



Housing

Affordable Housing Programs and Policies:

Production, Preservation & Protection

City Council Study Session
September 7, 2023

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Agenda for today's study session

■ Staff Presentation

■ Panel

- *Moderator*, Regina Celestin Williams, SV@Home
- Anil Babbar, California Apartment Association
- Stephen Lewis, California Rent Stabilization Network
- Chris Neale, The Core Companies
- Khanh Russo, San Francisco Foundations
- Cindy Wu, Local Initiatives Support Corporation

■ City Council Discussion/Q&A

■ Public Comment

Our mission

Mission

To strengthen and build equitable communities through housing and neighborhood investment

- Providing housing for **ALL**
- Investing in people
- Building great places

Who we serve

Residents, housing providers, property owners, developers, partners with a focus on:

- The needs of Moderate- to Extremely Low-Income residents
- Unhoused residents





Housing stabilization in San José

🏠 Production

Constructing new, rent-restricted affordable housing

🏠 Preservation

Keeping housing affordable and in sound physical condition

🏠 Protection

Preventing displacement for renters due to unjust evictions or large rent spikes

3P_s



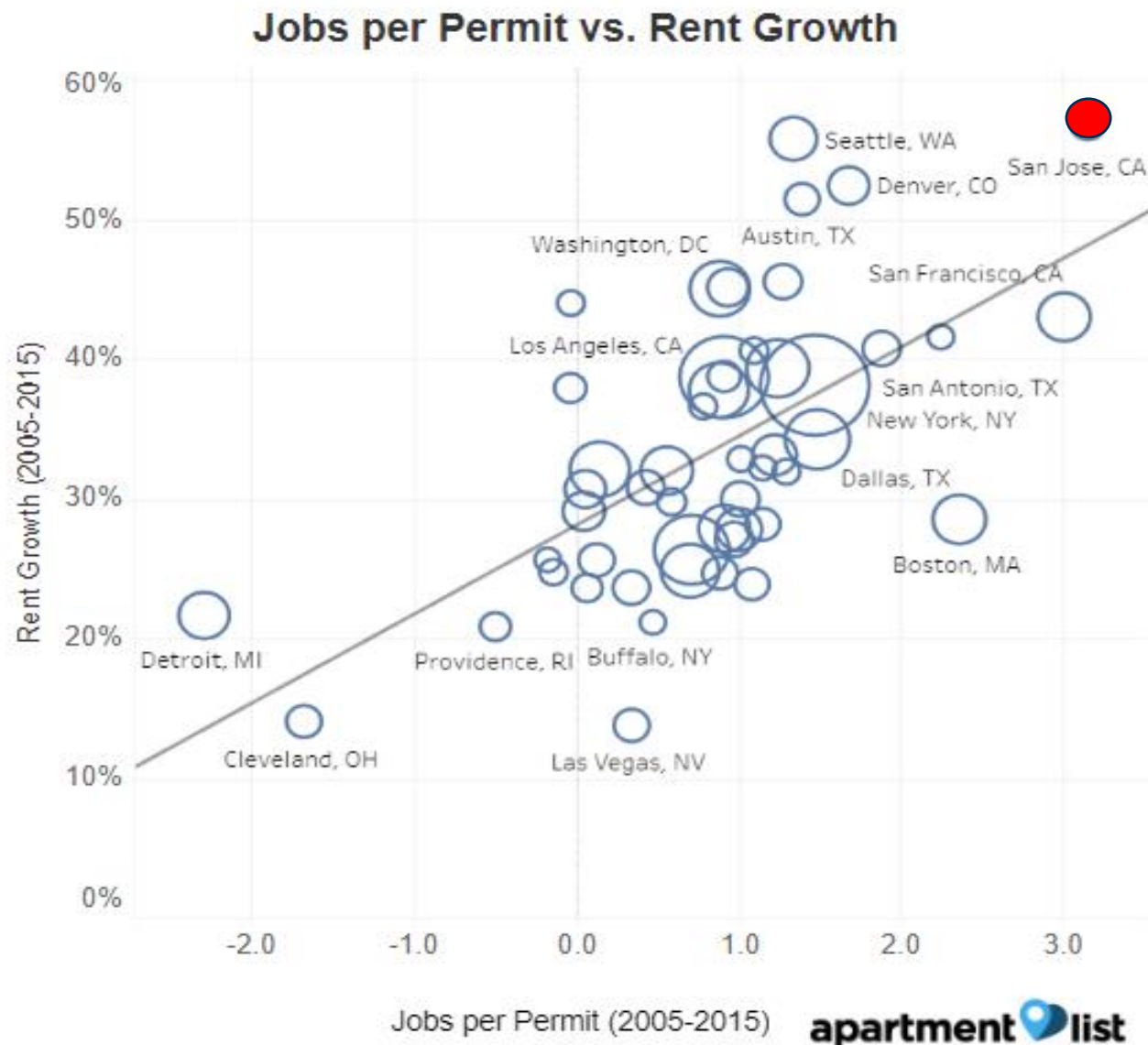
Organizations with expertise

Funding

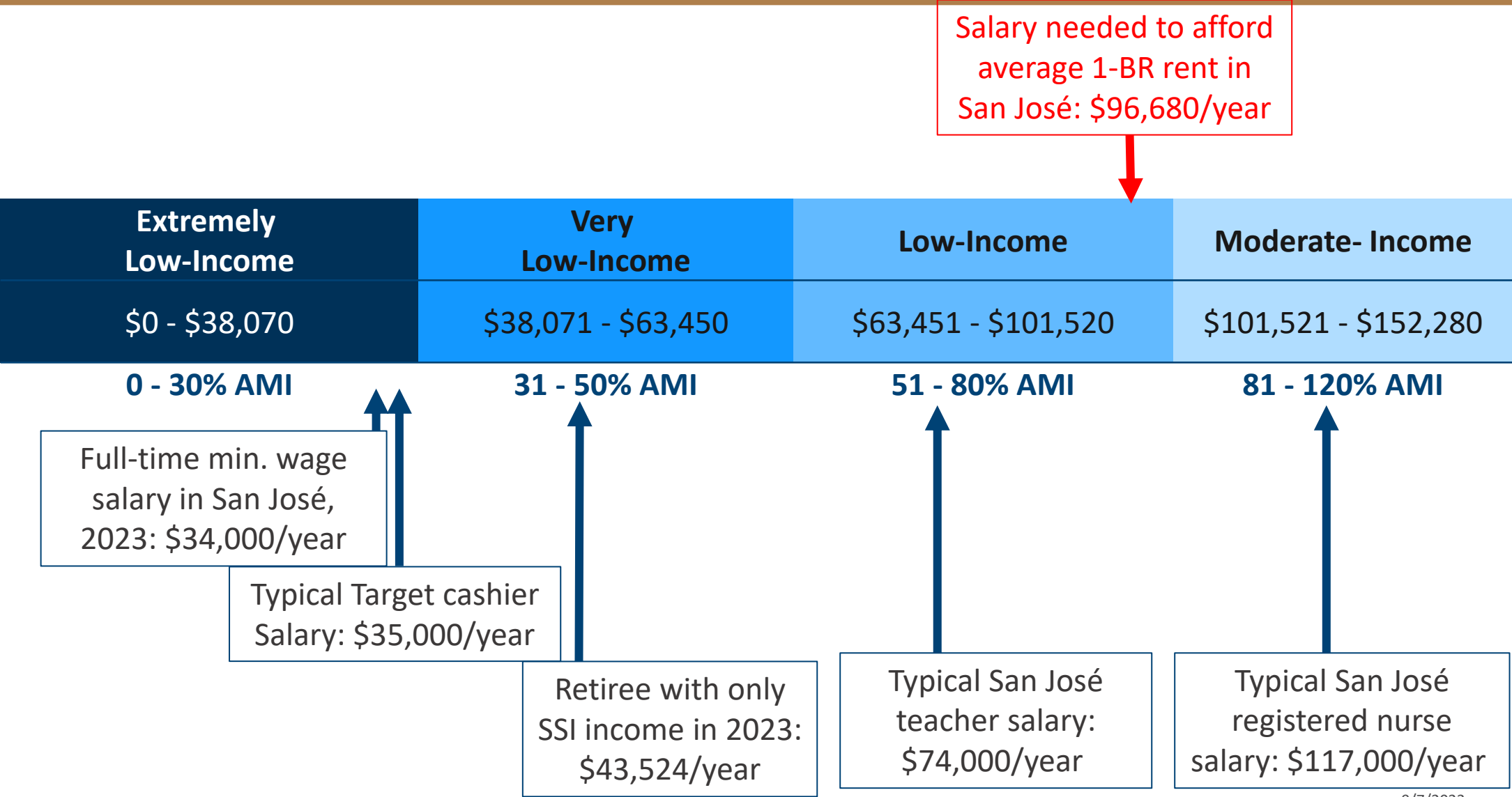
Supportive programs, policies & data



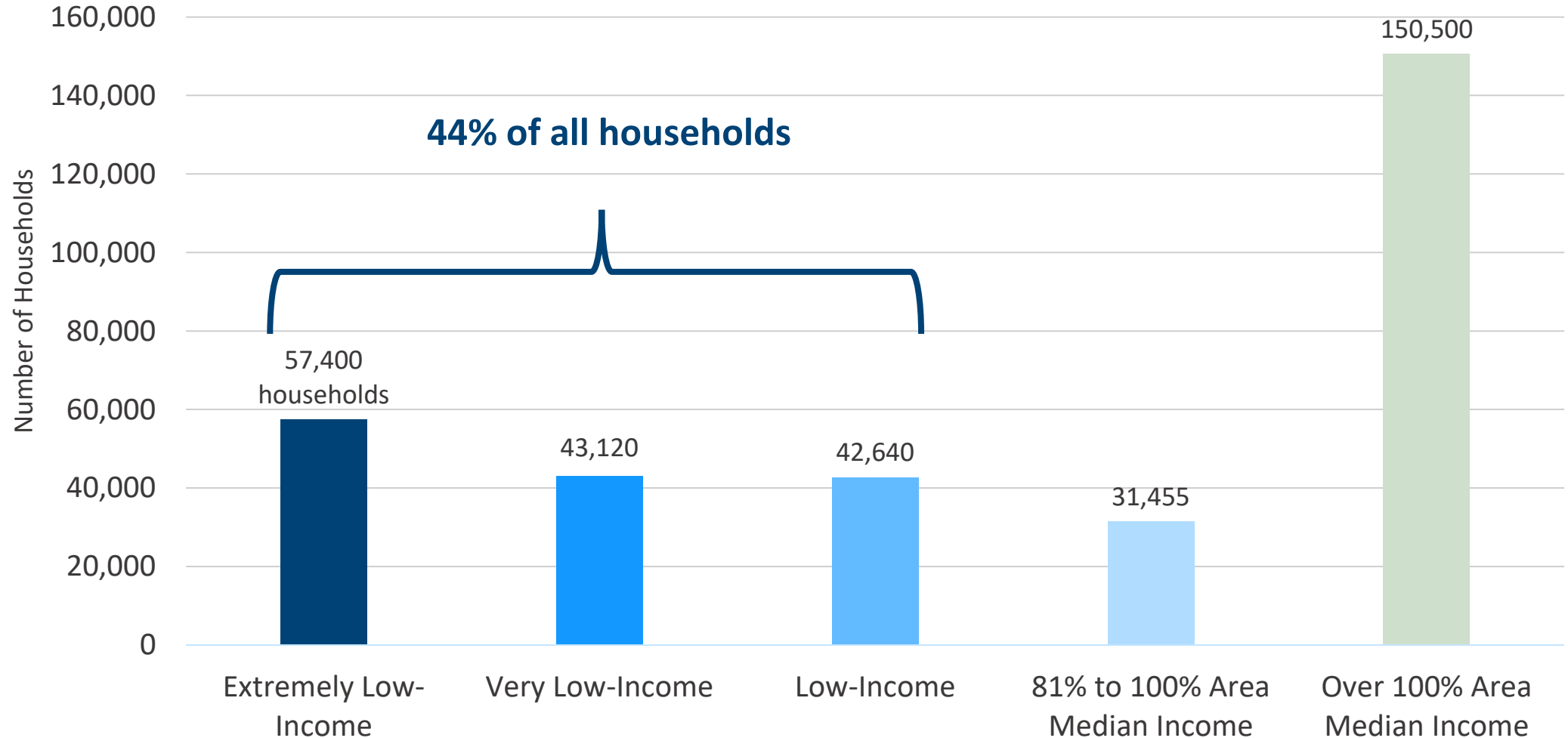
Jobs added versus housing units added in U.S. metro areas, 2005-2015



Area Median Income (AMI) categories (1-person household)



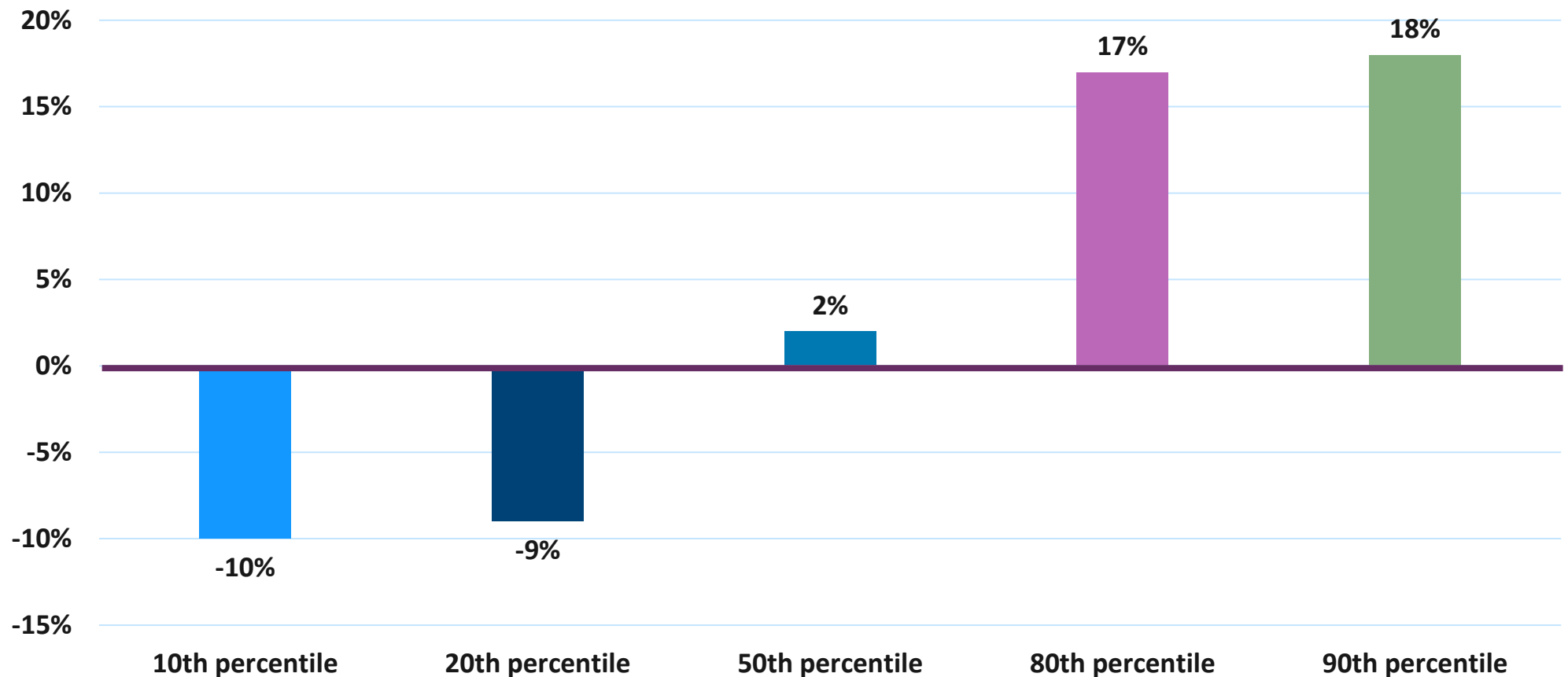
Income distribution by housing income categories



