



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Vice Mayor Chappie Jones

SUBJECT: Inclusionary Housing Ordinance Proposed Revisions **DATE:** Nov 5, 2019

Approved

Date 11/5/19

RECOMMENDATION

Accept staff recommendation and direct Staff to explore an option for developers to meet their Inclusionary Housing Ordinance (IHO) obligation through the following three measures:

- Purchasing land that meets the requirements to utilize Senate Bill 35(SB 35) and land requirements for the IHO
- Entitling the land with the City of San José
- Giving the entitled land to the City of San José (which the City will then solicit to developers to build 100% affordable projects)

BACKGROUND

We appreciate the work done by Staff to address the Inclusionary Housing Ordinance. While we continue to fall short of our Regional Housing Needs Assessment (RHNA) goals, it is an opportunity for our City to leverage the State legislation, Senate Bill 35, to encourage rapid production of affordable units.

Developers who are unable to financially justify meeting the Inclusionary Housing Ordinance (IHO) requirements through incorporating onsite affordable housing could utilize this option. This IHO alternative would allow developers to continue a market rate project without any ongoing affordable commitment, while ensuring affordable housing gets built in the City of San José. Once land is entitled and given to the City of San José, a Request for Proposals (RFP) process would allow for developers to bid on, and develop affordable projects.

There are several eligibility requirements a site must meet to utilize Senate Bill 35. For example, it must be zoned for residential use and must not demolish existing housing units that meet specified criteria. Additionally, developers could utilize the "1.5-acre Rule" (General Plan H-2.9)

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that allows vacant or underutilized commercial land that is 1.5 acres or less to be developed as one hundred percent deed restricted affordable housing.

The option to dedicate land under IHO already exists. This memorandum expands upon that opportunity and provides a tool that developers can use to leverage existing policy to meet their obligations while encouraging affordable housing production in a meaningful way.