



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: COUNCIL PRIORITY
SETTING SESSION

DATE: October 16, 2017

Approved

Date

10/16/17

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

This supplemental memorandum is a follow up to the October 6, 2017 "Council Priority Setting Session" memorandum from the City Manager. On September 28, 2017 the Mayor issued a memorandum entitled "Responding to the Housing Crisis." This memo identified a large number of items to address the housing crisis and directed staff to identify which items could be implemented immediately, which items required additional resources and prioritization at the October 17 Priority Setting Session, and which items would consume undue staff time, public cost or risk that would outweigh the likely benefit. Staff reviewed all of the work items in this memo, identifying 1) which items were green light items that staff will add to its respective department's workplan; 2) which items were "yellow" light items that should be prioritized on October 17. Attachment A of the October 16 supplemental memorandum from the City Manager for the Priority Setting Session identifies the "yellow light" items and provides additional information that Council should consider when it votes on its priorities. This supplemental memo discusses the green light items identified in the Mayor's September 28 memo.

ANALYSIS

The items below are items from the Mayor's September 28, 2017 memorandum that are "Green Lighted," meaning that staff will be integrating them into department workplans. For each item the lead Department is identified, as well as any issues that will need to be considered.

Establish a goal of 25,000 homes, and at least 10,000 affordable housing homes (Item 1.A)

Staff wants to clarify that setting an aspirational goal for the number of restricted affordable apartments will likely result in the City's funding less deeply affordable apartments, given the same amount of City resources available. This strategy would result in rental developments supported by low-income housing tax credits that are restricted for low-income and perhaps very

low-income residents who earn up to 60% and 50%, respectively, of the area median income. However, extremely low-income (ELI) rents for those earning up to 30% of area median income, which cost the most to subsidize, would likely be possible only if other substantial funding sources were available and required ELI rents. This shift away from the City's funding of ELI apartments is consistent with the City's approval on June 6, 2017 of its Affordable Housing Investment Plan. That Plan identifies a strategy of the City funding apartments complimentary to those ELI and special needs apartments to be funded by County Measure A. However, the aspirational goal may prevent the Housing Department in investing in innovative solutions that may not be as cost effective, or funding any units below 50% because of the desire to meet the overall goal. Regardless of funding source, all affordable homes produced in San José will count towards this goal and the City's Regional Housing Needs Allocation (*Housing Department*).

Downtown (Item 1.B)

Staff is working towards the goal of facilitating the continuation of the residential development trend in Downtown. The Downtown Strategy draft EIR is anticipated to be circulated for public review in the spring of 2018, with the certification of the EIR and proposed Downtown Strategy and General Plan amendments anticipated to be brought forward for Council consideration in the fall of 2018. Staff is also working with a technical consultant and coordinating closely with a project steering committee (including SJDA, SVO, SPUR, SVLG, South Bay Labor Council and the Chair of the Airport Commission) to complete a study to consider maximizing Downtown development capacity while maximizing aviation operations at SJC. Staff will develop a workplan that further engages the developer community to focus on enabling development to proceed, especially those projects currently in the pipeline. (*PBCE and OED*)

- i. Through the engagement with the development community, staff will explore opportunities to encourage collaboration between housing developers and the owners of private parking facilities. (*OED*)
- ii. Staff is currently developing a workplan to create a Downtown Vision document that creates an enhanced design culture and capacity in Downtown. This work will develop an illustrative base mapping database of existing conditions plus approved developments and infrastructure projects. Staff will integrate consideration of appropriate sites that are suitable for expansion of the geographic boundaries of the Downtown Core land use designation. (*PBCE*)

Urban Villages (Item 1.D)

Staff will be returning to the City Council on November 14 to present their draft Urban Village Implementation Framework for Council discussion and direction. This is essential for enabling mixed-use residential development in Urban Villages on sites previously zoned Commercial. (*PBCE and OED*)

Work Underway (Item 1.E)

- i. Downtown EIR – *see above*.
- ii. Urban Villages – *see above*.
- iii. Complete the transition from an LOS to a VMT CEQA threshold: Staff will be bringing General Plan Amendments and a new Transportation Analysis Policy for Council consideration on December 12, 2017. (*PBCE, DOT and DPW*)

- iv. Complete the Tri-Village EIR and Transportation Improvement Plan: The EIR for the West San Jose Urban Villages (Stevens, Creek, Santana Row/Valley Fair, Winchester, West San Carlos and South Bascom) and the West San Jose Transportation Improvement Plan are anticipated to go to Council for its consideration in the fall of 2018. *(PBCE and DOT)*

Aligning Fees to Encourage Housing Construction (Item 1.F)

- i. Complete study on PDO/PIO to align fees on sq. ft. basis not unit basis: PRNS is in the process of updating the Greenprint which is the long-term strategic plan that guides the future expansion of San José's parks, recreation facilities and community services. Once the Greenprint update is complete (expected in 2018), PRNS will analyze how park impact fees are assessed under the current Park Impact and Parkland Dedication ordinances (PIO/PDO). The study could consider assessing park impact fees based on housing square footage, occupancy by bedrooms, or other defensible calculations, and assess appropriate timeframes for when the fees should be paid. Any adjustment of park impact fees must be consistent with the State Quimby Act, supported by defensible data, needs to be adjustable on an annual basis, and easily implementable. The Study will include a community engagement plan which will include PRNS stakeholder groups including park advocates and the development community. Additionally, in December 2017, PRNS will bring forward a recommendation to the City Council to establish a new rate category for high rise units that is based on the average persons per unit that live in a typical high rise unit. *(PRNS)*