Source: 2019 5-year HUD Comprehensive Housing Affordability Strategy (CHAS) Data

Rents rose while incomes for lower-income households declined over the last 20 years in real terms

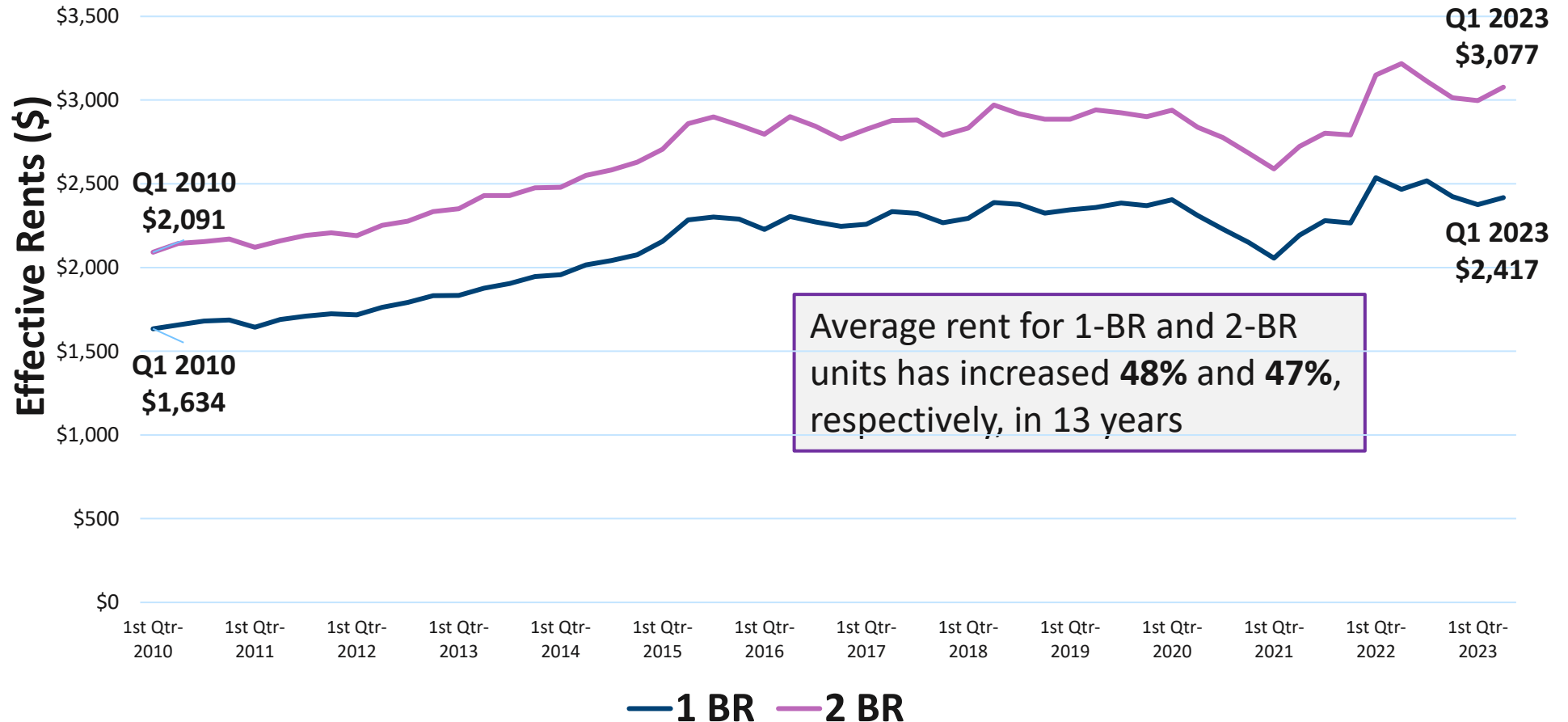
**Change in Earned Income for Full-Time Wage and Salary
Workers in San José, 2000-2019**



