

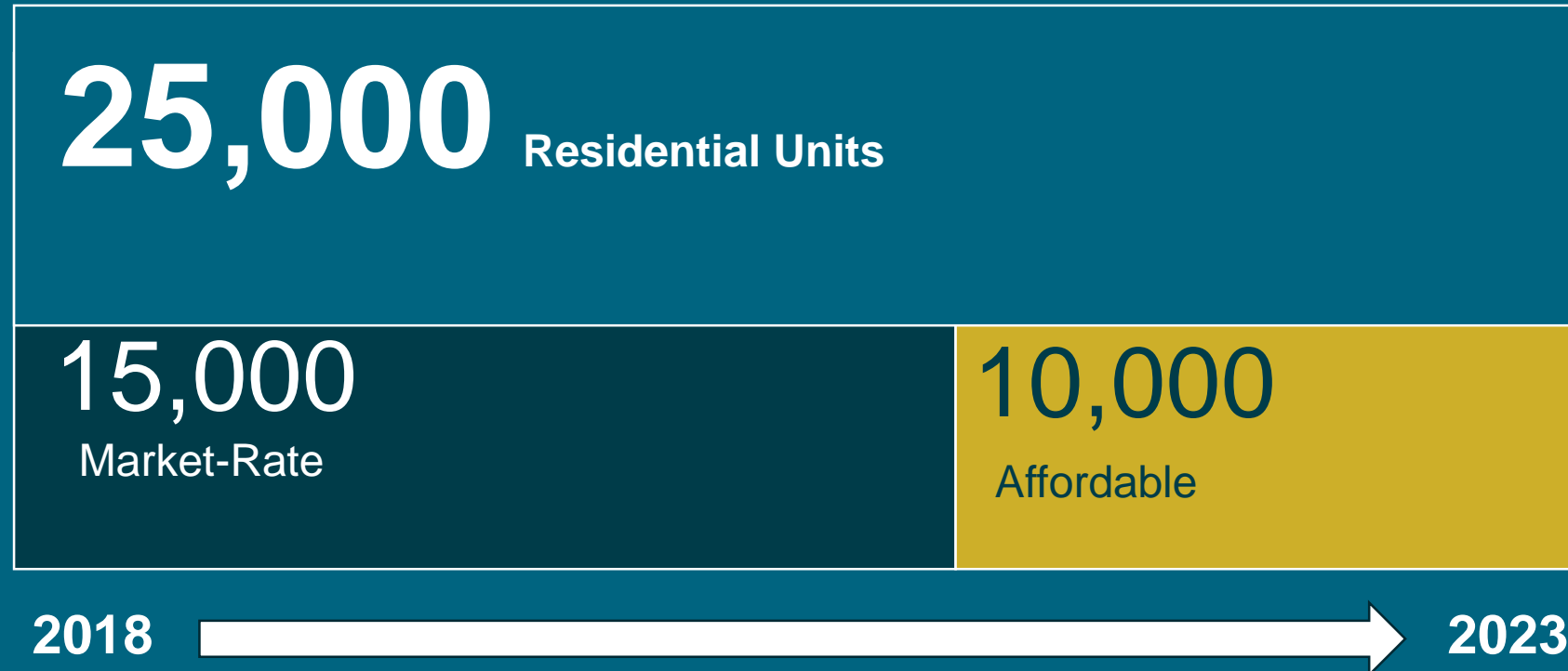
# Housing Crisis Workplan Update

| 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**

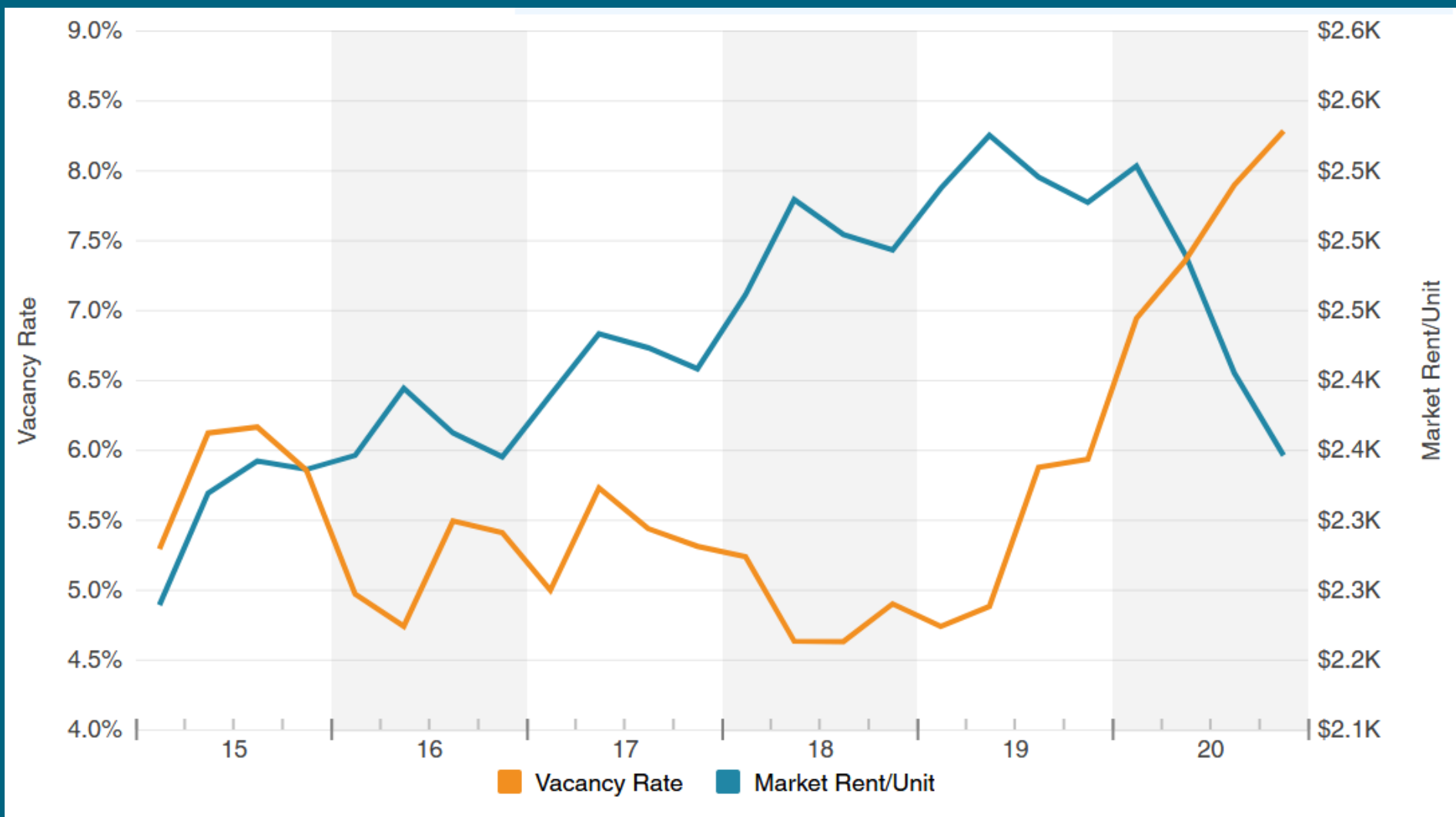
