

Proposed Soft Story Seismic Retrofit Ordinance and Implementation Program

Community and Economic Development Committee

March 25, 2024
Item (d)5

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BACKGROUND: Why this work is underway?

City Council directed staff to study and address soft story buildings

2014 — City Council directed staff to explore ways to incentivize soft story building retrofits

City Council ranked soft story retrofit program as a policy priority

2017 — City Council ranked development of a soft story retrofit program as City's overall 8th policy priority

City applied for and won \$6.2 million hazard mitigation grant

2018 — City submitted *Hazard Mitigation Grant Program* application to California Governor's Office of Emergency Services

2019 — Grant application forwarded to Federal Emergency Management Agency (FEMA)

2021 — **Phase 1 Grant Awarded** after completing requested modifications and re-submitting grant application

City starts developing Soft Story Retrofit Ordinance & Rebate Program

2022 — City entered into agreement with Consultant to do an Inventory Analysis and assist with development of mandatory ordinance and program implementation

2023 — City begins pre-ordinance outreach with building/property owners and residents; researches similar program in San Francisco, Oakland, and Los Angeles; and explores funding mechanisms. City applies for additional \$25 million FEMA grant.

Guiding Principles



**Health &
Safety**
of residents



**Equity &
Inclusion**
of vulnerable and
disadvantaged
residents and
owners



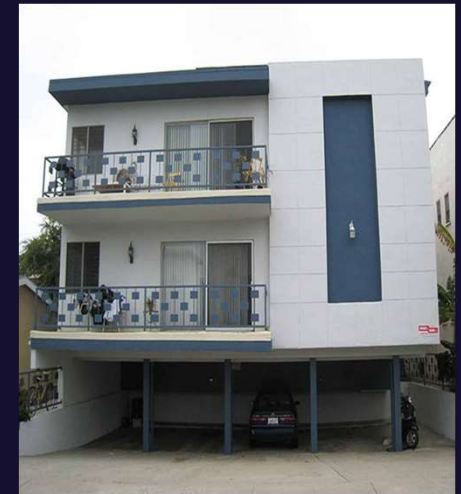
**Proactive &
Prepared**

Minimize the need for
mass care and shelter
in the event of an
earthquake

What is a "Soft Story" Building?

For San José and other California cities, “soft story” refers to buildings that:

- Are apartments, condominiums, or other multi-unit buildings (with multiple floors and living spaces)
- Are older
- Are constructed with a wood frame
- Have lower stories, garages, or crawl spaces that lack adequate wall support
- Have high risk of damage or collapse during an earthquake



Soft Story Failures: Two-story buildings



Benefits of a Soft Story Seismic Retrofit Program

- Preserves health and safety during an earthquake
- Reduces the number of displaced individuals that require Mass Care and Shelter. The cost of Mass Care and Shelter is estimated at \$222 per person per day = \$666,000 for 100 people per month
- Prevents the loss of homes, particularly affordable units, after an earthquake. Preserves homes and housing stability for residents
- Reduces financial obligations/losses to owners and tenants

Pre-Ordinance Outreach and Engagement

Since May 2023, over 12 meetings with:

- Residents
- Housing Providers
- California Apartment Association
- Bay Area Housing Network
- Building and Trades Council
- Housing & Community Development Commission

Promotores Pilot Program

- Staff trained 12 Promotores on proposed ordinance
- Promotores conducted outreach in neighborhoods

Building Inventory

Option	Building Age/Size	Buildings/Residents
1	Pre-1978, 5 or more units	Up to 1,495 buildings, 13,565 units ~ 40,000 people (Avg. household: 2.92 per unit)
2	Pre-1990, 5 or more units	Up to 2,272 buildings, 19,084 units ~ 56,000 people
3	Pre-1978, 3 or more units	Up to 2,363 buildings, 16,763 units ~ 49,000 people
4	Pre-1990, 3 or more units	Up to 3,577 buildings, 24,606 units ~ 72,000 people

Recommended Option

Option	Building Age/Size	Buildings/Residents
4	Pre-1990, 3 or more units	Up to 3,577 buildings, 24,606 units, ~ 72,000 people

- Ensures the health and safety of the maximum number of residents: up to 3,577 buildings or up to 24,606 units and approximately 72,000 people
- Captures the majority of condominium buildings built in the 1980s
- Higher number of three- to four-unit buildings, 64%, that meet soft story building criteria.

