



Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Councilmember Johnny Khamis

SUBJECT: STUDY SESSION ON THE COST OF AFFORDABLE HOUSING **DATE: February 6, 2019**

Approved

Date

2/8/19

RECOMMENDATION

Direct the Administration to schedule a Study Session on the cost of Affordable Housing before June 1, 2019

BACKGROUND

It is no secret that the City of San José – and the Bay Area as a whole - is facing a housing crisis. The lack of quality, affordable housing in San José affects everyone; not just those who do not have an affordable home to go to at the end of the day. It affects the well-being of our economy, our workforce, and our families. Without affordable housing—housing for all people—very low income, the middle class, those with disabilities, and others, our City will not continue to grow and thrive as a healthy city should.

Each time we, as a City, vote for an affordable housing project the price tag is in the multi-million-dollar range. We do not need to look further than one of our most recent City Council meetings (2/5/2019) where we approved five affordable housing projects – three new construction and two rehabilitation projects - costing millions of dollars. In fact, in three of the five projects, the City agreed to contribute a minimum of \$117,000 per unit. Total project costs exceeded \$600,000 for each of the newly-constructed units and ranged to over \$800,000 per unit. Conversely, units built by private, for-profit developers cost \$400,000-\$500,000 per unit. Are we really getting the biggest bang for our buck?

Affordable housing is not an isolated problem belonging to San José. Unfortunately, the lack of affordable housing and the seemingly excessive time and expense required to develop it is adversely affecting our entire state. The major issues related to this problem are shared in a recent article by Christian Britschgi, in the online magazine, Reason, titled, “At the Most Expensive Affordable Housing Project in America, Every Apartment Cost \$739,000 To Build.” In his article, Mr. Britschgi cites many reasons for the high cost of constructing affordable housing, including the lack of properly zoned land, prevailing wage requirements, ballooning material costs,

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challenging permitting processes, and more. The Mercury News has also penned numerous articles regarding the lack of affordable housing.

I wholeheartedly believe that it is in our best interest to schedule a study session for us to better understand the overall costs associated with building affordable housing. My hope is that by better understanding the overall affordable housing picture, we can determine ways in which we may ease the costs and further streamline the processes around building affordable housing in San José.