

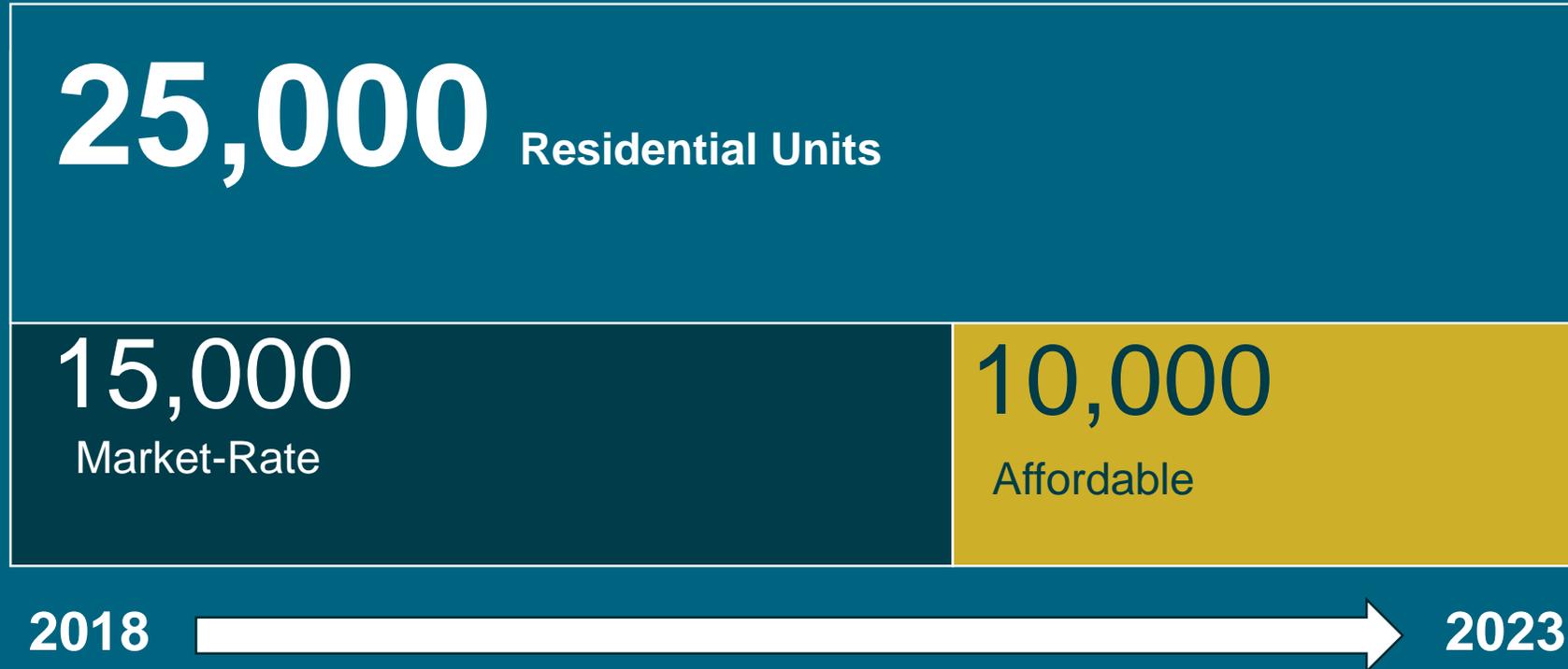
Housing Crisis Workplan Update

| October 26, 2020

Community and Economic Development Committee



Housing Crisis Workplan Goal:



Housing Market Context

Late 2019 / Q1 2020: High Construction Costs

2020 Q2-Q3: Rent declining – especially Class A

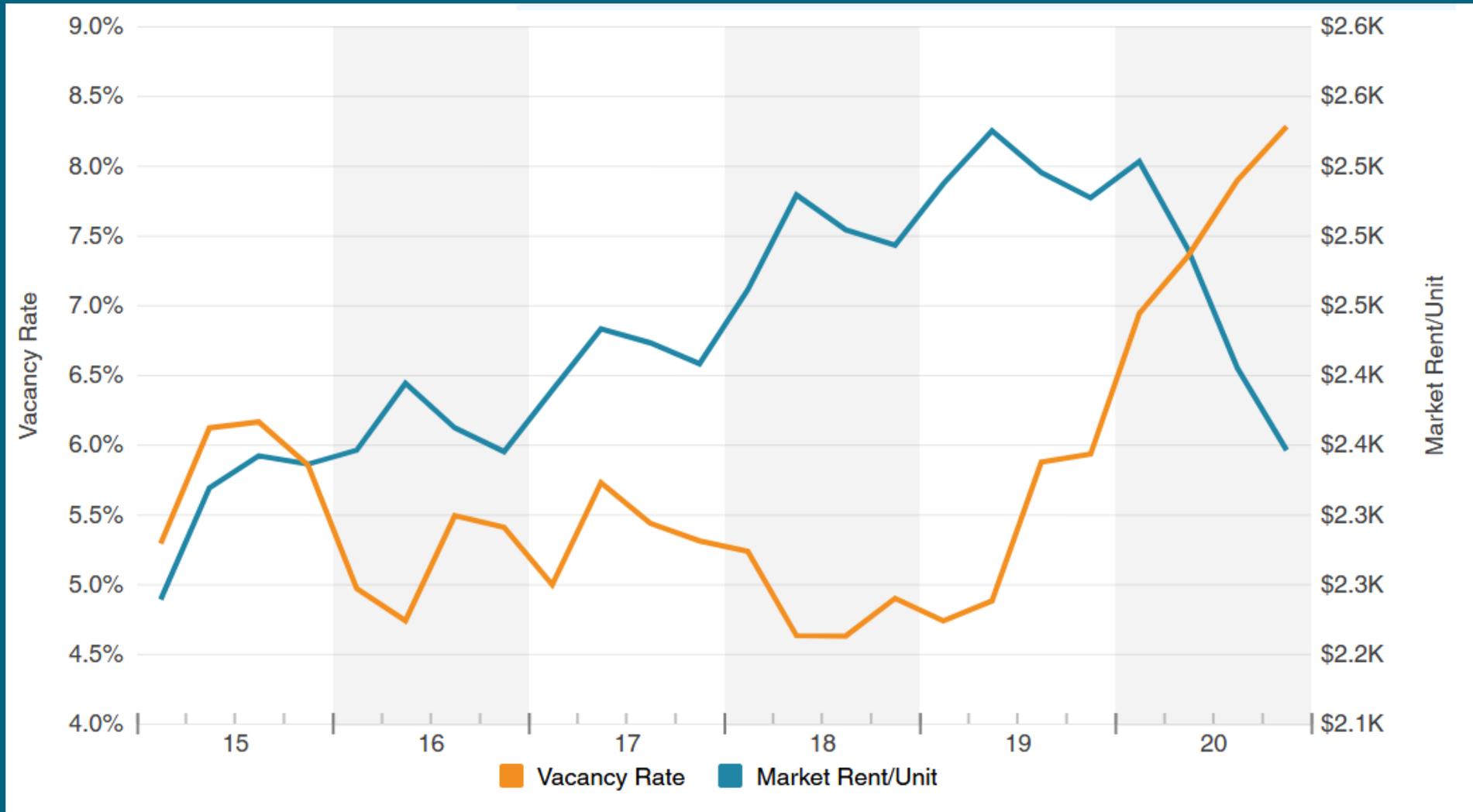
Continued Uncertainty

Still confidence in San José market

Market Conditions

Increased Vacancy Rate

Declining Rents

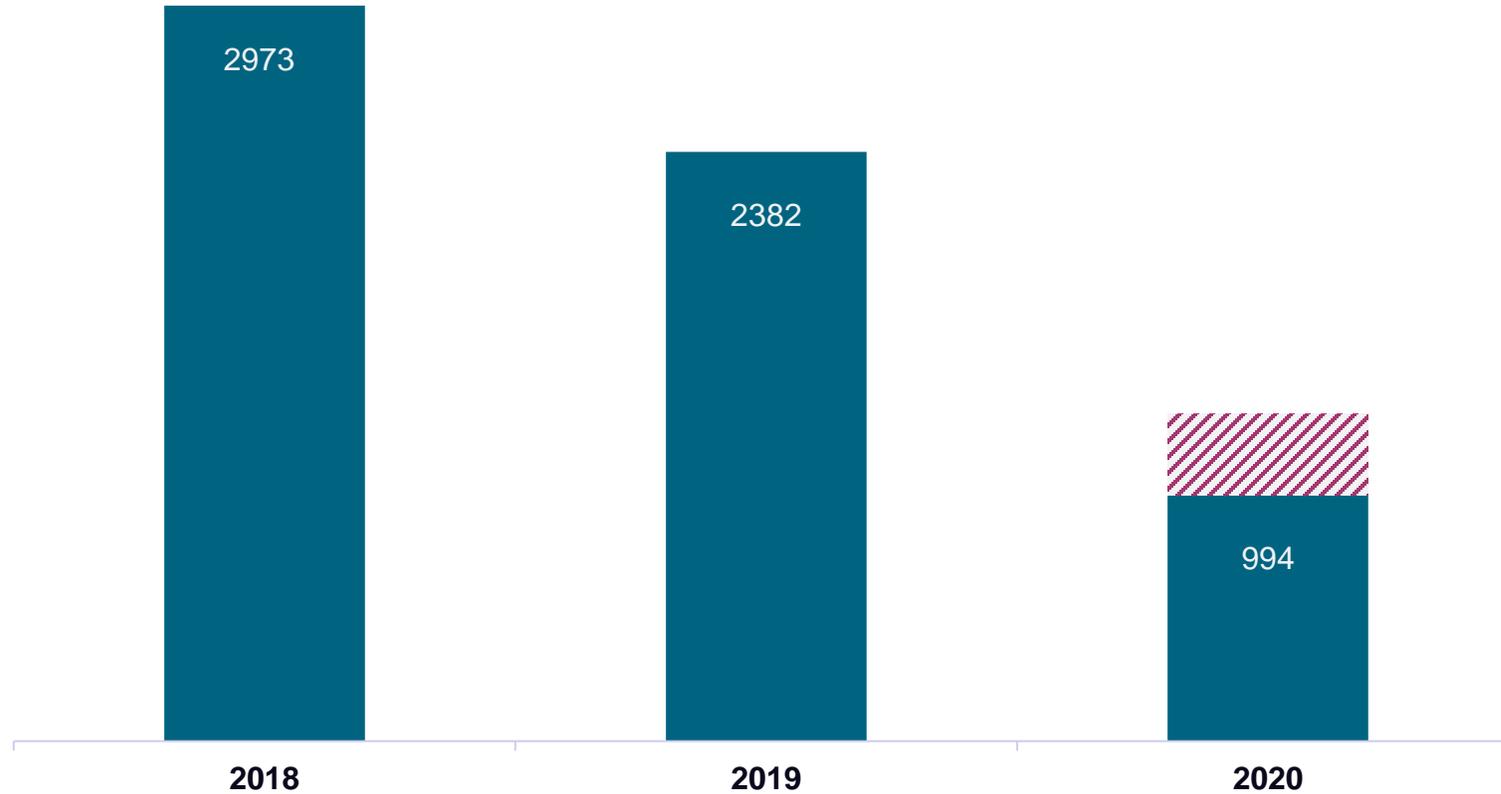


Source: CoStar – accessed 10/15

Housing Production

| | Capacity Made Readily Available Through Policy Work | Units Receiving Development Planning Approvals | Units Receiving Building Permits | Units Receiving Occupancy | |
|---------------|---|---|---|---|-------------------|
| 2018 | 14,255 | Market Rate: 361 Affordable: 81 | Market Rate: 2,827 Affordable: 146 | Market Rate: 797 Affordable: 30 | 2018 ↓ 2023 |
| 2019 | 2,800 | Market Rate: 2,864 Affordable: 702 | Market Rate: 2,248 Affordable: 134 | Market Rate: 620 Affordable: 217 | |
| Jan-Sept 2020 | | Market Rate: 1,299 Affordable: 964 | Market Rate: 625 Affordable: 369 | Market Rate: 956 Affordable: 259 | |
| Total | 17,055 | Market Rate: 4,524 Affordable: 1,747 6,271 | Market Rate: 5,700 Affordable: 649 6,349 | Market Rate: 2,373 Affordable: 506 2,879 | |