**Still confidence in San José market**



# Market Conditions

Increased Vacancy Rate

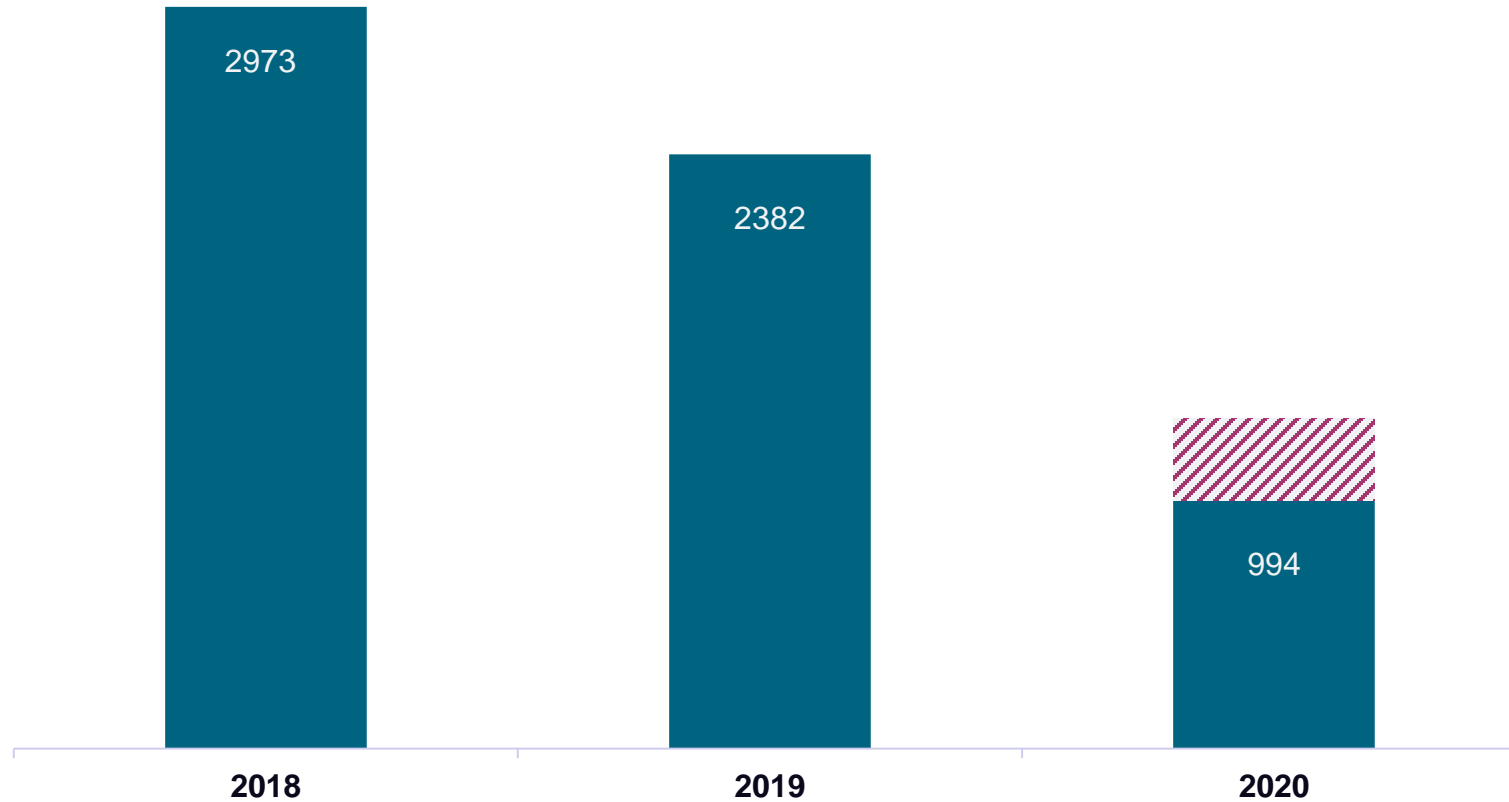
Declining Rents



# 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
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	2023
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	

