

Small Projects Inclusionary Housing Ordinance (IHO)

City of San José
March 26, 2018



Agenda

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- 2 Approach
- 3 Policy Considerations
- 4 Next Steps

Purpose

To obtain input on policy considerations for a potential Small Project Inclusionary Housing Ordinance (IHO).

Background

What we heard from Council on Oct 24:

- **Be mindful of product type:**
 - Infill vs Large Lots
 - Attached vs Detached
 - Small sq ft vs Large sq ft (per unit)
- **Something predictable** → Square Foot Method?

Approach

- **Researched other jurisdictions** threshold sizes
- **Identified a number of small projects** that have submitted Planning applications:
 - Since 2010, a total of **242 Planning Applications** have been submitted = 863 residences
 - Approximately 130 affordable homes would have been produced or funded as a result of these projects.
- **Met with developers** and other stakeholders

Policy Considerations

Issue	Options	Feedback
Applicability	New or additional dwelling units	Do not subject: <ul style="list-style-type: none"> • ADUs • Rehabilitated units
Minimum/Maximum Threshold	One (1) to Nineteen (19) Units	No comments.

Yes



No



ADU's

Policy Considerations

Issue	Options	Feedback
Tenure	<ul style="list-style-type: none">• For-Sale• Rental	It will be easier for larger, for-sale homes to comply with an inclusionary housing obligation
Incentives	If a Developer opts to build the affordable units on-site, the development should have the same access to the incentives noted in the Inclusionary Ordinance (5.08.450):	Keep incentives.
Term of Affordability	<ul style="list-style-type: none">• For-Sale: 45-years• Rental: 55-years	No comments.

Policy Considerations

Issue	Options	Feedback
Base Requirement	15% on-site – Moderate Income* <ul style="list-style-type: none"> • For-Sale priced at 100% AMI, sold at or below 120% AMI • Rented to households at or below 80% AMI 	No comments.
Alternative Requirement	All alternative requirements are based upon 20% of the Market Rate units: <ul style="list-style-type: none"> • In Lieu Fee (Square Feet vs. Affordable Unit) • Combination of build on-site/pay In Lieu Fee* • Land dedication* • Credits/Off-site* (*For all of the above alternatives, the City of San Jose has the right to approve the option chosen by the developer)	Keep alternatives.

Policy Considerations

Issue	Options	Feedback
Calculation of Fee Collected	<ul style="list-style-type: none">• Consistent with the Inclusionary Ordinance (5.08.410) where traditional rounding applies for 5 plus units.• Unrounded fee applies to developments of 4 units and under.	Per square foot fee is easier to manage rather than a per inclusionary unit fee.
Timing of Payment	<ul style="list-style-type: none">• Prior to the project's building permits being pulled	No comments.
Operative Date of the Ordinance	January 1, 2019, any project that can pull its building permits prior to this date will not be subject to the Small Project IHO	No comments.

Next Steps

- **April 23**: CEDC: Affordable Housing Investment Plan & Mayor's Housing Goal
- **April 26**: CC Study Session: Cost of Development
- **May 1**: CC: Urban Village Implementation
- **Mid May**: CC: Affordable Housing Investment Plan & Mayor's Housing Goal



EXTRA SLIDES

Background

AHIF Report Back:

- **December 6, 2016** - City Council adopted Resolution No.78010, which amended the Housing Impact Fee Resolution.
- City Council requested the City Attorney return with an analysis regarding reducing the project threshold size to which the Inclusionary Housing Program applies.

City Council Direction:

- **October 24, 2017** – Staff presented a report regarding potential changes to the AHIF and IHO programs and the impact of AB 1505 on those programs.
- City Council directed staff to return at a later date once more public outreach and research was conducted.

Other Jurisdictions

County	Cities with Inclusionary Housing Requirements	Threshold Size (Units)
Santa Clara	Santa Clara	1
	Cupertino	1
	Mountain View	3
	Los Altos	4
	Milpitas	5
	Palo Alto	5
	Sunnyvale	8
	Cupertino	10
	San José	20
San Mateo	South San Francisco	4
	Colma	5
	Daly City	5
	San Mateo	5
	San Carlos	7
	Pacifica	8
	Half Moon Bay	10
	San Bruno	10
Alameda	Oakland	1
	Union City	1
	Fremont	2
	San Leandro	2
	Berkeley	5
	Newark	5
	Emeryville	10
	Livermore	10
	Pleasanton	15
	Dublin	20
Hayward	20	

Build On-Site

■ Base Obligation (15%)

- For-Sale: 15% @ MOD (120% AMI)
- Rental: 15% @ MOD (80% AMI)

■ Incentives

- Density Bonus
- Flexible Parking Standards
- Reduction in Setback Requirements
- Alternative Unit Type
- Alternative Interior Design Standards
- City Process Assistance
- Financial Subsidies

IHO Obligation: 15% On-Site

Tenure	Income Target	Max Income (1 - 4 Persons)	Max Rents/Purchase Prices (studio - 3-Bed)
For-Sale	15% @ MOD (120% AMI)	\$95,150 - \$146,850	\$375K - \$525K*
Rental	15% @ MOD (80% AMI)	\$59,400 - \$84,900	\$1,485 - \$1,910

*The Sales price of each Inclusionary Housing Unit is calculated by project. Data such as property tax rate, HOA fees, and insurance requirements are specific to each development and impact the effective purchase price.

Alternatives – 20%

Alternative	For-Sale	Rental
Build Off-Site/Credits	Build Affordable Units Off-site → potentially use as credits	
In-Lieu Fee	Per Square Foot vs. Per Affordable Unit	
Dedicate Land	Must be comparable value	
Combo	Build-On Site and pay In Lieu Fee	

For all the above alternatives, the City of San Jose has the right to approve the option chosen by the developer

In-Lieu Fee Policy Considerations

- The in-lieu fee should be sufficient to replace the unit
- If the fee is too low
 - Developers will always pay the fee
 - May be insufficient to replace the unit
 - Will not create integrated communities
- If the fee is high
 - Developers will choose a different option

Timing

- **Timing of Payment (if In-Lieu Fee is chosen)?**
 - Prior to the project's building permits being pulled
 - Prior to the first Certificate of Occupancy issued
- **Operative Date?**
 - For Example: If we start on *January 1, 2019*, any project that can pull its building permits prior to this date will not be subject to the Small Project IHO

Upcoming Meetings

Meeting	Date and Location
Outreach Meeting	TBD
City Council	May 8, 2018 – Council Chambers

One-on-one meetings available upon request.

Please contact Tina Vo to set up a time:

tina.vo@sanjoseca.gov | 408-975-4416

Pending Items

- AHIF and IHO Transition
- Downtown High Rise Exemption
- Study Session on Development Fees
- Updating Inclusionary Housing Ordinance Program Guidelines

Inclusionary Housing