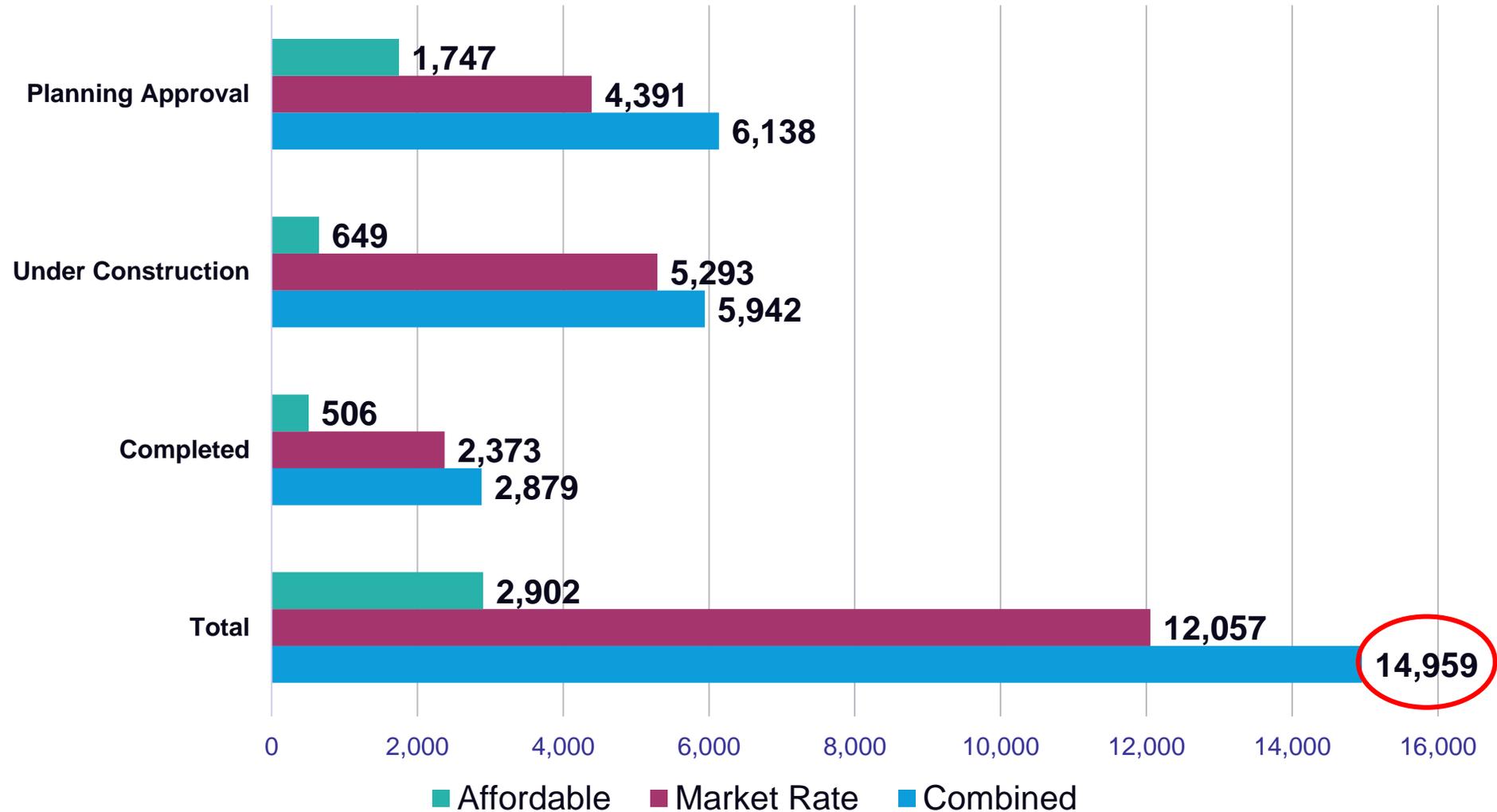
Units Receiving Building Permits



Overall Progress

2018  2020

25,000 Housing Units by 2023
Entitled, Under Construction, or Completed
15,000 Market Rate Units
10,000 Affordable Units



