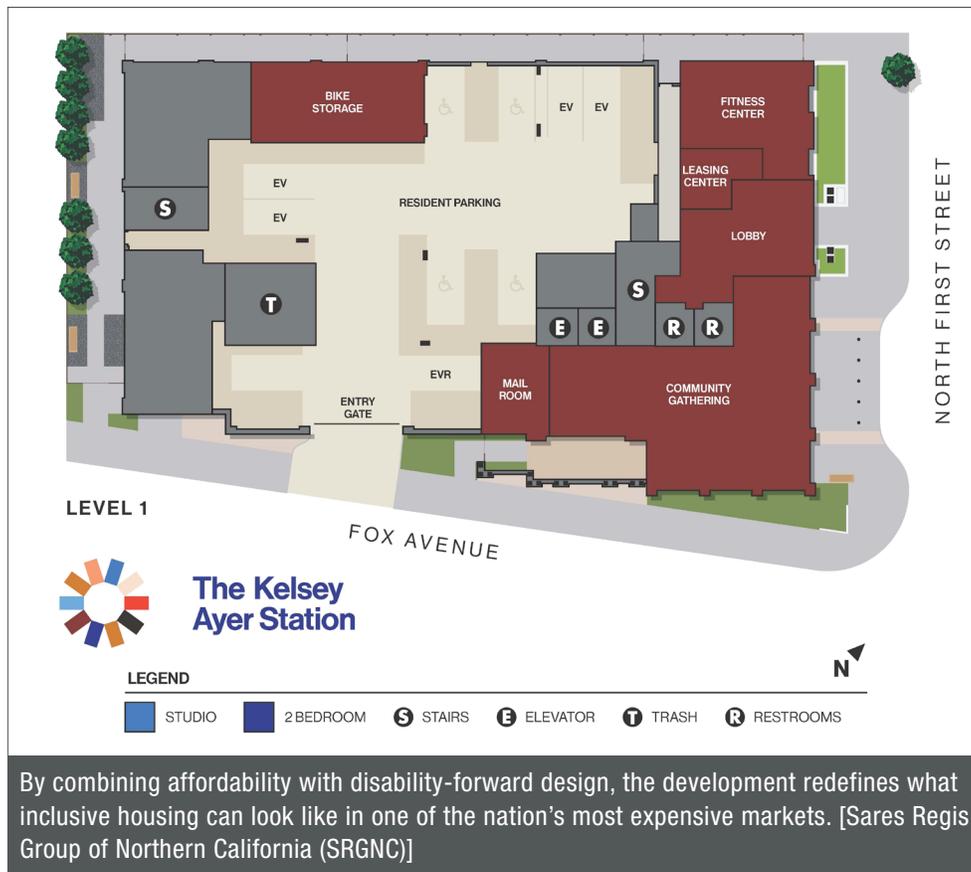
Accessibility was integrated not as an add-on, but as a core design principle. Apartments include features such as removable kitchen and bathroom cabinets to accommodate wheelchair users, dimmable lighting to support residents with sensory sensitivities, and color-coded wayfinding systems using symbols and visual cues. Several units include roll-in showers, and all residents benefit from clear, plain language lease addendums that make agreements easier to understand. Together, these features reflect a commitment to disability-forward design, ensuring that the community is accessible across a range of physical, cognitive, and sensory disabilities.

Shared spaces were programmed with the explicit goal of fostering community interaction. The ground-floor lobby doubles as a community hub, with soft seating, coworking areas, and space for resident programming. Outdoor amenities such as the sensory garden, rooftop terrace, and dog run provide opportunities for casual encounters and structured activities alike. A dedicated maker space encourages creativity and collaboration among residents, while art installations by disabled artists celebrate inclusion and reinforce a sense of identity and belonging within the community.

Sustainability was another major focus of the design. The building achieved LEED Gold certification, with rooftop solar panels providing renewable energy and all-electric systems reducing carbon emissions. Drought-tolerant landscaping and stormwater management strategies support environmental resilience in a region facing water scarcity. Taken together, these design decisions demonstrate that inclusive housing can also be climate-conscious and future-focused, proving that accessibility, affordability, and sustainability can coexist in a single development.