Compliance Groups and Schedule

Focus first on older buildings; allow more time for more buildings with complex circumstances; provide efficient resource allocation.

Group 1	A Subject Building built before January 1, 1978, and containing five or more Dwelling Units (up to 1,495 buildings)
Group 2	A Subject Building built before January 1, 1990, and containing five or more Dwelling Units (up to 777 additional buildings)
Group 3	A Subject Building built before January 1, 1990, and containing three or more Dwelling Units (up to 1,305 buildings)

Compliance Group	Screening	Permit Issued	Construction
Group 1	One year after ordinance effective date	Three years after ordinance effective date	Four years after ordinance effective date
Group 2	One year after ordinance effective date	Four years after ordinance effective date	Five years after ordinance effective date
Group 3	One year after ordinance effective date	Five years after ordinance effective date	Six years after ordinance effective date

Estimated Retrofit Costs & Rebates/Funding Options

- Retrofit cost range estimated from \$30,000 to \$180,000 per building, depending on age, design, and size
 - Screening cost: \$250-\$1,000. No screening cost if owner can self-certify
- For similar buildings on the same parcel, costs would likely be reduced

Proposed Rebate Program Design

- FEMA-funded
 - Rebates awarded on reimbursement basis
 - Funding: \$4.5 million now available; \$25 million FEMA application submitted
- Proposed priorities
- Lowered ARO pass-throughs allowed if rebate received
- Other funding options: low- or no-interest loan program with financial institutions, including community development financial institutions (CDFIs)

ARO Buildings: Capital Pass-through

EXAMPLE: \$100K Project Cost for 8-unit ARO building

$[(\text{Cost of Project} \div \# \text{ of units}) \div 20 \text{ years}] \div 12 \text{ months} = \text{monthly pass-through amount per unit}$

$$[(\$100,000 \div 8) \div 20] \div 12 = \text{\$52.08/per unit per month}$$

Unit #	Rent on Date Petition Submitted	3% Threshold	Allowable Monthly Pass-through	Collected After 20 years
1	\$1,500	\$45.00	\$45.00	\$10,800.00
2	\$2,000	\$60.00	\$52.08	\$12,499.20
3	\$1,700	\$51.00	\$51.00	\$12,240.00
4	\$2,200	\$66.00	\$52.08	\$12,499.20
5	\$2,100	\$63.00	\$52.08	\$12,499.20
6	\$1,600	\$48.00	\$48.00	\$11,520.00
7	\$1,800	\$54.00	\$52.08	\$12,499.20
8	\$1,950	\$58.50	\$52.08	\$12,499.20
TOTAL RECOVERED:				\$97,056

ARO Buildings – Capital Pass-through

Pass-through amount does not increase when rent is increased

Ex: If a 5% rent increase is applied over 2 rent increases:

YEAR 1	Base Rent (w/o Pass-through)	\$2,000.00
	5% Allowable Increase Applied to Base Rent	\$100.00
	Allowable Monthly Pass-through	\$52.08
	New Rent with 5% Increase and Pass-through	\$2,152.08

YEAR 2	Base Rent (w/o Pass-through)	\$2,100.00
	5% Allowable Increase Applied to Base Rent	\$105.00
	Allowable Monthly Pass-through	\$52.08
	New Rent with 5% Increase and Pass-through	\$2,257.08

Note: If the tenant moves out during the amortization period, the pass-through ends. New rent may be set at what market will bear.

ARO Buildings – Service Reduction Petitions

- Reduction in housing services – Temporary or Permanent
 - During work - dust, noise, loss of access to amenities (parking, storage, etc.)
 - After work (much less likely) - permanent loss of services
- Proposed restriction on petitions for temporary reductions in which:
 - Reduction in service relates to the seismic retrofit project
 - Reduction occurs while retrofit project work is being done
 - Length of time of reduction in services is reasonable
 - Owner has complied with noticing requirements

Next Steps

- Continue exploring funding for rebate program
- May 2024 – City Council
- May and ongoing: Post-ordinance outreach and education; initiate program implementation
 - Notification to Property Owners
 - Notification to Tenants / Tenant Coordination Plans
 - Building Screening, Permitting, and Construction Process

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