Data source: IPUMS USA | National Equity Atlas

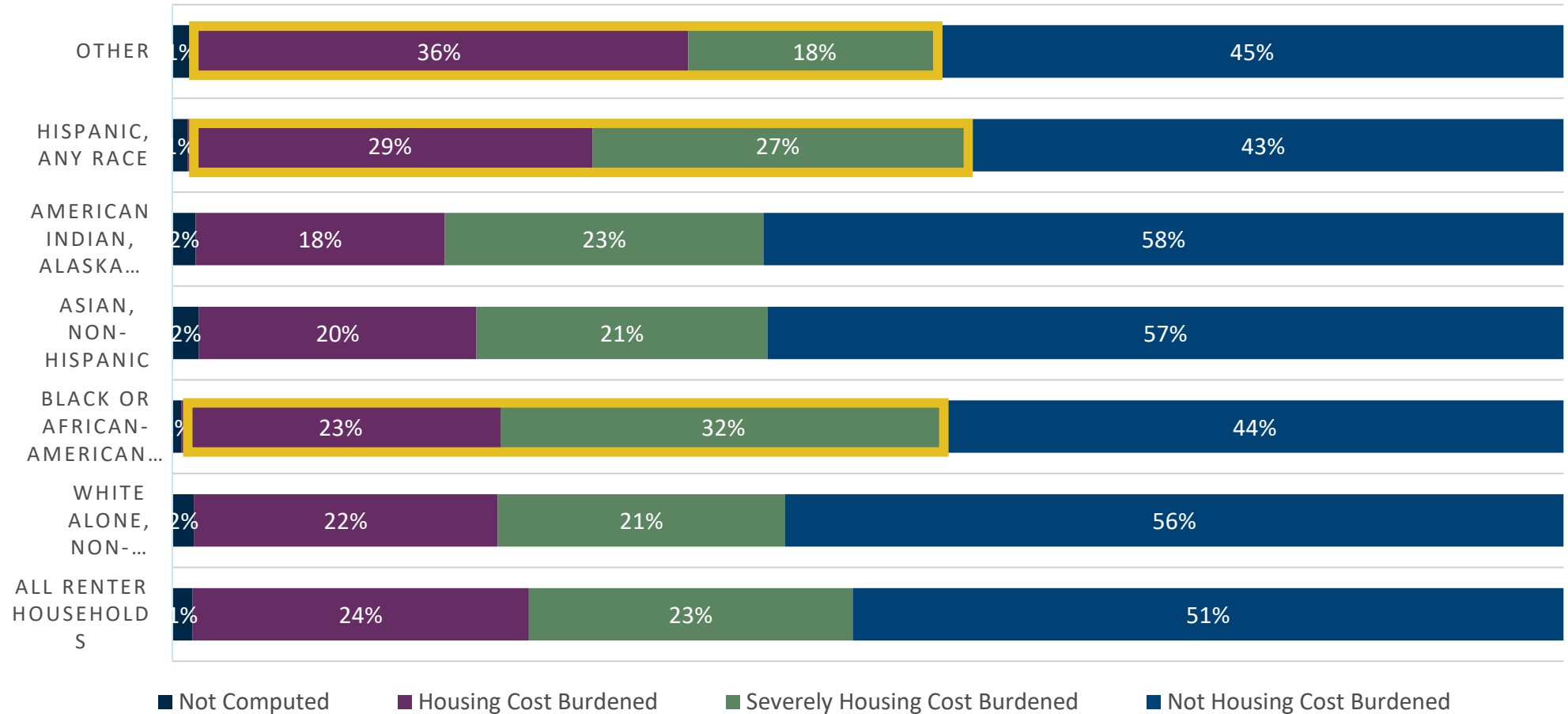
Why we need protections – rising rents

Average Rents in San José (adjusted for inflation), 2010-Present

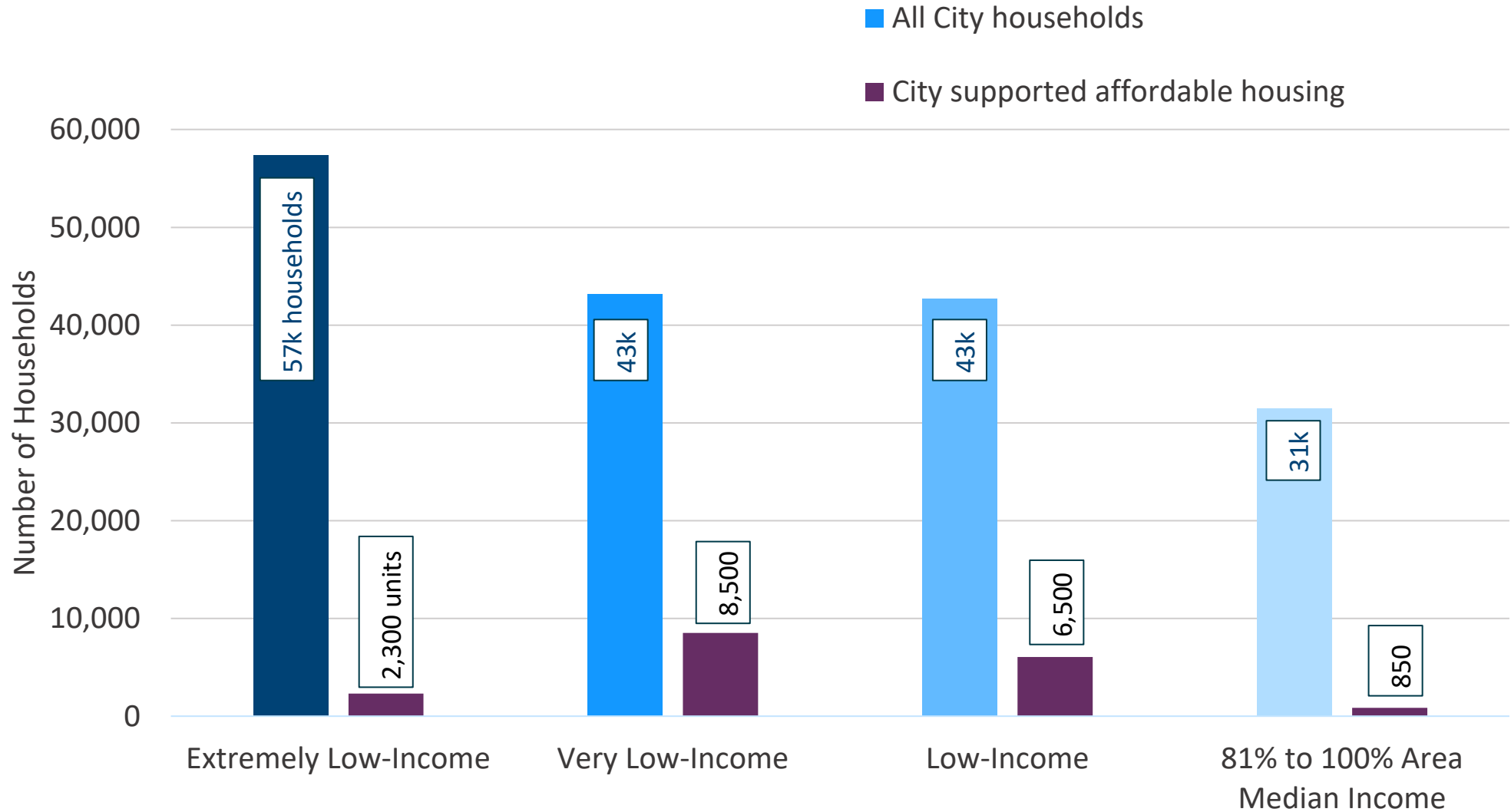


Rent burdens disproportionately weigh on certain races/ethnicities in San José

Rent Burdened Households by Race and Ethnicity, 2019



City's affordable housing portfolio vs. existing need



Source: 2019 5-year CHAS data; City of San José portfolio

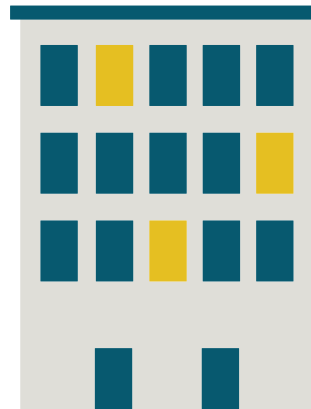


Production of new affordable housing

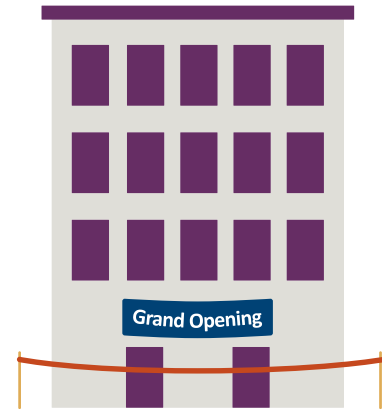
Kemit Mawakana
Division Manager, Residential Development Division



Market-rate Housing
Creation of
development policies
for all housing



Inclusionary Housing
Includes affordable
homes within market-
rate development



Affordable Housing
Construction of new
rent-restricted housing

Need for a local affordable housing production strategy



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- 🏠 Market-rate developers build projects that are feasible
- 🏠 New market-rate development does produce Inclusionary Housing units/fees. Yet, it does not provide deep affordability
- 🏠 RHNA Goals & Housing Element establish affordable housing targets

Need for a local affordable housing production strategy

- **Main funding sources leave a finance gap**

Traditional bank loan (debt) + tax credit equity + state subsidy

- Bank loans: covers on average 10-20% of capital stack
- Tax Credits: incentivize developers/investors, constitute 40-50% of capital funding
- State subsidies: covers on average 10-15% of capital stack

