

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand
Harry Freitas

SUBJECT: FOLLOW UP ON
HOUSING ELEMENT

DATE: May 14, 2015

Approved

D. D. S. L.

Date

5/15/15

INFORMATION

BACKGROUND

On January 27, 2015, the Council adopted the 2014-2023 Housing Element of the Envision San José 2040 General Plan (General Plan) and approved submittal of the Housing Element to the California Department of Housing and Community Development (HCD) for certification by the State (<http://sanjoseca.gov/DocumentCenter/View/39249>). On April 30, 2015 the California Department of Housing and Community Development (HCD) certified the adopted housing element, finding it in full compliance with State Housing Element law (see attached letter from HCD).

During the Council hearing in January 2015, the Housing Department was asked to provide specific information about the Housing Element's relationship to the City's eligibility for various State funding programs. This memorandum responds to this request and illustrates the increasing importance of maintaining a state-certified and -compliant Housing Element.

ANALYSIS

Since 2005, San José has received more than \$106,000,000 in State and regional grant, loan, and tax credit benefits that was attributable to the previously approved iterations of the City's Housing Element. Housing Element certification and compliance can also affect developers' eligibility for funds when they wish to use those funds for projects within the City of San José. For example, several developments in the area north of San Pedro Square are benefiting from the housing-element-dependent Infill Infrastructure Grant Program (IIG) which will fund millions of dollars in infrastructure.

The table below summarizes the specific funding programs and amounts received over the past ten years as a result of having a certified and/or compliant housing element:

Program	Amount	Year(s)	Type	Recipient
Housing Related Parks Program (HRPP)	\$4,248,250	2011-present	Grant	City
Building Equity and Growth in Neighborhoods (BEGIN)	\$14,136,666	2005-present	Grant; Loan	City; Homebuyers
Workforce Housing Reward (WFH)	\$3,228,366	2005-2007	Grant	City
Infill Infrastructure Grant (IIG)	\$57,184,103	2008-present	Grant	City; Developers
One Bay Area Grant (OBAG)	\$27,666,000	2013-present	Grant	City
TOTAL	\$106,463,385			

Note: A number of San José homeowners have also benefitted from the Mortgage Credit Certificate program, which allows certain homeowners to claim a federal income tax credit based on their mortgage interest payments. While staff was unable to determine a precise dollar amount for this program, 41 San José households have benefitted from the MCC program since 2013.

All of the programs listed above required that the City have a state-certified housing element to receive funding and some also require ongoing compliance. In addition to supporting City initiatives, these funds also provide direct benefits to City residents and businesses.

Housing Related Parks Program (HRPP): This program's funds flow to the city and support the creation of new parks and the rehabilitation of existing parks. In the past, HRPP funding has been used to acquire land for parks near the Tamien Caltrain Station and on East Rosemary Street. The City has applied for and hopes to receive further HRPP funding to assist with construction of the Tamien Park and to fund development of parkland at Alum Rock and 31st Street.

BEGIN: The Building Equity and Growth in Neighborhoods Program (BEGIN) has benefited dozens of low- and moderate- income first-time homebuyers through second mortgage loans provided by the City. These San José families would not have otherwise been able to purchase a home. In some cases BEGIN funds were attached to specific developments helping developers to market and sell those homes more quickly.

Workforce Housing Reward (WFH): This program's funds flow to the city and can be used to acquire, construct or repair capital assets such as affordable housing, parks, bike paths, community centers, and police and fire stations San José has used WFH grants to update infrastructure at a mobile home park and to fund priority improvements to several apartment complexes in the Blackford Strong Neighborhood Initiative (SNI) Area.

Infill Infrastructure Grant (IIG): These funds benefit the City and developers, and may be used to fund land acquisition costs and infrastructure projects that are integral to or necessary to facilitate new infill housing. For example, several developments in the area north of San Pedro Square are benefiting from this program, which will ultimately fund the realignment of Julian Street and park improvements.

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One Bay Area Grant (OBAG): This program funds planning and transportation improvements in Priority Development Areas such as bicycle and pedestrian facilities, local road maintenance, and Safe Routes to School. The program can also help support open space preservation.

