



Memorandum

TO: CITY COUNCIL

FROM: Mayor Sam Liccardo

SUBJECT: SEE BELOW

DATE: June 11, 2018

Approved

Date

6/11/2018

SUBJECT: AFFORDABLE HOUSING INVESTMENT PLAN AND HOUSING CRISIS WORKPLAN

RECOMMENDATIONS

Accept the staff report and approve the Affordable Housing Investment Plan and Housing Crisis Workplan, with the following additional changes:

1. In light of the roughly \$500 million shortfall of funding necessary to meet our affordable housing goals, direct the City Manager to:
 - a. Include in the next round of polling for a November bond measure, inclusion of language supporting at least \$250 million of funding for affordable housing, with the suggestion to test such concepts as “homeless housing,” “cost-effective, innovative approaches to ending homelessness,” “teacher housing,” or “housing for the missing middle.”
 - b. Work with the Mayor’s Office, the Metropolitan Transportation Authority staff, the Committee to House the Bay Area (CASA), and other regional partners to craft a Bay Area-wide job-housing imbalance impact fee. Such a fee would differ from a standard “commercial impact fee” by assessing fees on commercial, industrial, office, and R & D expansion based on the jurisdiction’s jobs-to-employed resident ratio. Upon drafting of a proposal, return to Council for consideration of formal endorsement, and include state authorization as a legislative priority.
2. When staff brings forward its moderate-income housing strategy, include the following actions:
 - a. Solicit ideas for crafting a more streamlined, innovative approach to financing “missing middle” housing—through the use of a Request for Information (RFI), convening experts, or other approaches—to aid in the development of a subsequent RFP or sole-source contract, such as:
 - (1) A model for a publicly-subsidized, privately-funded Housing Innovation Fund (HIF), utilizing a mixed capital stack that includes traditional investment, program-related investments, and mission-aligned grant funding. Ultimately, such a HIF would require private investors to accept a low but stable rate of return, but should allow sufficient

- liquidity, i.e., to allow private investors to enter and exit more nimbly than in a traditional housing investment timeframe.
- (2) A framework for financing of the acquisition of existing older multi-housing stock to preserve as deed-restricted moderate income housing, such as piloting using tax-exempt bond financing, or a “dequity” (debt and equity) fund, perhaps similar to that of the Community Preservation Corporation of New York City.
 - b. Consider, on a pilot basis, the addition of options to the inclusionary zoning ordinance that would enable developers to choose—should they build affordable units on-site—entirely for low- to moderate- incomes, but with a higher percentage commitment than under the current ordinance. The option should contain an aggregate citywide “cap” on the moderate income alternative, to ensure we do not dilute funding needed for ELI, VLI, or LI housing.
3. As part of staff’s proposal to establish a team focused on catalyzing housing development, aided by a public-facing spatial analysis/map and database showing housing opportunity sites, staff should include public sites by:
 - a. Identifying City-owned sites, including older community centers, libraries, and other public buildings, and assess their feasibility for redevelopment for affordable housing and other potential uses. The Northside/Tony Siquig Community Center provides a useful local model of integration of affordable housing with publicly-accessible space.
 - b. Engage other public land-owners—including the County, VTA, and CalTrans, San Jose State University, our school districts, and the State of California—to explore collaboration on developing mixed public/ housing uses, such as constructing SJSU teacher housing at the State’s Alquist Building site.
 4. To ensure that the rezoning of the Urban Villages—work that has a very high potential of leading to shovels in the ground—is accomplished as soon as possible, begin items 15, 21, and 23 of the Workplan in January 2019.
 5. Rather than beginning the “Underutilized Business Corridors” work in Spring 2019, take an initial approach of beginning a mixed-use pilot program in two or three Neighborhood Business Districts, such as the 13th Street District and Calle Willow, in Fall 2018, including:
 - a. Working with existing community partners, such as AARP, to facilitate charrettes with local businesses and residential associations to consider denser redevelopment of existing underutilized commercial sites.
 - b. Seeking private philanthropic dollar for funding outreach and early policy and planning work.
 - c. Ultimately allowing mixed use housing/commercial zoning to add modestly-sized but denser housing to current commercial parcels.
 - d. Incentivizing affordable housing or on-site inclusionary by moving such developments to the “front of the line.”

- e. Considering a cultural preservation component, particularly in Calle Willow, that might, for example, consider the need for smaller business spaces, and include culturally appropriate design elements.
6. If Council adopts my June Budget Message—which incorporates the suggestion of Councilmember Diep to fund work to align the City’s Zoning Code with the General Plan—proceed in accordance with the direction and prioritize that work appropriately.
7. Facilitate timely completion of the Downtown Boundary Expansion work by partnering with SJSU Planning Department, Berkeley Turner Center, or another competent organization to perform the work to:
 - a. Prepare for the Downtown Boundary expansion work by facilitating the partner organization’s creation of a parcel-by-parcel map identifying appropriate sites for mixed use development, and identifying possible underutilized or soft story sites.
 - b. Support that partner organization’s engagement with local residents and businesses in assessing opportunities for densification.
8. Bring to Council’s next priority-setting session, or, if external grant funding expands staff capacity sufficiently to “green light” this function, prioritize separately to begin work on:
 - a. Evaluating an empty building and parcel fee that could generate millions of dollars for affordable housing, and—additionally or alternatively—incentivize property owners to build occupied housing on their properties.
 - b. Considering a program of fee waivers, expedited permitting, parking waivers, and other incentives that might enable “affordability by design” without any direct public subsidy. That is, where unsubsidized housing meets a rental target through affordable design and construction features, such as by employing high-density, pre-fabricated modular approaches, consider how the City might reduce the cost and time to bring the product to market.
 - c. Adopting new public-private financing models for housing that is affordable to teachers and other workers in the “missing middle.”
9. Return to City Council within 60 days with:
 - a. A plan to keep the City Council and public informed on staff’s progress on the Housing Crisis Workplan, including reports at six-month intervals, clear date-based targets, and descriptions of work progress.
 - b. A public-facing dashboard displaying units under development, under construction, and occupied, at relevant levels of affordability.
10. Prepare a report to the Ad Hoc Development Services Committee outlining a plan for filling the many, persistent staff vacancies in PBCE—particularly in Planning—in senior and key strategic roles. The plan should explicitly address strategies to reduce the loss of some senior planners to other cities, to explore additional use of retiree rehiring, and other staffing strategies.

DISCUSSION

I greatly appreciate staff's comprehensive, detailed approach to assessing the need and public resources needed to reach our affordable housing goals.

We all recognize that funding constraints in the known sources of affordable housing dollars—such as inclusionary fees, Measure A, and SB 2—make it challenging for us to reach our goals if we rely upon traditional approaches to publicly-subsidize housing development.

Accordingly, I seek to offer a few potential solutions in addition to many of the Administration's good ideas. The first set of potential solutions lie in expanding the size of that funding source—such as by including affordable housing in our November bond. Second, we can support affordability with assets other than dollars, such as through the use of City-owned and publicly-owned land constitutes an important contribution to any affordable developments' pro forma. Third, we should challenge developers to consider how we together can build affordable, rent-restricted housing with a smaller contribution from the City than the \$125,000 "standard" subsidy. This provides the logic for some of my proposals regarding more innovative ways of financing median- or moderate-income housing. By spreading our precious resources a bit more thinly, we should be able to create more rent-restricted units. Finally, I suggest we explore further whether we can enable some moderate-income, sub-market development without a City subsidy, but with the waiver of fees, reduction in parking minima and other burdensome requirements, and acceleration of permits.