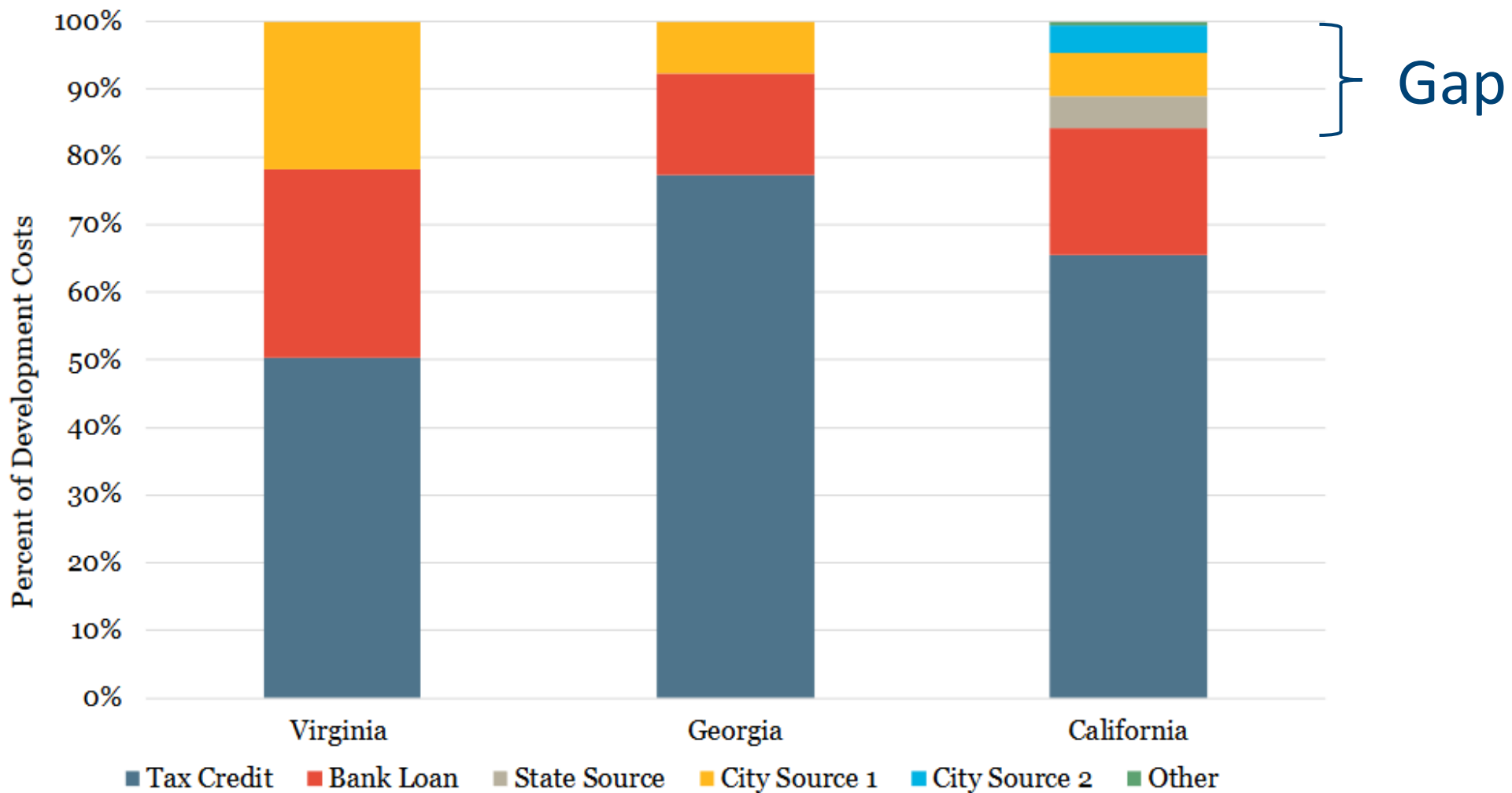
- Recent San José projects required 6-8 total funding sources



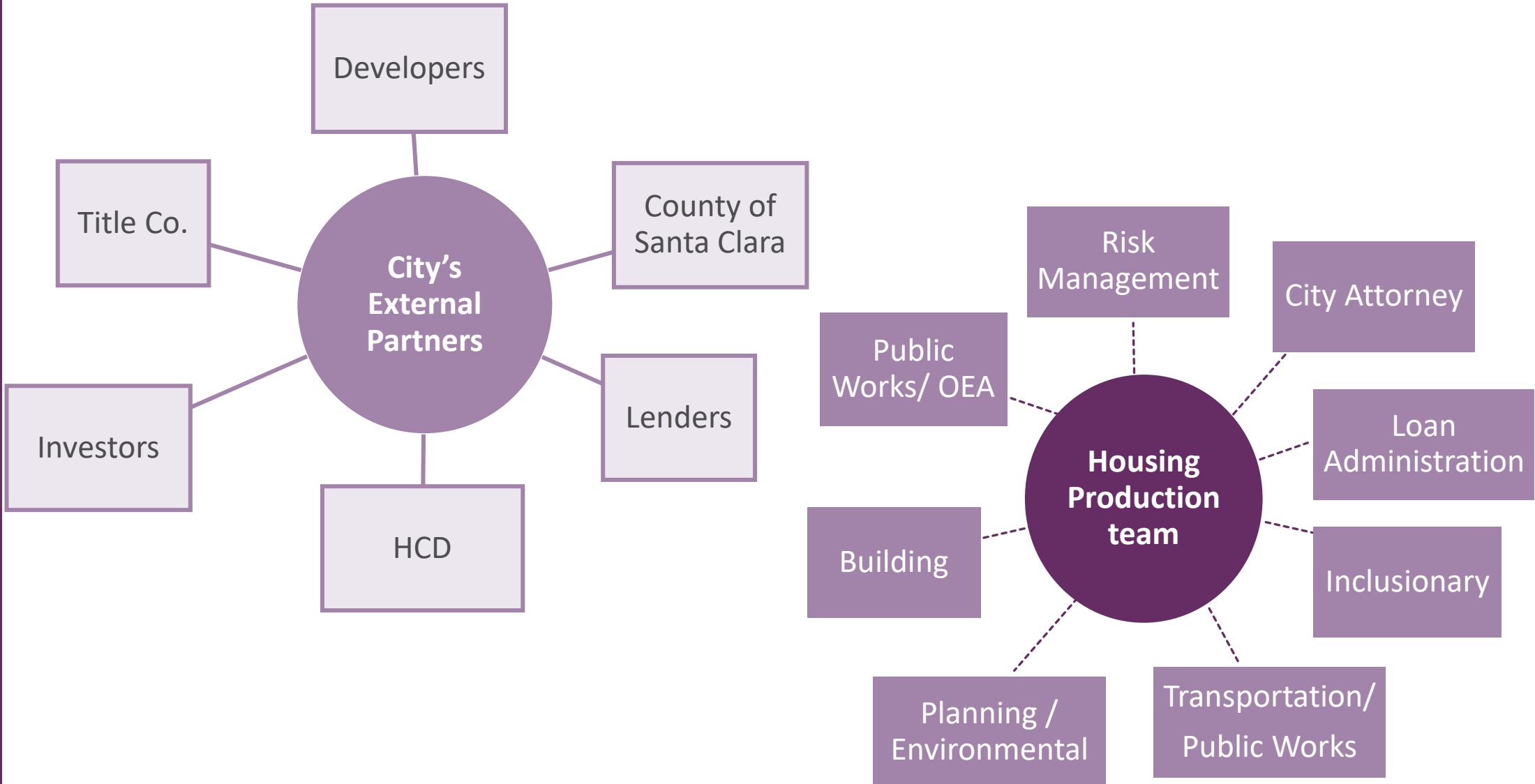
Role of cities:

Financing the gap with local or county funds

Capital stack for typical properties in three states, 2019



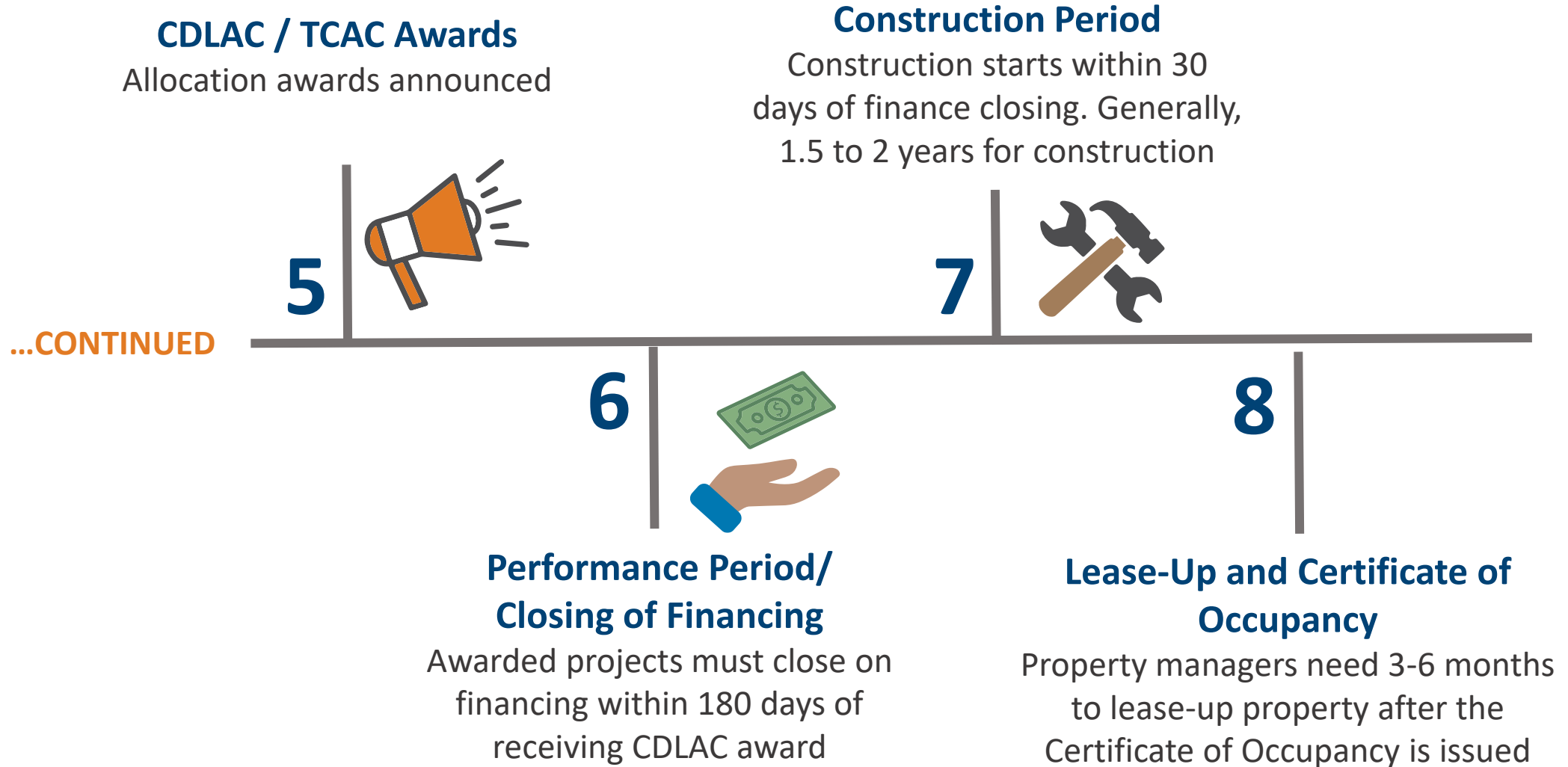
Many parties involved in transactions



Affordable development approval process



Affordable development approval process (cont.)



Example of sources: Tamien Station Apartments

Source	Construction Amount	Permanent Amount	Entity Type	Funding Type
Citibank Tax-Exempt Loan	\$66,100,000	\$10,200,000	Private	Loan
Private Equity Investment	\$8,254,425	\$46,775,073	Private	Equity
HCD (state) – Aff. Housing & Sustainable Communities	\$0	\$16,000,000	Public	Loan
HCD (state) – Infill Infrastructure Grant program	\$3,000,000	\$3,000,000	Public	Grant
City of San José	\$17,250,000	\$17,250,000	Public	Loan
County of Santa Clara	\$25,000,000	\$25,000,000	Public	Loan
Total	\$119,604,425	\$118,225,073		

Funding Sources for the City of San José

- Funding sources to fill financing gap
 - Measure E
 - Low-Moderate Income Housing Asset Fund
 - Inclusionary Housing Ordinance (In-lieu fees)
 - Commercial Linkage Fees
 - Affordable Housing Impact Fee
- City issues Notices of Funding Availability for new construction annually
- For every \$1 of City money put into a development, other sources put in \$5.50

Challenges and solutions for affordable production

■ Local challenge

Exhaustion of Santa Clara County Measure A funds

■ Economic Conditions

Rising interest rates, supply chain disruption → increased cost of ALL development

■ State/Federal

Bottleneck for federal housing tax credits

SOLUTIONS

- Regional and state bond measures
- Federal bill to increase tax credits and bond allocation





Preservation of existing housing

Josh Ishimatsu

Interim Division Manager, Policy Division



Keeping housing affordable



Ensure housing is in good condition



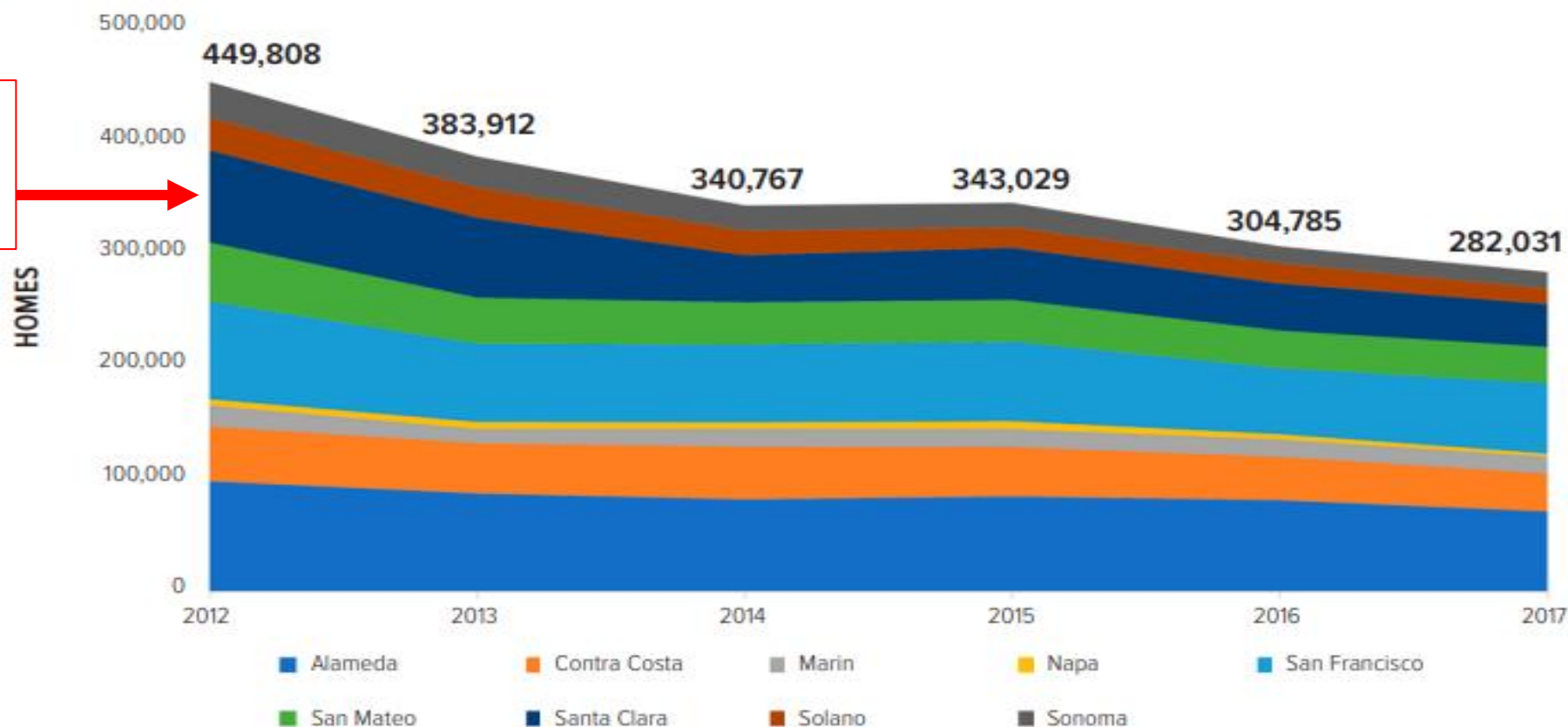
Support acquisition/rehabilitation ecosystem

In five years, Santa Clara County lost about half of its unsubsidized affordable homes

Exhibit 1.

