



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmembers
Rocha, Peralez and
Jimenez

SUBJECT: GENERAL PLAN ANNUAL
PERFORMANCE REVIEW

DATE: November 11, 2017

Approved

Date

11-22-17

RECOMMENDATION

Don Rocha PH

That the Council adopt one of the following options:

Option 1: Direct staff to return to City Council during the spring general plan hearing with a City-initiated general plan amendment that would amend general plan policy H-2.9 to allow affordable housing to be built on properties bordered by residential on at least one side, instead of at least two sides as the policy is currently written. This change would be consistent with the policy text as originally recommended to the City Council by the General Plan Task Force in 2016. A redlined version of the policy is attached.

Option 2: Defer this item to a later meeting so that the full Council can deliberate on this matter.

BACKGROUND

In 2016, the Council convened a General Plan Task Force to conduct a four-year review of the General Plan. The review process culminated in a set of recommended general plan amendments forwarded from the Task Force to the City Council. One of their recommendations was to allow 100% deed restricted affordable housing to be built on sites designated as Mixed-Use Commercial or Neighborhood/Community Commercial so long as the following conditions were met:

1. The site is 1.5 acres or less.
2. The site is vacant or underutilized.
3. The site has adjacent properties with a residential General Plan Land Use / Transportation Diagram designation **on at least one side** and the development would be compatible with the surrounding neighborhood.

4. The development would not impact the viability of surrounding commercial or industrial properties or businesses.
5. The site is located within a ½-mile of an existing transit line.
6. The development integrates commercial uses that support the affordable housing project and/or the surrounding neighborhood.
7. Development on properties that contain structures that are on, or are eligible for inclusion on the City of San José's Historic Resources Inventory should adaptively reuse these structures.

The intent of this proposal was to expand the number of opportunity sites in the San Jose for affordable housing projects. It also has the benefit of allowing affordable housing to be built on commercial sites that are not available for market rate residential development, which can reduce the cost of affordable projects by allowing affordable developers to avoid paying market rate residential prices for the land.

When the Council deliberated on this proposal at the December 16, 2016 meeting, some councilmembers argued that the task force recommendation would have allowed affordable housing on too many commercial sites. They proposed amending the recommendation to only allow housing on parcels bordered on at least two sides by residential, instead of on at least one side as recommended by the task force (the relevant portion of the policy is bolded above.) Staff estimated that this change would reduce the maximum number of potential opportunity sites under the policy from 1,037 parcels to 381 parcels.

During discussion of the item, Councilmember Peralez made a motion to adopt the Task Force recommendation of one side, but his motion failed on a 5-6 vote, with Councilmembers Peralez, Rocha, Carrasco, Tam Nguyen and Jimenez supporting it. The Council majority went on to adopt the revised version of the policy that required parcels be bordered by residential on two sides.

ANALYSIS

We believe that the Council should consider revising the policy to be consistent with the original Task Force recommendation. San Jose has made commitments over the past year to construct a large number of affordable units. The Mayor's 15-point housing plan, for example, sets a goal of building 10,000 affordable units over five years. We believe that the original recommendation could aid us in achieving that goal.

As the Mayor pointed out in his 15-point plan memo, it will be very difficult to achieve the 10,000 unit goal without reducing regulatory obstacles. One of the most significant obstacles for affordable housing development is site acquisition. Even if resources are available for a project, it can be very expensive to acquire a site in a strong market where market rate residential developers are willing to pay high prices. Fortunately we have a ready solution to this problem: the original task force recommendation of one side and up to 1,037 opportunity sites can both expand the number of opportunity sites and allow affordable developers opportunity to acquire sites without paying market rate residential prices.

Some may ask why the current policy of two sides and 381 sites is not sufficient. Although 381 sites may sound like a good number, not all those sites are for sale, and not all are suited for a housing project. In estimating the number of sites that would be available, staff did not screen for the qualitative policy criteria, such as the requirement that the site be “vacant or underutilized” and “not impact the viability” of surrounding job lands. If you take away the sites that are not on the market and the sites that wouldn’t meet the qualitative criteria, the number of opportunities could dwindle significantly.