“ Our project is at or below the per-unit cost of comparable projects. Accessibility is often seen as expensive only when added late.”

– Micaela Connery, cofounder and CEO, The Kelsey



# Policy Profile: The Kelsey Ayer Station

*ULI Terwilliger Center's Policy Profiles highlight the public policies that made the project possible. They showcase local, state, or federal tools—such as financing incentives, regulatory changes, or permitting reforms—and distill lessons other communities can adapt to expand housing affordability and choice.*

## Overview

The Kelsey Ayer Station, completed in 2024, is a \$75 million, six-story, mixed-income, mixed-ability development in San José, California. With 115 apartments affordable to households earning

20–80 percent of area median income, including 25 percent reserved for people with disabilities, the project demonstrates how layered public policies and financing tools can advance disability-forward housing.

## San José Local Funding and Ground Lease Affordability Requirement

The City of San José has long played an active role in addressing housing affordability through direct investment and regulatory commitments. Its Housing Department manages competitive funding processes that allocate local dollars to affordable housing projects.



Outdoor amenities such as the sensory garden, rooftop terrace, and dog run provide opportunities for casual encounters and structured activities alike. (Bernard Grijalva)

In addition to providing upfront capital, San José requires that funded projects commit to long-term affordability covenants, often spanning 55 years or more. These covenants are structured as deed restrictions or ground leases, ensuring that affordability levels are preserved well beyond the initial financing period. This policy framework has helped stabilize affordability in a region where market pressures and gentrification often threaten long-term access to housing.

*Impact on The Kelsey Ayer Station:* The City contributed \$17.4 million to the project and required a 55-year affordability period through its ground lease. San José's funding commitment was pivotal in launching the capital stack and signaling strong local support.

### California Senate Bill 35 (SB35) – Streamlined Ministerial Approval

Enacted in 2017, SB35 created a ministerial approval process for multifamily housing projects in jurisdictions that have not met state housing production goals. Projects with more than 50 percent affordable units can bypass discretionary reviews and environmental appeals.

*Impact on The Kelsey Ayer Station:* Under the process for traditional entitlements, community opposition and a pending historic review threatened costly delays. By pivoting to SB35, the development secured approvals in a matter of weeks instead of months. The project maintained its original design while leveraging the streamlined process to stay on schedule.

“ SB35 was essential. Traditional entitlements would have meant delays and hundreds of thousands of dollars in added costs. With SB35, we had approvals in a week.”

– Micaela Connery, cofounder and CEO, The Kelsey

### California's Transit-Oriented Development (TOD) Program

The TOD Program was established by the California Department of Housing and Community Development (HCD) in 2006, originally funded through state housing bonds (Proposition 1C). Its purpose is to promote higher-density housing near transit stations, reduce greenhouse gas emissions, and connect low-income households to jobs, education, and services. Over time, it has evolved to align with California's broader climate and equity goals. Funding typically comes in the form of low-interest loans or grants to affordable housing developments located within a half-mile of major transit stops.

*Impact on The Kelsey Ayer Station:* The project sits directly on San José's VTA light rail corridor and within walking distance of regional bus service. By qualifying for TOD financing, the development was able to reinforce its transit-oriented location with affordability covenants and sustainability features such as limited on-site parking and discounted and free transit passes.

### CalHFA Mixed-Income Program (MIP)

The Mixed-Income Program was created by the California Housing Finance Agency (CalHFA) in 2018. Its mission is to create integrated, inclusive housing communities by providing subordinate financing for developments that serve a range of income levels.

*Impact on The Kelsey Ayer Station:* For The Kelsey, the MIP not only provided a critical piece of the capital stack but also validated the project's goal of building a mixed-income, mixed-ability community as a model for replication across the state.

## HUD Section 811 – Supportive Housing for Persons with Disabilities

The HUD Section 811 Supportive Housing for Persons with Disabilities program, created in 1990, is the only federal housing program dedicated exclusively to expanding affordable, integrated housing for people with disabilities. Traditionally, Section 811 provided capital advances and operating subsidies to nonprofit developers, enabling them to build or rehabilitate supportive housing. Units supported by Section 811 must remain affordable and accessible for long-term use.