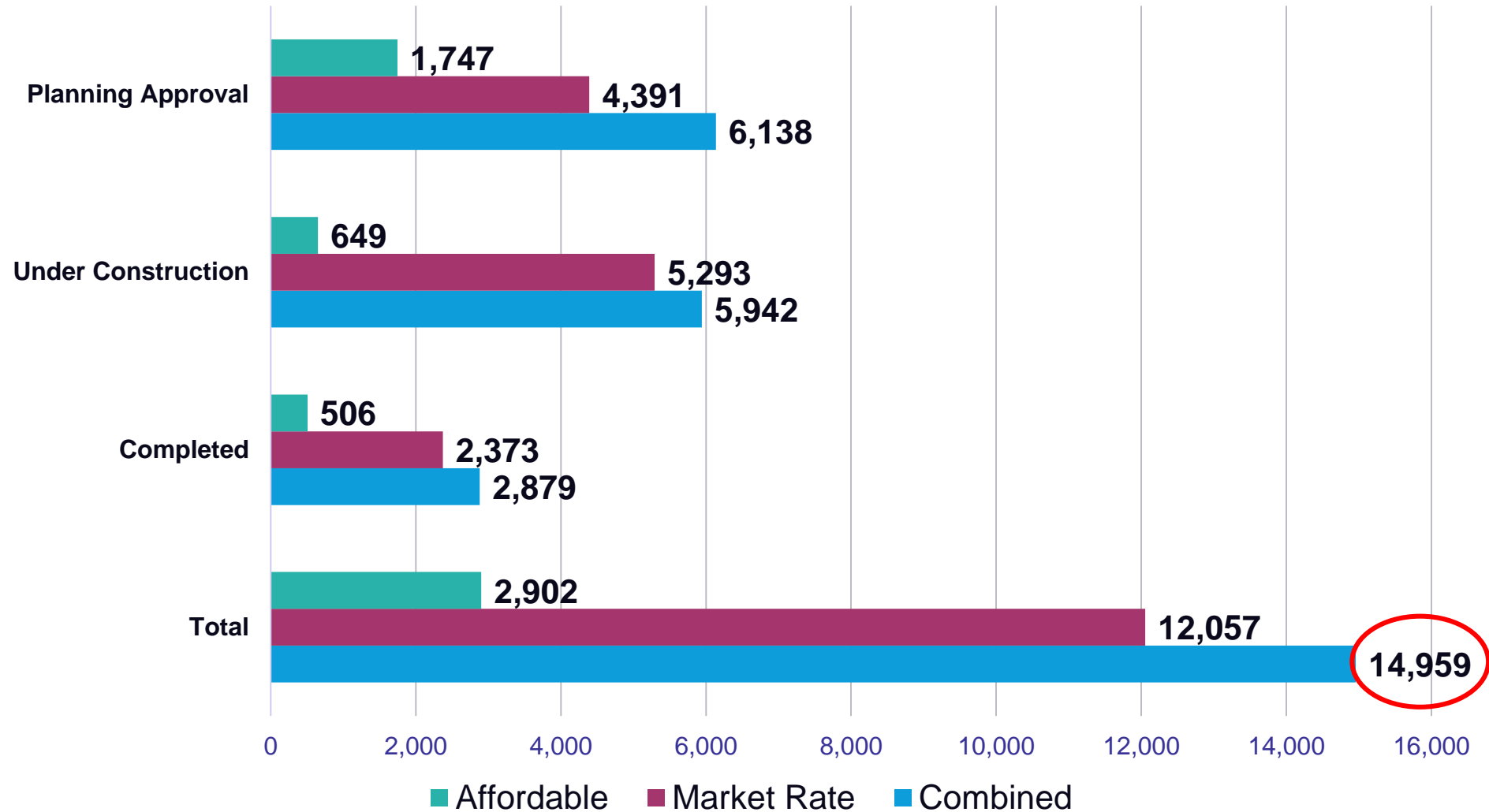
# Units Receiving Building Permits



# 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.

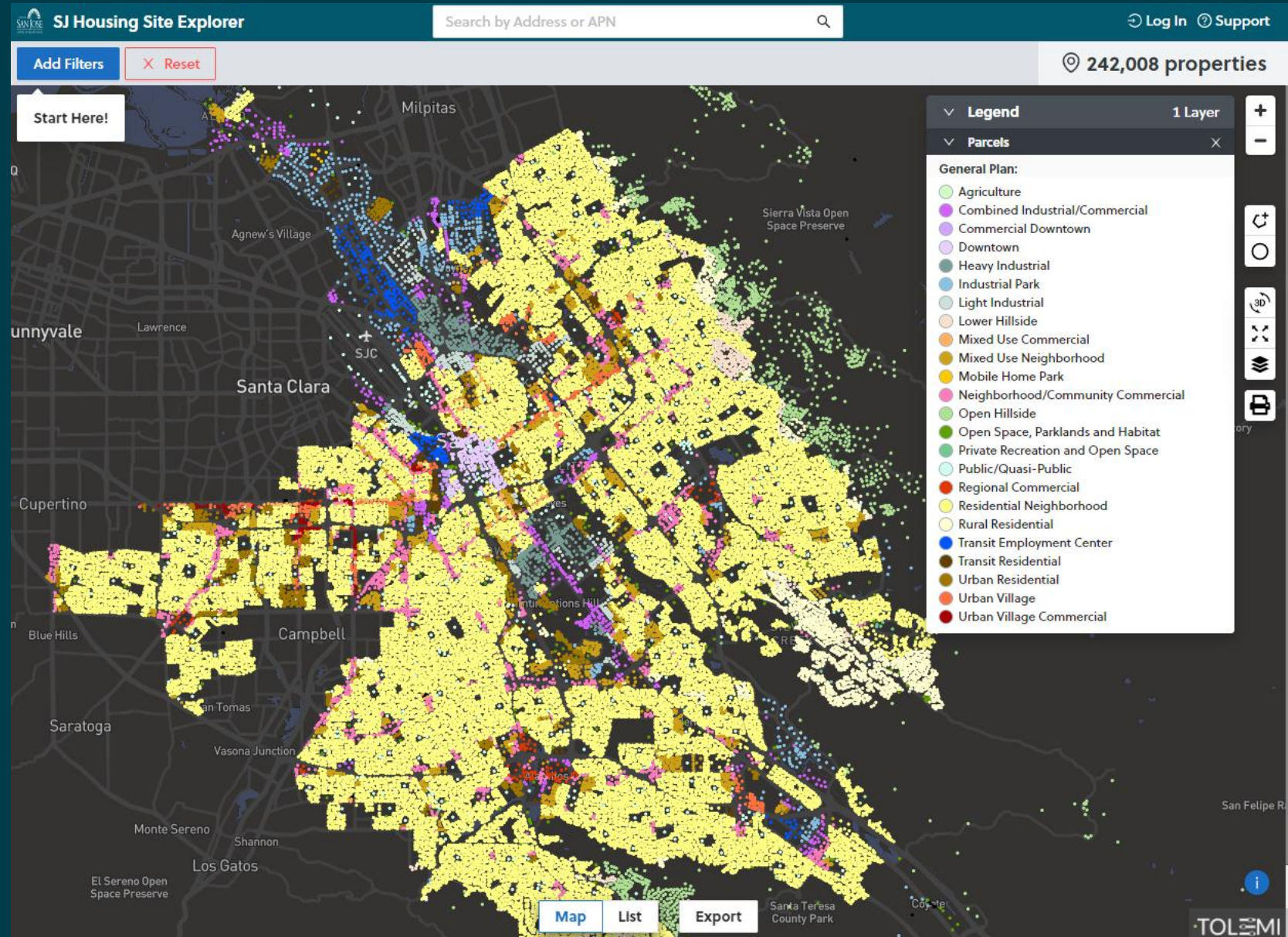
## Ongoing Workplan Item Highlights –

- **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 25<sup>th</sup> 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?