Unsubsidized Affordable Homes Occupied by Low-Income Households in the Nine-County Bay Area, 2012 - 2017

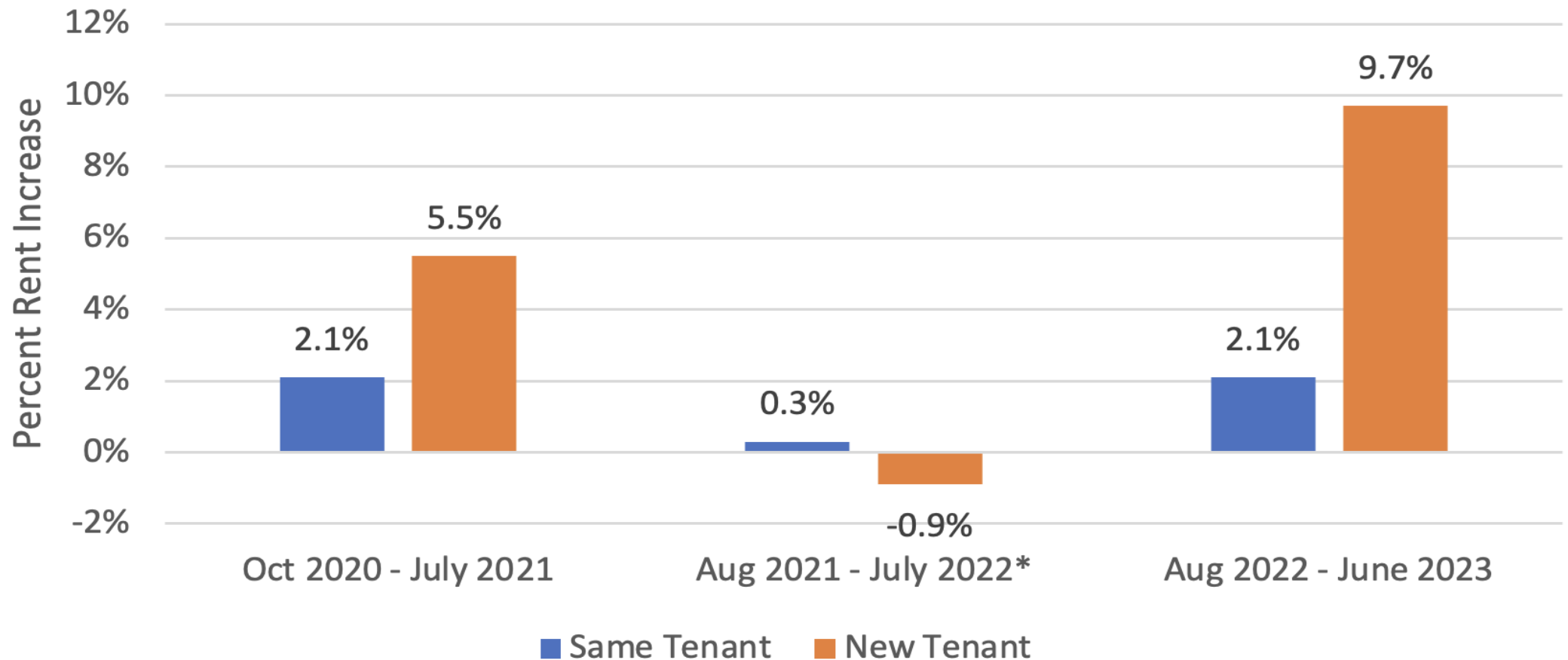
SANTA
CLARA
COUNTY



The number of unsubsidized, affordable homes occupied by low-income households has declined in recent years— averaging a decrease of 32,000 such homes per year between 2012 and 2017.

San José loses affordability on rent stabilized homes as tenants turn over (via vacancy decontrol)

Average Rent Increases for Continuously Occupied Units versus Units where a Tenant Moved Out



Why create an acquisition/rehabilitation practice?



Increases
number
of
restricted
affordable
homes



Enables
tenants to
stay in
their
homes
and
neighbor-
hoods



Is cost-
effective
and
relatively
fast



Fixes
condition
problems
and can
help
energy
efficiency



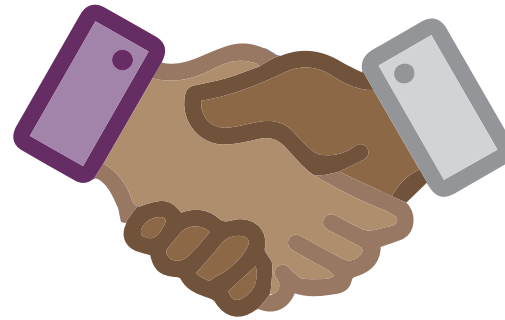
Supports
community
ownership
models
(community
land trusts)

How does acquisition/rehabilitation work?

Building owner
ready to sell property

Acquisition loan from
nonprofit lender

Rehab/permanent
loans from public
agency(ies) +
permanent lender
(CDFI or bank)



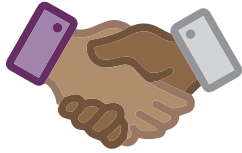
Buyer

**Newly deed-
restricted
affordable
property**

Challenges for acq/rehab practice in San José

- Very limited funding available for acquisition/rehabilitation projects
- Acquisition/rehabilitation projects are less likely to receive tax credit allocations
 - So local/regional/state financing are larger share of capital stack
- Few organizations are both highly interested in and qualified to undertake acquisition/rehabilitation projects
- Many renters at risk of displacement live in smaller buildings under 50 units – harder to finance and feasibly operate