In recent years, the program has shifted toward Project Rental Assistance (PRA), which partners with state housing agencies to fund rental subsidies within mainstream affordable housing developments, ensuring people with disabilities can live independently in community settings rather than in institutional or segregated environments.

*Impact on The Kelsey Ayer Station:* At The Kelsey Ayer Station, 22 units are supported through Section 811 PRA, ensuring income-based affordability for residents with disabilities who would otherwise be priced out of the local housing market.

## Key Takeaways for Policy and Practice

- **Local government commitment provides stability and long-term impact.** The City of San José's \$17.4 million contribution and its requirement for a 55-year affordability covenant ensured the project's financial feasibility and lasting affordability. This type of municipal leadership—especially the early commitment of funds—was key to supporting the overall viability of the project and the ability to leverage other funds.
- **Streamlined approvals can save time without sacrificing input.** California's SB35 provided a ministerial approval process that allowed The Kelsey Ayer Station to avoid costly delays. Because the development team had already conducted more than a year of neighborhood engagement, the project demonstrated that regulatory streamlining and authentic community participation can work in tandem.
- **Aligning transit investment with affordable housing amplifies outcomes.** California's TOD Program shows how housing policy and climate policy can work together to achieve multiple goals. By situating The Kelsey Ayer Station directly along a major transit corridor, the project secured financing while also promoting car-light living, reducing transportation costs for residents, and lowering emissions.
- **Mixed-income financing fosters inclusion and replicability.** CalHFA's MIP allowed The Kelsey Ayer Station to serve households across a wide income spectrum, from very low-income residents to moderate-income households. This model breaks down economic segregation and validates the vision of a truly integrated, mixed-ability community.
- **Dedicated disability-forward funding is essential.** HUD's Section 811 program remains the only federal tool that directly supports affordable housing for people with disabilities. By shifting to Project Rental Assistance, it has made integration into mainstream affordable housing possible.



The Kelsey Ayer Station was the first project to implement the Inclusive Design Standards, which are now used by public and private developers nationwide to develop more disability-forward homes. (Bernard Grijalva)

## Costs and Financing

The Kelsey Ayer Station represents a \$75 million investment in affordable, accessible, and inclusive housing in the heart of San José. The financing for this project required a complex layering of local, state, federal, philanthropic, and private resources, each of which played a critical role in moving the development from concept to completion.

Philanthropy, while accounting for just under 4 percent of the total budget, proved disproportionately influential. Early unrestricted support from the Chan Zuckerberg Initiative (CZI) provided flexibility to pursue site control and initial rezoning, while later-stage contributions, such as the \$1 million grant from The Harry and Jeanette Weinberg Foundation, safeguarded key accessibility and inclusion features that might otherwise have been cut in the face of value engineering. This philanthropic support was essential both at the beginning to de-risk the project and equally vital at the end to close final gaps.

One of the pivotal financing tools was a \$6.9 million predevelopment loan from Google's affordable housing fund, which enabled The Kelsey to secure the site, complete early design work, and cover entitlement costs long before construction financing could be finalized. It was the first loan made from Google's fund. This infusion of early capital reduced risk for other investors and provided the breathing room needed to carry the project through a lengthy development process.

“ Philanthropy was about 5 percent of the capital stack, but it was catalytic. It was the first money in and the last money out. ”

– Micaela Connery, cofounder and CEO, The Kelsey

## PRO FORMA: THE KELSEY AYER STATION

Source	Amount (\$)
Equity: 4% LIHTC	26,000,000
Permanent mortgage	15,000,000
California Transit-Oriented Development Program	10,000,000
CalHFA Mixed-Income Program loan	5,000,000
City of San José loan (building)	14,000,000
City of San José loan (land)	3,000,000
Philanthropic sources via The Kelsey	2,000,000
<b>Total sources</b>	<b>75,000,000</b>
Use	Amount (\$)
Construction costs	53,000,000
Soft costs	6,000,000
Financing costs	5,000,000
Land costs	3,000,000
Fees and permits	3,000,000
Developer fee	2,000,000
Cost of insurances and taxes during construction	2,000,000
Reserves	1,000,000
<b>Total uses</b>	<b>75,000,000</b>