Regional Approach (Item 1.G)

Staff will continue to track and facilitate regional efforts that support incentives for local jurisdictions to build more housing. This includes work with MTC, CASA, ABAG, VTA, SV@Home, and the Santa Clara Cities Association. *(Housing/PBCE/DOT)*

Reimagining underutilized Business Corridors (Item 2.b)

Staff will develop a General Plan policy framework for Council Consideration as part of the 2018 General Plan Annual Review. As part of this process, staff will identify any needed zoning code amendments. Staff will also develop Neighborhood Business District Urban Design Guideline for residential and mixed-use development to provide guidance on how new higher intensity development can be sensitively integrated into existing neighborhoods. Staff does not currently have capacity to conduct individual planning and public engagement processes for individual business districts. If the City Council desires the preparation of individual plans prepared with stakeholder engagement, additional resources will need to be identified. *(PBCE)*

Completing General Plan Update Work (Item 2.D)

- i. **Opportunity Sites:** Staff will work to develop criteria that properties must meet to be eligible for redevelopment with housing or mixed use, and then create a strategy for community and stakeholder input on potentially eligible nuisance properties. Once identified and deemed eligible, staff will bring forward a workplan and budget request to initiate General Plan Land Use amendments on these properties, as well as conforming rezonings. *(PBCE)*

- ii. ***Realign Urban Village Horizons:*** Per the Envision San José 2040 General Plan, the City Council can move individual Villages from later Horizons into the current growth Horizon as part of the General Plan Annual review; however, the City Council can only move an entire Horizon into the current Horizon as part of a Four Year Major Review of the General Plan. Since all of the Horizon II Villages are on Light Rail, staff will bring recommendations to Council on the movement of individual Horizon II Urban Villages into Horizon I as part of the 2018 General Plan Annual Review. The Mayor's direction is to move those Villages on Light Rail and Bus Rapid Transit (BRT) into Horizon I. Currently, the only BRT line in the VTA system is along East Santa Clara and Alum Rock Avenue. All of Villages along this corridor are currently Horizon I. Unless otherwise directed by Council, staff will not consider the Rapid 523 and 522 bus routes as BRT, and therefore will not propose moving the Horizon III Stevens Creek, Santana Row/Valley Fair, and The Alameda North Urban Villages into Horizon I. If the Council ultimately decides to move Urban Villages along light rail from Horizon II to I, an Urban Village plan will still need to be prepared and then approved by Council to facilitate market rate housing in these Urban Village; affordable housing can presently move forward in all Urban Village regardless of Horizon. *(PBCE)*
- iii. ***Existing Commercial Parcels:*** Staff will complete an analysis to identify those commercial parcels that are surrounded by residential on four sides and then analyze the viability of long term commercial uses. In those cases, where it is appropriate, staff will bring forward a workplan and budget request to initiate General Plan amendments and conforming rezonings to allow housing and/or mixed use on these properties. *(PBCE & OED)*

Affordability for the Missing Middle (Item 3.A)

Staff will continue to support the Mayor's meetings with potential financiers of moderate-income housing and help to shape financial structures that could work for rental housing. Staff also will return to City Council's CEDC in 2018 with broader strategy recommendations to support housing for households earning 60-120% of Area Median Income. *(Housing)*

Secondary Units (Item 3.A)

Staff will be conducting outreach on Accessory Dwelling Units and Garage Conversions in December and January, and anticipate being ready to present this input, and policy alternatives, to Council in February. As part of its moderate-income strategy, staff will also identify strategies and programs that encourage ADUs such as the Housing Trust's pilot. Staff will work with the Housing Trust on its pilot, although pursuing additional strategies may require additional resources. *(PBCE/Housing)*

Anti-Displacement Strategies (Item 3.C)

Housing staff continues to analyze all Urban Villages' baseline housing data, which will be included in newly-approved Urban Village Plans and a more global analysis. Per the City Council's last priority setting session, staff is studying Tenant Preferences including prioritization of households that become displaced and specific neighborhood preferences. This topic item will be addressed at CEDC in October and staff expects to return to the City Council with draft policies by late 2018. *(Housing)*

Dispersion (Item 3.D)

Staff will return to the City Council in 2018 with recommended updates to the City's Dispersion Policy. *(Housing)*

Caltrans Sites for Homeless (Item 3.G)

Staff is returning to the City Council with an update on Bridge Housing Communities for homeless households in early November 2017. This action will include an assessment of possible sites for Bridge Housing, including identified CalTrans sites. *(Housing)*

State Advocacy (Item 3.H)

Housing staff will continue to work with the Intergovernmental Affairs Office to pursue legislation and support for tax increment tools and other sources to allow local government to subsidize affordable housing creation. *(Housing)*

COORDINATION

The preparation of this supplemental memo was coordinated with the Department of Planning, Building and Code Enforcement, the City Attorney's Office, the Departments of Housing, Transportation, and Parks, Recreation and Neighborhood Services.

/s/

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