In addition to resources already received, new sources of funding also take the housing element into account. California's new Affordable Housing and Sustainable Communities (AHSC) program, funded through the State's Cap and Trade program, is a prime example. This program awards funding to various types of entities, both public and private, to build transit-oriented affordable housing and supporting transportation infrastructure such as pedestrian improvements, enhanced bicycle lanes and trails, and more. The program's awards are determined with a points formula and additional points are awarded to projects on sites contained within the housing element's site inventory. Through the AHSC, San José could attract up to \$15,000,000 worth of state grant funds to build dense transit-oriented housing and transportation-related infrastructure each year. Such investment could help implement the City's Urban Village, housing element, and Green Vision goals.

As the need for new affordable housing in California intensifies, it is crucial that the City of San José and its stakeholders respond to this need and maximize access to funds intended to support affordable housing and related infrastructure. The funds previously mentioned funds have already helped the City acquire parkland, facilitate homeownership, and plan to perform necessary street realignment. Obtaining certification and ongoing compliance of the Housing Element will ensure the City maximizes its eligibility for these important funding opportunities.

Furthermore, timely adoption of the Housing Element followed by HCD certification allows the City of San José to maintain the longer State-mandated Housing Element Update cycle, which requires updates approximately every seven years, rather than having to meet the shorter four-year cycle required by the State when Housing Elements are not adopted and certified by the State in a timely manner. HCD certification also creates a rebuttable presumption of validity of the Housing Element in any action to challenge the validity of the Housing Element.

/s/

HARRY FREITAS, DIRECTOR
Planning, Building and Code Enforcement

/s/

JACKY MORALES-FERRAND, INTERIM
DIRECTOR
Housing

For questions, please contact Adam Marcus, Acting Policy and Planning Manager, Housing Department, at (408) 975-4451.

Attachment: Letter of Certification from HCD to the City Manager



**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
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April 30, 2015

Mr. Norberto L. Dueñas, City Manager
City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

Dear Mr. Dueñas:

RE: San Jose's 5th Cycle (2015-2023) Adopted Housing Element

Thank you for submitting San Jose's housing element adopted January 27, 2015 which was received for review on January 30, 2015. Pursuant to Government Code (GC) Section 65585(h), the Department is reporting the results of its review. In addition, the Department considered comments from the Building Industry Association of the Bay Area pursuant to GC Section 65585(c).

The Department is pleased to find the adopted element in full compliance with State housing element law (GC, Article 10.6). The adopted element addresses the statutory requirements described in the Department's November 26, 2014 review.

Please note the City of San Jose now meets specific requirements for State and Regional funding programs designed to reward local governments for compliance with State housing element law. For example, the Department's Housing Related Parks Program includes housing element compliance as a threshold requirement. Please see the Department's website for specific information about this and other State funding programs at http://www.hcd.ca.gov/hpd/hrc/plan/he/loan_grant_hcompl011708.pdf.

The Department applauds San Jose's leadership in promoting effective housing policies to meet critical housing needs and sustainability goals. We also recognize the City's extensive efforts to respond to public input and the Department's findings in reviewing the draft element. The housing element contains many policies and programs that are essential to address housing and community development needs, including actions to avoid displacement of lower-income households and preserve a variety of housing types and affordability, such as mobile homes and rentals. The housing element also includes actions to ensure the successful development and implementation of Urban Villages; a fundamental component of the City's housing strategy.

Effective implementation of housing element programs is critical to attaining decent, suitable, and affordable housing, a State goal of the highest order. The City should continue to engage the community in implementation of programs and monitor and report on the status of these programs through the annual progress report, required pursuant to Section 65400. If programs are not effective, the City of San Jose should take alternative actions to better address the housing needs of the community.

The Department appreciates the coordinated efforts of San Jose's planning and housing departments and commends the housing element team, particularly Ms. Jenny Nusbaum; Mr. Michael Brilliot; Mr. Wayne Chen; Mr. Adam Marcus; and Ms. Vera Todorov. Their dedication, hard work and professionalism assisted the review process.

The Department wishes the City of San Jose success in implementing its element and looks forward to following its progress through the General Plan annual progress reports pursuant to GC Section 65400. If the Department can provide assistance in implementing the housing element, please contact Paul McDougall, of our staff, at (916) 263-7420.

Sincerely,



Glen A. Campora
Assistant Deputy Director

cc: Harry Freitas, Director of Planning, Building and Code Enforcement
Jacky Morales-Ferrand, Interim Director of Housing