## Community Engagement

From its earliest stages, The Kelsey Ayer Station was shaped through an extensive community engagement process. Recognizing that disability-forward housing had few precedents, the development team understood that meaningful participation from neighbors, City staff, advocates, and potential residents was essential to both the design and the project's ultimate acceptance. The Kelsey's "Together We Can Do More" campaign underscored the importance of including people with disabilities and their support systems in shaping the built environment.

The team conducted more than 1,000 hours of engagement, using a variety of formats to ensure broad participation. This included large neighborhood meetings, walking tours of the site, and small gatherings in residents' living rooms where

neighbors could voice concerns directly to the project team. Advisory groups included local residents, disability advocates, and service providers, giving them a formal role in reviewing design choices and prioritizing features such as the sensory garden, open lobby, and Inclusion Concierge program.

“ We didn't wait until we had a site. From the start, we engaged people with disabilities, families, advocates, and neighbors to imagine what disability-forward housing could look like.”

– Micaela Connery, cofounder and CEO, The Kelsey

“ The goal is to support people to live independently and fully, in community with their neighbors.”

– Micaela Connery, cofounder and CEO, The Kelsey

Initially, the project encountered strong resistance from neighbors, many of whom were worried about the size of the development or carried misconceptions about affordable housing and disability-forward housing. Common concerns included increased traffic, building scale, and fears about the inclusion of formerly unhoused residents. The Kelsey’s team responded with transparency and persistence, emphasizing that affordable and inclusive housing benefits the entire community. They highlighted how stability creates stronger neighborhoods and showcased examples of inclusive housing from other regions. Through repeated one-on-one conversations and the visible incorporation of community feedback into the project’s design, opposition began to soften. Some residents who initially opposed the development later became vocal supporters, even testifying in favor at public approval hearings.

Importantly, the engagement process went beyond regulatory requirements. While the use of California’s SB35 streamlined approval process meant that formal outreach was not legally mandated, The Kelsey and its partners invested in it anyway. Their philosophy: trust could only be built through authentic dialogue, not through minimum compliance. This voluntary commitment to engagement not only built goodwill but also gave the city greater confidence in the project’s viability under SB35.

## Construction Process

The construction of The Kelsey Ayer Station demonstrated resilience and creativity, successfully navigating the Bay Area’s complex and high-cost development landscape. The project broke ground in June 2022. Careful coordination among the nonprofit sponsor, development partners, architects, and contractors was essential to keep the project moving forward. It was completed on schedule in April 2024, despite ongoing supply chain disruptions, rising construction costs, and regional labor shortages.

The development replaced an underutilized office building and surface parking lot at 457 North First Street. The site was strategically chosen for its proximity to transit, jobs, and community amenities, aligning with the City of San José’s broader First Street Urban Village framework for transit-oriented growth. While the rezoning process could have added years of delay, the team was able to streamline entitlements by pursuing approval under California SB35. This ministerial approval pathway allowed entitlements to be finalized in a matter of weeks rather than months.

Even with streamlined approvals made possible by SB35, the team prioritized transparency and voluntary environmental review. Independent consultants were retained to assess California Environmental Quality Act–related issues, ensuring that the development would not negatively impact traffic, air quality, or neighborhood character. The design itself responded directly to community feedback, incorporating features such as a sensory garden to buffer neighboring properties, a safe loading and unloading zone for paratransit and ride-hailing vehicles, and unbundled parking strategies to encourage sustainable transportation choices.

Sustainability goals also guided the construction process. The project achieved LEED Gold certification, incorporating rooftop solar, high-efficiency all-electric systems, and drought-tolerant landscaping. The team worked with the local transit agency to provide residents with free or discounted passes.