The task force was aware of this dynamic and recommended one side and 1,037 sites to ensure that sufficient sites would be available to make a meaningful impact on production. Shirley Lewis, one the Task Force co-chairs, spoke on behalf of the Task Force at the December 2016 meeting, making the case to the Council as to why one side was the best option. Here’s what she said:

There’s really very few parcels available, and I think all of the non-profit affordable housing developers that are here today can tell you how difficult it is to find a parcel. So I think our thought was we needed to give as much opportunity for affordable housing to be developed, because we know what a great need there is in our city... I mean, if we get five projects in a year, it would be a miracle, an absolute miracle. I have to tell you that it is very difficult to get the funding together, to find the properties – over and over.

Shirley’s words ring as true today as they did a year ago. We agree with her that expanding the number of opportunities for affordable developers is the right approach. It will give us the best chance of meeting the goal of 10,000 units in five years.

We’d also like to say a few words about the worry that allowing affordable housing on more commercial sites could impact job lands, as we know this could be a topic of concern for some of our colleagues. The policy is carefully written to address this concern. Below we’ve listed a number reasons why we believe going to one side would not unduly impact job lands.

- 1. The policy only applies to Mixed-Use Commercial or Neighborhood/Community Commercial designations.** These designations are focused on mixed-use development and neighborhood-serving retail. Limiting the policy to these two designations ensures that other employment designations—such as regional commercial, which hosts major retail centers, or industrial, which hosts driving industry—are protected.
- 2. The policy requires that a site be “vacant or underutilized” and “not impact the viability of surrounding commercial or industrial properties or businesses” to qualify for affordable housing development.** A site that is 1.5 acres or less and bordered on one side by residential does not automatically qualify for an affordable project. The policy includes additional protection to ensure that new development does not impair job lands.

3. **The policy requires that the affordable housing development integrate “commercial uses that support the affordable housing project and/or the surrounding neighborhood.”** This is a key provision. Projects built under this policy won’t just be affordable housing, they’re also required to have a mixed use commercial component. Mixed use is exactly the type of development that our General Plan encourages on the basis that it improves walkability, encourages multi-modal transportation, and uses land efficiently. Mixed-use development can contribute to the vitality of a commercial district by bringing both new commercial opportunities and new residents to the area.

4. **We’re currently pursuing policies that would have a much larger impact on job land.** Item 1C in the Mayor’s September 28th housing crisis memo supports allowing 4,000 additional residential units to be built on industrial land in North San Jose above the existing unit cap. The proposal we put forward in this memo would likely have less of an impact on job land than allowing 4,000 additional units in San Jose’s industrial core.

We’ll close by thanking our colleagues for their thoughtful consideration of this proposal. We can probably all agree that production of new units is essential to address the housing crisis. By changing a single word in this policy—“two sides” to “one side”—we can directly aid affordable housing production. Let us be guided by the good work of the General Plan Task Force and the wise advice of Shirley Lewis and adopt the original Task Force recommendation.

Attachment A: Proposed Amendments to General Plan Policy H-2.9

H-2.9 To increase the supply of affordable housing, one hundred percent deed restricted affordable housing developments would be allowed on sites outside of the existing Growth Areas on properties with a Mixed Use Commercial or Neighborhood/Community Commercial land use designation if the development meets the following criteria:

1. The site is 1.5 acre or less.
2. The site is vacant or underutilized.
3. The site has adjacent properties with a residential General Plan Land Use / Transportation Diagram designation on at least ~~two~~ one sides and the development would be compatible with the surrounding neighborhood.
4. The development would not impact the viability of surrounding commercial or industrial properties or businesses.
5. The site is located within a ½-mile of an existing transit line.
6. The development integrates commercial uses that support the affordable housing project and/or the surrounding neighborhood.
7. Development on properties that contain structures that are on, or are eligible for inclusion on the City of San José's Historic Resources Inventory should adaptively reuse these structures.