



Memorandum

TO: CITY COUNCIL
FROM: Mayor Sam Liccardo
SUBJECT: ANNUAL PROGRESS REPORT ON THE IMPLEMENTATION OF THE SAN JOSE GENERAL PLAN HOUSING ELEMENT AND THE HOUSING SUCCESSOR AGENCY ANNUAL REPORT
DATE: March 20, 2018

APPROVED:

DATE:

3/16/18

RECOMMENDATION

Direction

1. Accept recommendations (a) and (b) as outlined in the staff report dated March 8, 2018; and
2. Direct the City Manager to consider, when an Affordable Housing Investment Plan is scheduled to return to Council in May of 2018, whether to also present a comprehensive Housing Crisis Response Work Plan that includes a status report of all of the housing-related priorities established by Council, with periodic updates thereafter;
3. When Staff return to Council to discuss legislative issues related to Housing, but no later than April of 2018, discuss whether the City of San Jose should more formally initiate a regional push through CASA, as well as through state legislation, for a J/ER-weighted regional commercial impact fee.
4. Concurrently with the forthcoming Secondary Unit ordinance update in June 2018, staff should consider whether to present a recommended communications strategy for new Secondary Unit opportunities.

Discussion

This annual Progress Report detailing the implementation of the City's Housing Element and progress on our city's Regional Housing Needs Allocation (RHNA) provides this Council with a snapshot of our progress on our housing priorities. Not surprisingly, it shows that we have much more work to do.

With respect to market rate housing, we have permitted over 10,000 units in the last three years. While that far exceeds—even on a per capita basis—the production that we see in many nearby cities, we know it will not suffice to meet the tremendous need. More disconcerting is

the fact that the spigot is drying up: many housing developers inform us that they cannot obtain financing to build due to exceptionally high construction costs. Largely for that reason, the Council will engage in a study session this Spring to assess whether the City must adjust its fees to enable more housing construction projects to “pencil out.”

I recognize and appreciate the collaborative efforts that PCBE, the Housing Department, and the City Manager’s Office have already undertaken, reflected in part by this Progress Report. Nonetheless, we need to take a more coordinated and outcomes-based approach to achieving our housing production goals. The Administration might provide Council with a detailed work plan for the housing work we have already prioritized, which would include, at a minimum, a list of developments in the pipeline, pipeline projections based on current permitting trends, anticipated completion dates and a brief status summary of prioritized and green-lighted policy and planning changes. An effective Work Plan would also include quarterly updates for City Council on progress.

We ask staff and Council to consider two ideas when staff returns for discussion about relevant issues related to affordable housing. First, I’ve been in conversation with regional and state partners about a regional commercial impact fee that would be weighted to a specific jurisdiction’s jobs-employed resident ratio. That is, fees would be applied in those jurisdictions with J/ER ratios above 1.0 that are adding commercial square footage without a commensurate share of housing, thereby exacerbating the region’s jobs-housing imbalance. Doing so, of course, comes at the expense of housing affordability, traffic, and greenhouse gas emissions, and the fee should reflect that. One would expect fees to ratchet upward in cities with higher J/ER ratios, and downward with the actual issuance of building permits for housing. Funds would be distributed by Congestion Management Agencies (CMA’s), such as the Valley Transportation Authority, for transportation improvements in high-producing cities, and/or through a local housing authority or city for affordable housing, all within the county of origin.

Second, the City has already undertaken repeated efforts to create more flexibility in our Secondary Unit (sometimes called “granny units” or “ADUs”) policy. As cities across the state and country encourage secondary unit construction, several cities have developed excellent outreach and education programs to walk homeowners through the process.¹ Additionally, the

¹ Portland’s website has simple, clear instructions about the process with all the necessary forms, laws, and guidance on one page. <https://www.portlandoregon.gov/bds/36676> Santa Cruz’s single ADU webpage includes a plan sets book and a manual.

<http://www.cityofsantacruz.com/government/city-departments/planning-and-community-development/programs/accessory-dwelling-unit-development-program>

Redwood City’s unified ADU page includes promotional visuals and even a slogan—“Build Small, Live Large. Accessory Dwelling.” <http://www.redwoodcity.org/departments/community-development-department/planning-housing/planning-services/planning-codes-development-standards/accessory-dwelling-unit-ordinance>

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Joint Venture-Silicon Valley's Silicon Valley Talent Partnership appears underway in constructing an ADU marketing strategy for San Mateo County that will be completed in April. We don't have to reinvent the wheel; we can learn from these models and update our own outward-facing Secondary Unit information, just in time for our City website upgrade. At a minimum, we should make Secondary Unit information more accessible on a single webpage on the Planning website, and consider other tools, such as printable guides and social media platforms like NextDoor.