



Memorandum

TO: RULES AND OPEN GOVERNMENT COMMITTEE
FROM: Rosalynn Hughey
SUBJECT: THE COST OF RESIDENTIAL DEVELOPMENT IN SAN JOSE
DATE: October 4, 2023

Approved *[Signature]* Date 10/5/23

RECOMMENDATION

Set a City Council Study Session entitled *The Cost of Residential Development in San José* for Thursday, October 26, 2023, from 1:30 p.m. – 4:30 p.m. in the Council Chambers and approve the Study Session agenda.

PURPOSE

The purpose of the Study Session is to provide the City Council with an updated report on the cost of residential development. The report is comprised of two sets of analyses produced with the help of a consultant that evaluates the total cost of residential development in San José for market-rate and affordable housing.

OUTCOME

The information provided through the presentation will help inform the City Council as it considers future program and policy changes to help deliver on the City’s housing goals.

BACKGROUND

The report on the cost of residential development has been an ongoing work item on the City’s Housing Catalyst Work Plan. The City Council has received three previous reports in 2018, 2019, and 2022. The report has continued to be a valuable tool for understanding the factors, both within and outside the City’s control, that influence the viability of new housing construction.

At the March 14, 2023, City Council meeting, during the discussion on item 8.1, Actions Related to the Loan Commitment and Land Purchase for 797 Almaden, a New Affordable Housing Development, the City Council requested a Study Session on the cost of affordable housing

development, including a comparison of the costs of different interim housing products and permanent supportive housing, as well as information on the pipeline of affordable housing projects. Housing Department staff indicated that a Study Session could be conducted in August 2023. The Study Session was included in the City Council's action on the 797 Almaden New Affordable Housing Development project.

Given the complexities of affordable housing development and the strategies included in the recent City Council-adopted 2023-2031 Housing Element, staff designed a two-part Study Session in response to the City Council request. The Part 1 Study Session, entitled *Affordable Housing Strategies: Production, Preservation, and Protection (3Ps of affordable housing)*, was held on September 7, 2023. It provided the foundation of the 3Ps of affordable housing and featured panel presentations from housing funders and practitioners.

ANALYSIS

The Cost of Residential Development in San José Study Session agenda accompanies this memorandum. The City Council and participants will be provided with background information to help frame the discussion. The format will include a presentation from staff and consultants, panel presentation, and City Council discussion followed by public comment. The Study Session is informational and no action by the City Council is requested.

COORDINATION

This memorandum was coordinated with the City Attorney's Office.

/s/

ROSALYNN HUGHEY
Deputy City Manager
and Acting Housing Director

For questions, please contact Banu San, Housing Policy and Planning Administrator, Housing Department, at banu.san@sanjoseca.gov; Bige Yilmaz, Economic Data Analyst, Office of Economic Development and Cultural Affairs, at bige.yilmaz@sanjoseca.gov; or Jerad Ferguson, Principal Planner, Department of Planning, Building, and Code Enforcement, at jerad.ferguson@sanjoseca.gov.

ATTACHMENT: City Council Study Session Agenda



City Council Study Session

Agenda

THE COST OF RESIDENTIAL DEVELOPMENT
IN SAN JOSE

Thursday, October 26, 2023

1:30 P.M. to 4:30 P.M.

Hybrid Meeting – Council Chambers and Virtually

ROSEMARY KAMEI
SERGIO JIMENEZ
OMAR TORRES
DAVID COHEN
PETER ORTIZ

DISTRICT 1
DISTRICT 2
DISTRICT 3
DISTRICT 4
DISTRICT 5

MATT MAHAN, MAYOR

DEV DAVIS
BIEN DOAN
DOMINGO CANDELAS
PAM FOLEY
ARJUN BATRA

DISTRICT 6
DISTRICT 7
DISTRICT 8
DISTRICT 9
DISTRICT 10

The City of San José is committed to open and honest government and strives to consistently meet the community's expectations by providing excellent service, in a positive and timely manner, and in the full view of the public.

Welcome to the San José City Council meeting!

This Agenda contains both a Consent Calendar section for routine business items that require Council approval, and general business items arranged to correspond with San José's City Service Areas (CSAs). City Service Areas represent the policy-making level for strategic planning, policy setting, and investment decisions in the critical functions the City provides to the community. They are:

- **Strategic Support** - The internal functions that enable the CSAs to provide direct services to the community in an effective and efficient manner.
- **Public Safety** - Commitment to excellence in public safety by investing in neighborhood partnerships as well as prevention, enforcement, and emergency preparedness services.
- **Transportation & Aviation Services** - A safe and efficient transportation system that contributes to the livability and economic health of the City; and provide for the air transportation needs of the community and the region at levels that is acceptable to the community.
- **Environmental and Utility Services** - Manage environmental services and utility systems to ensure a sustainable environment for the community.
- **Neighborhood Services** - Serve, foster, and strengthen community by providing access to lifelong learning and opportunities to enjoy life.
- **Community & Economic Development** - Manage the growth and change of the community in order to create and preserve healthy neighborhoods and ensure a diverse range of employment and housing opportunities.