# Housing Affordability, Building Types, and Unit Mix

The Kelsey Ayer Station was intentionally designed to serve residents with and without disabilities across all income levels, reflecting San José’s diversity while directly addressing the region’s critical shortage of affordable and accessible housing. The six-story development includes 115 apartments in a mix of studios and two-bedroom units, with sizes ranging from approximately 400 square feet for studios to about 740 square feet for two-bedroom apartments. This variety allows the building to accommodate single individuals, couples, roommates, and families, fostering a truly mixed community rather than a homogenous tenant base.

Within this framework, 25 percent of the homes—about 28 units—are reserved for people with disabilities, including individuals referred through the San Andreas Regional Center and those qualifying for federal Section 811 rental assistance.



The Kelsey  
Ayer Station

**PLAN D1**  
2 Bedroom 2 Bathroom  
Approx. 811 sq. ft.



[LiveTheKelsey.com](http://LiveTheKelsey.com)  
457 N First Street - San Jose, CA 95112

Accessibility at The Kelsey Ayer Station was integrated not as an add-on, but as a core design principle. [Sares Regis Group of Northern California (SRGNC)]

UNITS	Rental Units		Rental Unit Configuration		Monthly Rent (\$)	
	Total Number	Percent	Studio	2BR	Low	High
Units at or below 30% of AMI	34	30%	27	7	578	730
Units between 31 and 60% AMI	53	47%	44	9	1,515	2,336
Units between 61 and 80% AMI	26	23%	18	8	1,989	2,899
<b>Total rental units</b>	<b>113</b>	<b>100%</b>	<b>89</b>	<b>24</b>	<b>578</b>	<b>2,899</b>

TOTAL	Total Units		Overall Unit Configuration	
	Total Number	Percent	Studio	2BR
Total units at or below 60% of AMI	87	76%	71	16
Total units between 61 and 120% of AMI	26	23%	18	8
Staff units	2	1%	1	1
<b>Total units in development</b>	<b>115</b>	<b>100%</b>	<b>90</b>	<b>25</b>



Shared spaces were programmed with the explicit goal of fostering community interaction. (Bernard Grijalva)

## Marketing and Performance

The marketing and lease-up of The Kelsey Ayer Station was as intentional as its planning and design. From the outset, the project team understood that the building's success would depend not only on filling units quickly but also on cultivating a diverse, inclusive resident community aligned with the mission of being a disability-forward housing community. The marketing strategy emphasized both the practical benefits of the development—proximity to transit, affordable rents, and modern amenities—and the unique opportunity to be part of a community where people with and without disabilities could live together.

Leasing launched in late 2023 through the City of San José's affordable housing portal, ensuring compliance with local requirements and providing transparency in tenant selection. Interest was

strong from the start, reflecting both the acute housing shortage in Silicon Valley and the appeal of the project's inclusive design. Applicants ranged from young professionals and working families to individuals transitioning from homelessness and people with disabilities seeking their first opportunity for independent living.

The Inclusion Concierge program has proven to be a defining feature of the building's performance. Staff members organize regular "Inclusion Hours"—events such as potlucks, art workshops, and wellness activities—that encourage neighbors to connect and form relationships. They also provide individualized support, linking residents to job training, financial coaching, or disability services depending on their needs.

