



Memorandum

TO: RULES AND OPEN
GOVERNMENT
COMMITTEE

FROM: Mayor Sam Liccardo
Councilmember Dev Davis

SUBJECT: SEE BELOW

DATE: January 31, 2019

APPROVED:

**SUBJECT: APPROVAL OF AN ADDITIONAL GENERAL PLAN HEARING FOR
PUBLICLY FUNDED AFFORDABLE HOUSING PROJECTS**

RECOMMENDATION

1. Hold an additional General Plan Amendment Hearing in the spring of each year to expedite the land use approval of publicly funded affordable housing communities
2. Place the item on the February 26, 2019 Council Agenda for action.

BACKGROUND

San José is in the greatest affordability housing crisis to date. Since the State's Regional Housing Needs Allocation ("RHNA") production began in 2014, San José has met 72% of its total market-rate homes but only 7% of its affordable housing goal. The RHNA projects that San José will need to build more than 3,423 new income restricted homes per year for the next 5.8 years to keep up with population growth. If the current housing trends continue, the regional economy may suffer if local businesses cannot attract and retain employees.

Delays in land use approvals have had a disproportionate effect on affordable housing. Unlike the financing for market rate residential developments, financing affordable housing is dependent on various sources of funding from local agencies that are time sensitive, have applications requiring substantial advance preparation and collaboration, and are contingent on approvals of General Plan Amendments. Further, construction activity has hit record levels causing labor shortages and cost escalations of 1-2 percent per month over the last 2 years. A 100-unit affordable housing project with a construction cost of \$39 million in 2017 could cost up to \$45 million one year later in 2018. A project with fixed loan amounts from state and other agencies, such as the Cap and Trade Affordable Housing Sustainable Communities program, that made the project feasible at the earlier cost will no longer be feasible if costs go up.

HONORABLE MAYOR AND CITY COUNCIL

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In addition, the current General Plan hearing process requires environmental studies to be submitted in March to ensure a hearing in November; but if these studies are not turned in on time and requires an update, the project must wait until November of the following year to get a hearing. Local agency loan limits do not keep pace with project cost increases due to project delays. These delays can prevent projects from ever getting built.

ANALYSIS

In our environment of high inflation coupled with fixed government funding sources, the sooner a project is approved and funded, the more likely it is to remain economically feasible and get built. Therefore, approval of this additional spring hearing for publicly funded affordable housing project general plan amendments will help mitigate the high costs of delayed funding and enable more units to be constructed.