You may speak to the City Council about any discussion item that is on the agenda, and you may also speak during Open Forum on items that are not on the agenda and are within the subject matter jurisdiction of the City Council or Successor Agency to the Redevelopment Agency Board. If you wish to speak to the City Council, please refer to the following guidelines:

- **Fill out a Yellow Speaker's Card and submit it to the City Clerk seated at the front table. Do this before the meeting or before the item is heard.** This will ensure that the name on the card is called for the item(s) that you wish to address, and it will help ensure the meeting runs smoothly for all participants by calling speakers in an orderly manner.
- When the Council reaches your item on the agenda, the Mayor will open the public hearing and call your name. Please address the Council from the podium, which is located to the left of the City Clerk's table.
- Each speaker generally has two minutes to speak per item. The total amount of time allocated for public testimony for each public speakers or for an agenda item may be limited

at the Mayor's discretion, depending on the number of speakers or the length of the agenda. (California Government Code Section 54954.3; Council Policy 0-37)

- To assist you in tracking your speaking time, there is a display on the podium. The green light turns on when you begin speaking; the yellow light turns on when you have 30 seconds left; and the red light turns on when your speaking time is up.

Please be advised that, by law, the City Council is unable to discuss or take action on issues presented during Open Forum. According to State Law (the Brown Act) items must first be noticed on the agenda before any discussion or action.

The San José City Council meets every Tuesday at 1:30 p.m. and Tuesday at 6 p.m. as needed, unless otherwise noted. The City Council, or less than a quorum, may adjourn any regular, special or adjourned meeting to a later date, time and place specified in the order of adjournment. If all members are absent, the City Clerk may declare the meeting adjourned to a stated date, time and place. If you have any questions, please direct them to the City Clerk's staff seated at the tables just below the dais. Thank you for taking the time to attend today's meeting. We look forward to seeing you at future meetings.

Agendas, Staff Reports and some associated documents for City Council items may be viewed on the Internet at <https://www.sanjose.legistar.com/Calendar.aspx>. Council Meetings are televised live and rebroadcast on Channel 26.

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the Office of the City Clerk at San José City Hall, 200 E. Santa Clara Street, Tower 14th Floor, San José, CA 95113 at the same time that the public records are distributed or made available to the legislative body. Any draft contracts, ordinances and resolutions posted on the Internet site or distributed in advance of the Council meeting may not be the final documents approved by the City Council. Please go to the Clerk's Records Database <https://records.sanjoseca.gov/Pages/Search.aspx> for the final document, or you may also contact the Office of the City Clerk at (408) 535-1260 or CityClerk@sanjoseca.gov.

American Disability Act: To request an alternative format agenda under the Americans with Disabilities Act for City-sponsored meetings, events or printer materials, please call (408) 535-1260 as soon as possible, but at least three business days before the meeting.

Accommodations: Any member of the public who needs accommodations should email the ADA Coordinator at ADA@sanjoseca.gov or by calling (408) 535-8430. The ADA Coordinator will use their best efforts to provide reasonable accommodations to provide as much accessibility as possible while also maintaining public safety in accordance with the City procedure for resolving reasonable accommodation requests.

On occasion the City Council may consider agenda items out of order

How to observe the Meeting (no public comment):

- 1) Cable Channel 26,
- 2) <https://www.sanjoseca.gov/news-stories/watch-a-meeting>, or
- 3) <https://www.youtube.com/CityofSanJoseCalifornia>

How to submit written Public Comment before the City Council Meeting:

- 1) Use the eComment tab located on the City Council Agenda page. eComments are also directly sent to the ilegislare application used by City Council and staff.
- 2) By email to city.clerk@sanjoseca.gov by 7:30 a.m. the day of the meeting. Those emails will be attached to the Council Item under “Letters from the Public.” Please identify the Agenda Item Number in the subject line of your email.

How to submit written Public Comment during the City Council Meeting:

- 1) Email during the meeting to councilmeeting@sanjoseca.gov, identifying the Agenda Item Number in the email subject line. Comments received will be included as a part of the meeting record but will not be read aloud during the meeting.

How to provide spoken Public Comment during the City Council Meeting:

- 1) By Phone: (888) 475 4499. Webinar ID is 993 4684 3938. Click *9 to raise a hand to speak. Click *6 to unmute when called.

Alternative phone numbers are: US: +1 (213) 338-8477 or +1 (408) 638-0968 or (877) 853-5257 (Toll Free)

- 2) Online at: <https://sanjoseca.zoom.us/j/99346843938>
 - a. Use a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer. Mute all other audio before speaking. Using multiple devices can cause an audio feedback.
 - b. Enter an email address and name. The name will be visible online and will be used to notify you that it is your turn to speak.
 - c. When the Mayor calls for the item on which you wish to speak, click on “raise hand.” Speakers will be notified shortly before they are called to speak.
 - d. When called, please limit your remarks to the time limit allotted.

Interpretation is available in Spanish and Vietnamese. In your webinar controls, select “Interpretation.” Click the language you would like to hear.

Se dispone de interpretación en español y vietnamita. En los controles de su seminario web, seleccione "Interpretation" (Interpretación).

Thông dịch có sẵn bằng tiếng Tây Ban Nha và tiếng Việt. Trong các điều khiển hội thảo trên web của bạn, hãy chọn “Interpretation” (Phiên dịch).

- Call to Order and Roll Call

1:30 p.m. – Study Session

CITY COUNCIL STUDY SESSION

Purpose: To provide City Council with an updated report on the cost of residential development. The report is comprised of two sets of analyses produced with the help of a consultant that evaluates the total cost of residential development in San José for market-rate and affordable housing.

Outcome: The information provided through the updated report is intended to help inform the City Council as it considers future policy changes to help deliver on the City’s housing goals.

1. Staff and Consultant Presentation

2. Panel Presentation

- **Private Sector Perspectives**
 - a. Construction
 - b. Finance
 - c. Real Estate
 - d. Affordable Housing Developer

3. City Council Questions and Discussion

- Public Comment

Members of the Public are invited to speak on any item that does not appear on today’s Agenda and that is within the subject matter jurisdiction of the City Council.

- Adjournment