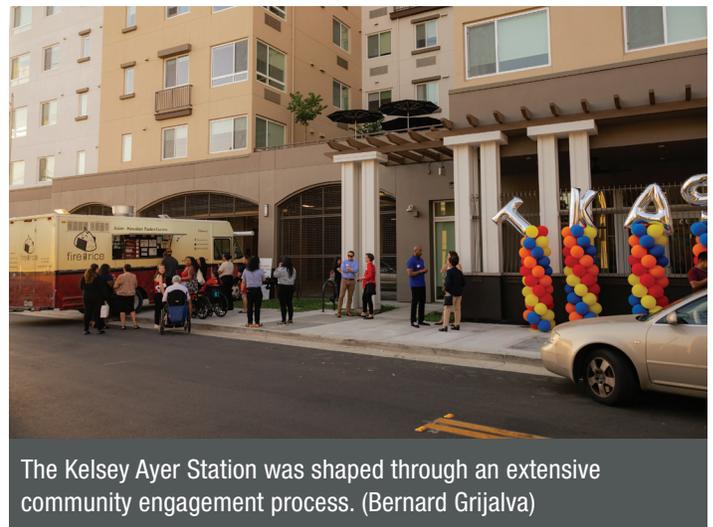
# Lessons Learned

- **Incorporate accessibility and inclusion from the start.** By applying the Inclusive Design Standards early in the planning process, The Kelsey avoided the common trap of treating accessibility as a costly add-on. Instead, the project demonstrated that when accessible design is integrated upfront, it can be delivered at minimal additional cost while enhancing the quality of life for all residents.
- **Leverage philanthropy for catalytic capital.** While grants and donations represented less than 5 percent of the total development cost, they provided flexibility at critical moments. Early unrestricted funds enabled site control and design work before other financing was secured, while later contributions safeguarded inclusive features that might otherwise have been cut during value engineering.
- **Empower a project with partnerships.** The Kelsey brought the vision, advocacy, and development expertise that helped guide execution alongside experienced development partners Sares Regis Group and Devine & Gong, as well as a wide coalition of funders, advocates, and public agencies. By combining nonprofit leadership with private-sector expertise and public-sector commitment, the project was able to overcome the significant hurdles of building affordable housing in one of the nation's most expensive regions.
- **Seek sustained community engagement.** Initial neighborhood opposition was strong, fueled by concerns over building size, parking, and misconceptions about affordable housing. The Kelsey's development team went far beyond minimum requirements, conducting over 1,000 hours of meetings, walking tours, and one-on-one conversations with residents. By listening carefully, adjusting designs in response to concerns, and building trust through transparency, they transformed opponents into advocates.

- **Strive for alignment among local, state, and federal programs.** Tools such as California's SB35 streamlined approvals, reducing entitlement risks and accelerating construction timelines. Federal HUD Section 811 rental assistance fostered affordability specifically for residents with disabilities, while LIHTCs and state programs such as the TOD Program and CalHFA's MIP provided essential equity and debt financing. Without this layered approach, the project would not have been financially feasible.

“Disability-forward housing is both essential and possible—even in some of the most challenging markets.”

– Micaela Connery, cofounder and CEO, The Kelsey



The Kelsey Ayer Station was shaped through an extensive community engagement process. (Bernard Grijalva)

## Conclusion

The Kelsey Ayer Station is a landmark in disability-forward, mixed-income housing. It demonstrates that inclusive housing can be affordable, replicable, and community-driven—even in high-cost markets. With national attention and replication efforts underway, the project offers a roadmap for scaling inclusive housing models nationwide.

## About the Urban Land Institute

The Urban Land Institute is a global, member-driven organization comprising more than 45,000 real estate and urban development professionals dedicated to advancing the Institute's mission of shaping the future of the built environment for transformative impact in communities worldwide.

ULI's interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 84 countries.

The extraordinary impact that ULI makes on land use decision-making is based on its members sharing expertise on a variety of factors affecting the built environment, including urbanization, demographic and population changes, new economic drivers, technology advancements, and environmental concerns.

Peer-to-peer learning is achieved through the knowledge shared by members at thousands of convenings each year that reinforce ULI's position as a global authority on land use and real estate. Each year, thousands of events, both virtual and in person, are held in cities around the world.

Drawing on the work of its members, the Institute recognizes and shares best practices in urban design and development for the benefit of communities around the globe.

More information is available at [uli.org](https://uli.org). Follow ULI on [X \(formerly known as Twitter\)](#), [Facebook](#), [LinkedIn](#), and [Instagram](#).

## About the Terwilliger Center

The mission of the Terwilliger Center for Housing is to ensure that everyone has a home that meets their needs at a price they can afford. Established in 2007 with a gift from longtime member and former ULI chairman J. Ronald Terwilliger, the Center's activities include technical assistance engagements, forums and convenings, research and publications, and an awards program. The goal is to catalyze the production and preservation of a full spectrum of housing options. [Learn more.](#)

Author: Deborah L. Myerson  
Senior Research & Policy Fellow,  
ULI Terwilliger Center for Housing

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