



COUNCIL AGENDA: 12/14/2021
FILE: 21-2572
ITEM: 10.4

Memorandum

TO: CITY COUNCIL

FROM: Councilmember Dev Davis
Councilmember Sylvia Arenas
Councilmember Sergio Jimenez

SUBJECT: SEE BELOW

DATE: December 10, 2021

Approved

Date 12/10/2021

SUBJECT: GPT21-005 - Amendments to General Plan Policy IP-5.12 Related to Commercial Requirements for Affordable Housing Projects

RECOMMENDATION

1. Approve the General Plan Task Force recommendation regarding commercial requirements in the General Plan, including Policy IP-5.12, which removes the commercial requirements for 100% deed-restricted affordable housing developments currently embedded under that policy.
2. Direct City Staff to immediately begin working on a citywide policy that removes any obligation for 100% affordable housing developments to provide commercial space in their projects and return to the City Council with a proposed General Plan Amendment to implement this policy by January 11, 2022.

BACKGROUND

On November 1, 2011, the City Council adopted the Envision San José 2040 General Plan which provides a strategic policy framework to guide San José's physical growth regarding its social, environmental, and economic impacts. The General Plan calls for a review of the City's progress every four years, with recommendations coming from City Staff and a Task Force comprised of community members and local stakeholders. The General Plan, among other directives, provides guidelines for Urban Village Planning and Affordable Housing, to which this memorandum is addressing.

The need for affordable housing has never been more urgent. We are less than one-third of the way to our goals of developing 10,000 new affordable housing units by 2023, the City's Housing Crisis Workplan Update found that affordable housing made up less than 20% of overall housing production, and the pandemic has exacerbated our existing affordable housing crisis in the City

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of San José. We must step up and support Extremely Low Income and Very Low-Income families living paycheck-to-paycheck who continue to fight every day to survive.

The City's commercial requirements has shown to constrain affordable housing production, which is why the General Plan Task Force overwhelmingly voted in support of eliminating commercial requirements for 100% affordable housing developments.

Thank you so much to members of the General Plan Task Force, Destination: Home, SV@Home, and Charities Housing for all their advocacy and hard work to ensure that our families and future generations have access to affordable housing. By increasing our affordable housing production, we help free our low-income families from financial and mental hardships and place them on a path of new opportunities.

The General Plan places commercial requirements for residential projects that are 100% deed-restricted affordable. These requirements are in place to provide affordable housing sites and the surrounding community with opportunities for economic development as well as bring jobs to the area. However, these requirements place a significant financial burden on affordable housing developers in three distinctive ways:

- The parking requirements reduce the space available for housing units, while increasing the total per unit cost.
- The commercial requirements reduce the number of units that can be built on a site as they reduce the amount of space available to build on that site.
- These requirements force affordable housing developers to use precious capital on development that is not related to the mission of building affordable housing, which is a priority of the City of San José.

Housing development continues to be slow in our city. Per the 2020 Regional Housing Needs Allocation, San José continues fall well below its annual housing goals with the city issuing permits covering only 28% of our annual target goal for affordable housing development projects. Demand for affordable housing remains extremely high, while the development of new affordable housing units remains persistently slow.

The City of San José should do all it can to promote 100% affordable housing development projects, per its housing development goals as outlined in the City's General Plan. The current requirements placed on 100% affordable housing developments are making these projects less financially viable for developers, at a time when the City should be crafting policies that make these projects more attractive. By adopting these recommendations, the City of San José will be removing significant barriers to 100% affordable housing development, by removing significant financial barriers on affordable housing developers. These actions will allow affordable housing developers to optimize land, capital, and resources for their projects, allowing for more units, and a lower cost.

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The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.