



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh
Jacky Morales-Ferrand

SUBJECT: HOUSING CRISIS WORKPLAN/
DOWNTOWN HIGHRISE

DATE: June 8, 2018

Approved

D. D. S. L.

Date

6/8/18

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

The Housing Crisis Workplan references Downtown San Jose as one of the City's primary opportunities for new housing. Section II (*Other High-Return Strategies: Initiate/Continue Work Next*) of the Workplan memorandum contains a proposal to extend the Downtown Highrise Construction Tax Reduction and references the transition of the Downtown Affordable Housing Exemption from the Affordable Housing Impact Fee to the Inclusionary Housing Ordinance for rental units. This supplemental memorandum provides a brief status of projects that could benefit from these changes.

BACKGROUND

Increasing the number of housing units and residents Downtown has long been viewed as critical to support transit, retail, and the generation of more jobs in the City's core. With this objective, the City Council approved incentives for highrise residential development in 2007 (parks-specific) and again in 2012 (parks and construction taxes). On December 13, 2016, City Council extended the Downtown Highrise Incentive to include projects that break ground (through the issuance of a foundation permit) by July 31, 2018 and complete their project (by obtaining 80% of the required Certificates of Occupancy) by December 31, 2020.

Prior to the transition to the Inclusionary Housing Ordinance (IHO) in December, 2017, the Affordable Housing Impact Fee (AHIF) Program included an exemption for downtown highrise projects that received Certificate of Occupancy prior to June 30, 2021. On December 19, 2017 City Council directed staff to bring forward a resolution to authorize reducing fees to zero for Downtown Highrise rental projects to align the IHO provisions with those of the prior AHIF and to ensure that projects under development are not subject to changing circumstances. Staff will return to Council later this month to finalize this implementation action.

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ANALYSIS

Along with the Council-directed modification to the Inclusionary Housing Ordinance to align with the existing Affordable Housing Impact Fee Downtown Highrise Incentive, staff proposes bringing forward an ordinance to amend the current Downtown Highrise Incentive, solely for the purpose of reducing construction taxes by 50% to align with end date of the Downtown Affordable Housing Exemption. In doing so, staff would remove the provision requiring the project to file for a development permit prior to December 31, 2017, and obtain a foundation permit prior to July 31, 2018, and require only that projects receive Certificate of Occupancy prior to June 30, 2021. The following tables provide details of projects currently under construction, program eligible but not under construction, and potentially eligible under the revised programs.

Under Construction								
	Project Name	Address	Developer	Building Permits	# of Units	Highrise Incentive	AHIF	Proposed IHO - Rental
1	The Graduate	80 E San Carlos	AMCAL Housing	12/19/17	260	Yes	Yes	No
2	Miro	193 E Santa Clara St	Bay View Development	12/22/17	630	Yes	Yes	No
TOTALS					890			

Eligible Under Current Programs <i>*Potentially Eligible Under Revised Program</i>								
	Project Name	Address	Developer	Building Permits	# of Units	Highrise Incentive	AHIF	Proposed IHO - Rental
1	Parkview Towers	252 N. First Street	Z& L Properties	N/A	220	Yes	Own DDA - No Affordable Housing required	
2	North San Pedro Tower III	323 Terraine Street	Z& L Properties	N/A	313	Yes	Own DDA - No Affordable Housing required	
3	Gateway Towers	455 S First St	The Core Companies	Estimated: 03/31/19	300	No*	Yes	N/A
4	Aviato	199 Bassett Ave	KT Urban	Estimated: Summer 2018	302	Yes	Yes	N/A

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5	4th Street Metro Station	439 S 4th St	N/A	N/A	101	No	Yes	N/A
6	Post & San Pedro	171 Post St	Simeon Properties	N/A	228	No*	Yes	N/A
7	Davidson Tower	255 W Julian St	DAL Properties	N/A	653	No*	Yes	N/A
					TOTALS	2,116		

Potentially Eligible Under Revised Programs								
	Project Name	Address	Developer	Building Permits	# of Units	Highrise Incentive	AHIF	Proposed IHO - Rental
8	6th Street Flats	61-99 N 6 th St	The Pacific Companies	N/A	197	No	Yes	Yes
9	Carlysle	65 Notre Dame Ave	Insight Realty	N/A	220	Yes	Yes	Yes
10	27 West	27 S 1st St	Schoennauer Co LLC	N/A	255	Yes	Yes	Yes
11	Garden Gate Tower	600 S 1st St	KT Urban	N/A	285	Yes	Yes	Yes
12	Park & Almaden	170 Park Center Plaza	Steinberg Hart	N/A	260	Yes	Yes	Yes
13	Greyhound	70 S. Almaden Ave.	Z & L Properties	N/A	708	Yes	No	No
14	Sobrato Block 3	150 S 2nd St	Sobrato Organization	N/A	393	Yes	Yes	Yes
					TOTALS	2,318		

/s/
KIM WALES
 Deputy City Manager
 Director of Economic Development

/s/
JACKY MORALES-FERRAND
 Director
 Housing Department

For questions please contact Blage Zelalich, Downtown Manager, Office of Economic Development at (408) 535-8172 or Amy Chen, Senior Development Officer, Housing at (408) 975-4489.