



Memorandum

TO: CITY COUNCIL

FROM: Mayor Sam Liccardo
Councilmember Raul Peralez
Councilmember Dev Davis
Councilmember Pam Foley
Councilmember Matt Mahan

SUBJECT: SEE BELOW

DATE: April 8, 2022

APPROVED:

SUBJECT: PROPOSED CHANGES TO THE SPENDING PRIORITIES AND PERCENTAGE ALLOCATIONS FOR MEASURE E PROPERTY TRANSFER TAXES

RECOMMENDATIONS

1. Accept Staff's recommendation
2. Decline assigning a specific minimum duration for deed restrictions on accessory dwelling units (ADUs) – currently proposed at 20 years across all housing identified in the category "Creation of New Affordable Housing for Moderate-Income Households"- to allow staff to explore appropriate affordability restrictions through outreach and research, until staff has an opportunity to return to Council with a proposed ADU financing program.

BACKGROUND

We appreciate Staff's thoughtful adjustments to the spending priorities and percentage allocations for Measure E to reflect the diverse portfolio of solutions needed to address the affordable housing and homelessness crises.

In late 2018, we attempted to launch a forgivable loan program, in partnership with the Housing Trust Silicon Valley, for homeowners willing to construct an ADU on their property and accept rent limitations to ensure affordability for low-to-moderate income households. Due to a multitude of factors attributable to nobody's fault, the Housing Trust paused its portion of the program, and we shelved the initiative at the onset of the pandemic.

The Mayor's office and Housing staff continue to explore innovative financing strategies to enable the development of deed-restricted ADUs as a solution to the housing crisis, and the Council has earmarked a small set-aside in Measure E funding to establish such a program. While a twenty-year deed restriction for traditional moderate-income housing is a laudable goal, we should consider that we're not dealing with developers, but with homeowners. We will target modest-income homeowners, as part of an effort to both boost affordability and assist those families and seniors struggling to pay their existing mortgages. All of the input we've received from homeowners and the larger market tells us that homeowners will not embrace a longer-term restriction tied to their own property and ADU. As we continue to explore this approach, we are confident that we'll arrive at an appropriate duration for the affordability restriction commensurate with the magnitude of the public subsidy.

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.