Financing Challenges for Affordable Financing

- **Oversubscription of Bond Funds at the State Level**
 - Tax Exempt Bonds have become competitive over the last year
 - Timelines for affordable housing developments are being impacted
 - New guidelines for awards in 2021
- **Seeking Support for Advocacy at the State Level**

State Streamlining

- **SB 35 (2017) & AB 2162 (2018) enabled streamlining process**
 - SB 35: Requires at least 50% of units be affordable on properties with zoning or a General Plan designation that allows housing. Removes requirement for CEQA analysis.
 - Four SB 35 projects received approval totaling 324 affordable units
 - AB 2162: Requires permanent supportive housing on properties currently zoned for housing. Removes requirement for CEQA analysis.
 - Three AB 2162 projects received approval totaling 302 affordable units
 - Staff currently reviewing five additional streamlining projects with 826 affordable units.



Eviction Moratorium



Moratorium on Rent Increases



Providing Rental Assistance

Newly Completed Workplan Highlights



Established Commercial Linkage Fee



New Housing Webpage



Interim Housing on Caltrans Sites



Adopted Citywide Anti-Displacement Strategy

State Housing Legislation Highlights

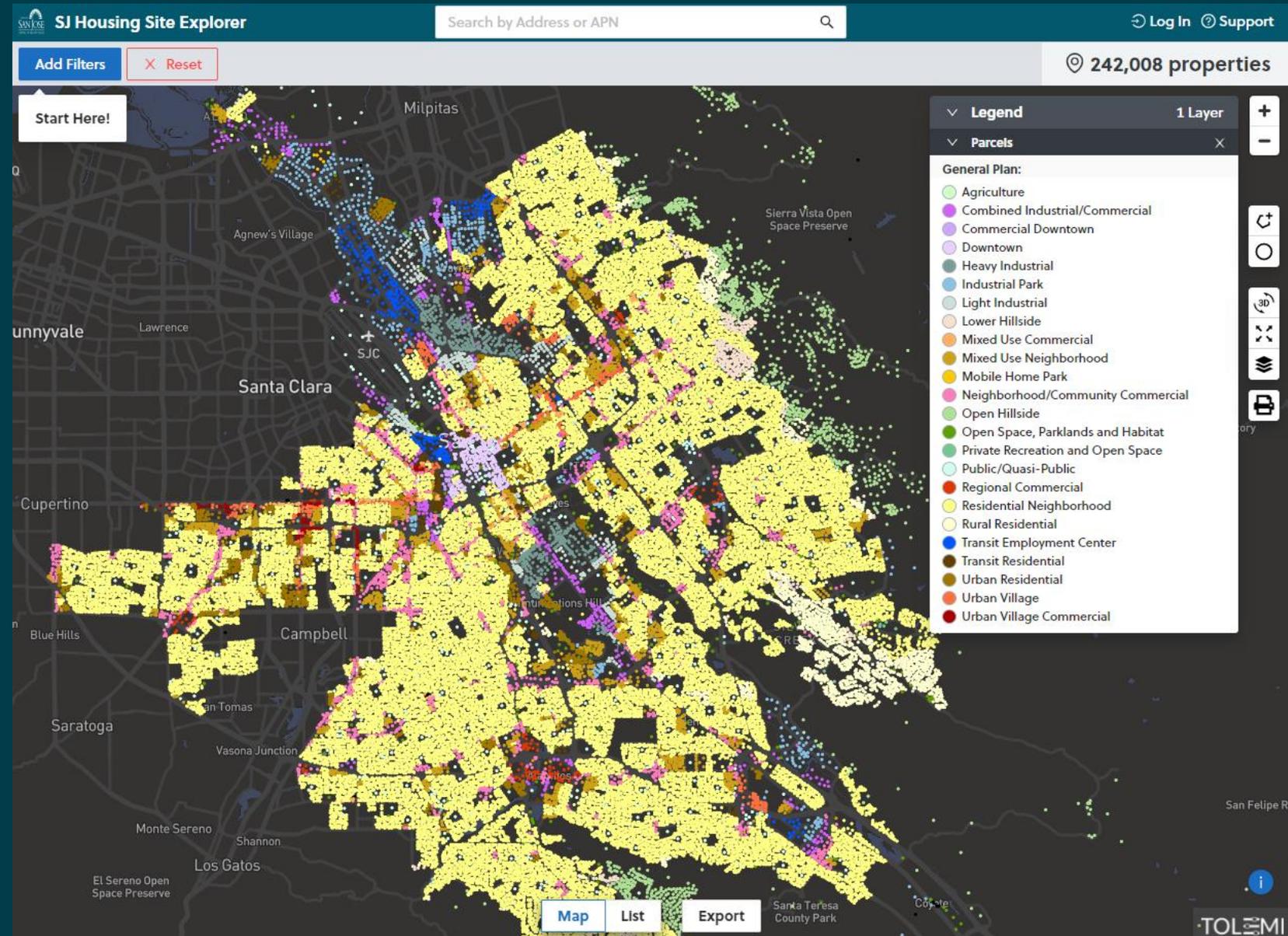
Signed into law by Governor:

- **SB 940 (Beall)** – Allows the City of San José flexibility in meeting the no net loss requirements of SB 330.
- **AB 1851 (Wicks)** – Allows a religious institution to develop affordable housing, even if the new housing projects reduce the available parking for the religious use below what is required by the City.
- **AB 2345 (Gonzalez)** – Expands Density Bonus Law to increase the maximum allowable density and increases the number of incentives or concessions a developer can seek.

Ongoing Workplan Item Highlights –

- **General Plan Four-Year Review Items**
 - Housing in Neighborhood Business Districts
 - Exploring Changes to Commercial Requirements for Affordable Housing
- **Residential Cost of Development**
 - Last Report from November 2019
 - RFP to select consultant provide regular updates
 - Planned update in 2021

Ongoing Workplan Item Highlights –



Housing Land Acquisition Sites Database and Mapping Tool

- Launched **San José Housing Site Explorer** in August 2020: <https://san-jose-housing-ca.tolemi.com/>
- Continuing to refine and improve



North San Jose

Step 1: Continue work with Santa Clara to outline issues and concerns and move forward with amendments to the Settlement Agreement through mediation.

Timeline: 0-6 months (Ongoing)

Step 2: Transition the ADP by amending the Engineers Report to align collected money and built projects with development completed, and consistent with CEQA. Identify strategy for any remaining capital projects the City wishes to pursue. Amend the General Plan and Zoning Code to facilitate future development.

Timeline: 6-12 months (Underway)

Step 3: Allow commercial and residential projects to move forward with their own CEQA clearance under the development capacity in the General Plan.

Timeline: Accept Applications - 0-12 months (Underway)

Step 4: Consider opportunities to do additional planning work/program level VMT approach on longer term basis.

Timeline: 12-36 months (Not yet Started)

Downtown Residential High-rise Program

- **On August 25th Council approved setting IHO in lieu fee to \$0 for high-rise residential development in Downtown core.**
 - Must obtain building permit by June 30, 2023 and obtain Certificate of Occupancy by June 30, 2025.
 - Fee scales back up incrementally for projects obtaining building permit after June 30, 2023 each year until June 30, 2025.
- **Council directed staff to explore options for extending the timeline and applying it to high-rise outside of Downtown.**

Cost of Development

- **Staff proposes combining effort with planned update to the *Report on the Cost of Residential Development in 2021*.**
 - Allows for selection of consultant through normal process.
 - Update to Report already budgeted in FY20-21.
 - Staff would ensure that the Report would analyze the feasibility of high-rise construction in a variety of submarkets.

Questions?