What we're doing in San José



Partner with local public agencies



Report on preservation program development



Issue funding availability & award grants for capacity building



Issue funding availability & award grants for acquisition/rehabilitation



Quantify preservation needs



Protections for tenants

Emily Hislop

Division Manager, Rent Stabilization Program



Safe & Stable housing



Limit Rent Spikes



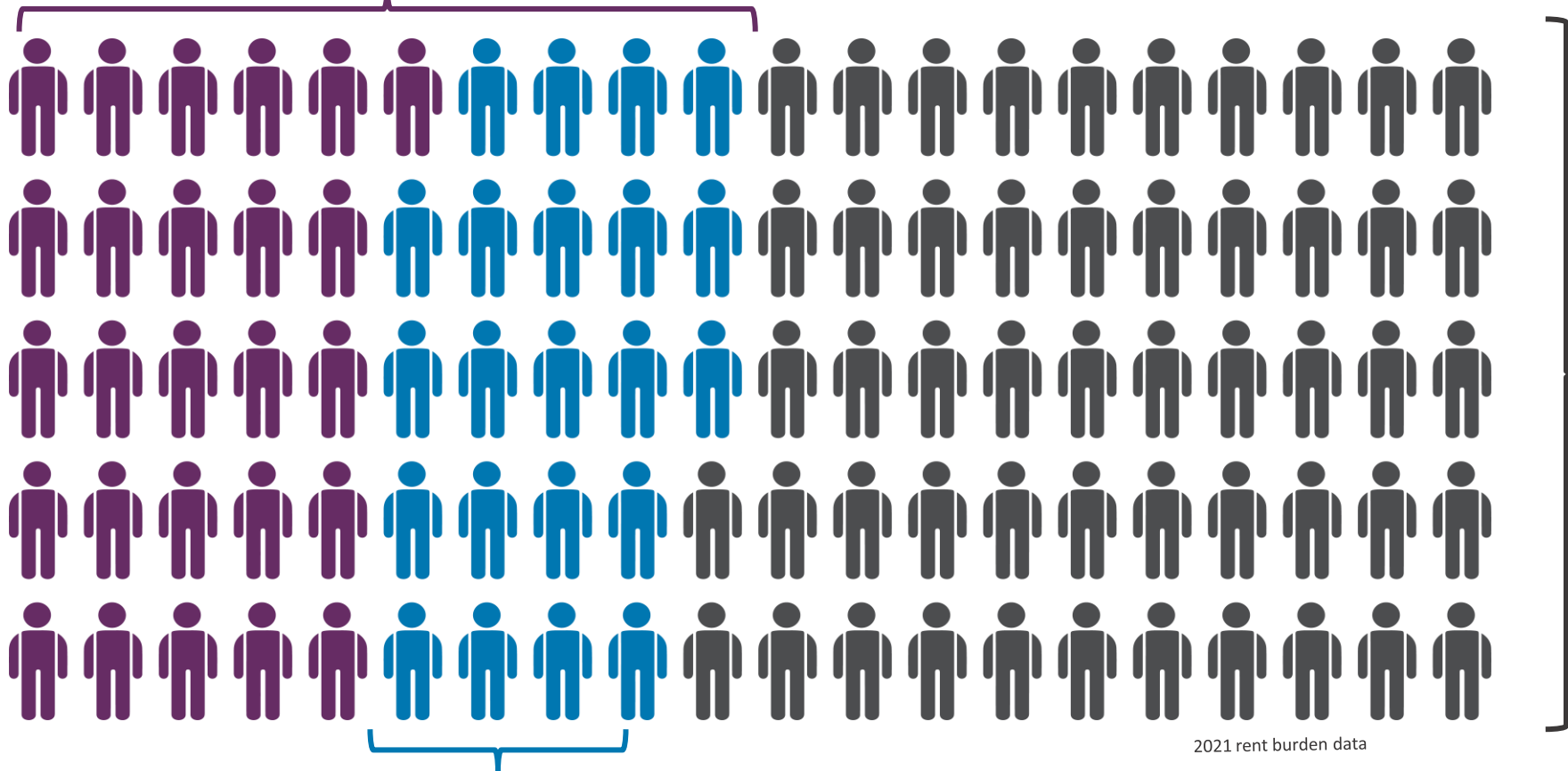
Fund Safety Net Programs

Types of protection policies

- Prevent large spikes in rents that can displace renters
- Prevent unnecessary evictions
- Require relocation assistance for no-fault evictions
- Guarantee basic habitability and safety standards
- Support safety-net programs
 - Example: Countywide Homelessness Prevention System

Why we need protections – high rent burdens

48% of renter households are *rent burdened*
paying over 30% of their income on housing



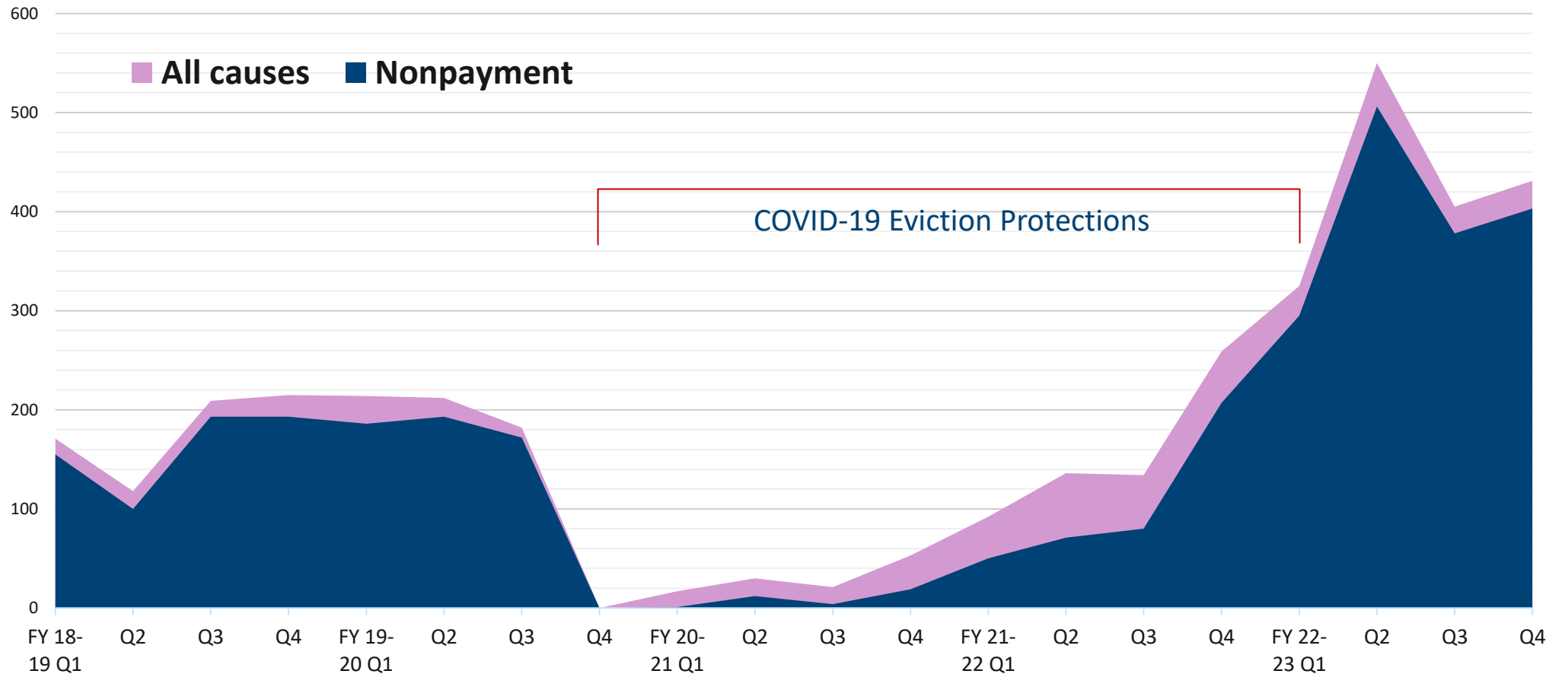
San José
renter
households

22% of renter households are *severely rent burdened*,
paying over 50% of their income on housing

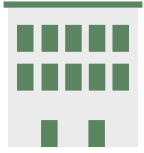
2021 rent burden data

Challenges for protecting more renters

Eviction Lawsuits Submitted to Housing Department for TPO Units



What we are doing in San José



Apartment Rent Ordinance (1979, rev. 2017)



Mobilehome Rent Ordinance (1985)



Tenant Protection Ordinance (2017)



Ellis Act Ordinance (2017)



Homelessness Prevention System (2019)



Eviction prevention programs (2020)

Impact

- 38,000 households rent stabilized
- 10,000 mobilehome spaces rent stabilized
- 86,000+ households with local just cause protections
- 3,500+ households stabilized by the Homelessness Prevention System
- 13.5K+ households stabilized by COVID-19 rent relief funds; \$161M paid to housing providers
- 200+ evictions diverted during COVID-19 recovery; \$3.3M paid to housing providers



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