

Submission of Public Comment, regarding COPA memo

Dean Hotop

Tue 3/21/2023 7:46 PM

To: CEDCommittee CEDCommittee@sanjoseca.gov

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Dear CED Committee Members,

I am submitting the attached response to the Housing Department's 3/16/23 memo regarding the proposed COPA legislation. The three challenges, presented in the memo, can be addressed in other ways without disrupting the free market dynamics of an already fragile San Jose housing market

In addition to my attached response, I am very disappointed that no one has ever addressed the fact that once an NPO owns these properties, they will be exempt from paying property taxes. The long-term accumulated lost revenues from this will grow exponentially and impact County services as well as San Jose's General Fund revenue. Please make sure this very serious issue is addressed before this legislation is enacted.

Thank you for your considerations,

Dean Hotop

San Jose resident and voter

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COPA DISCUSSION MONDAY, MARCH 27TH

Aurelia Sanchez [REDACTED]

Wed 3/22/2023 9:49 AM

To: CEDCommittee CEDCommittee@sanjoseca.gov

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CEDC COMMITTEE MEMBERS,

I would like to advise that I am against COPA for several reasons Please note I do support affordable housing for residents of our city and live in a neighborhood where we have over 1,000 units of supportive and affordable housing apartments

One of the main reason I do not support COPA is because it seems to trample on private property owners rights and as often as not underserved neighborhoods will more than likely be where COPA will buy driving out the working class who cannot afford to buy or rent COPA affordable housing due to income restrictions.

Nonprofits and the city currently can purchase property without COPA and COPA will benefit the nonprofits restricting much needed school taxes, property taxes that cities and underserved communities need to improve their quality of life.

What our cities and many other cities need is more housing and COPA will use tax money to purchase and not add housing to San Jose

Best,
Aurelia Sanchez
District 3 Spartan Keyes Neighborhood

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RE: Proposed COPA Program

Gabriel Hernandez [Redacted]

Wed 3/22/2023 2:27 PM

To: CEDCommittee CEDCommittee@sanjoseca.gov

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Dear City of San Jo e,

As part of the COPA Program, please ensure that there is an identified funding stream (currently, I suggest Measure E monies) that generates a minimum of \$20,000,000 for community organizations to apply for (through the NOFA process, for example) to be able to use a part of their funding to purchase potential properties.

Thank you,

Gabriel

Gabriel Hernandez

¡Sí Se Puede! Collective Director

[Redacted Signature]

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Question on COPA Program please clarify/confirm

Michelle Madruga [REDACTED]

Wed 3/22/2023 5:34 PM

To: CEDCommittee CEDCommittee@sanjoseca.gov

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To whom it may concern,
In reading through the COPA Program Memorandum dated 03/16/2023, as well as the Attachments, I am looking to clarify an owner's ability to select an offer.

That is, on page 6 it states, "*The property owner retains complete control over whom they sell- including price and all other terms and conditions of sale.*"

On page 7 it states under item 3, "*....if they get an offer, the proposed framework gives 7 days from the original QNP bidder to make a counter-offer to the third-party offer from the open market.*" Here, there is no further mention of the owner's discretion to accept an offer.

Furthermore, under Attachment D, it states, "*Process allows for QNP to express interest, submit an offer and match a subsequent offer. At their complete and absolute discretion, an owner can decline any offer and will be able to sell their property on the open market.*"

Based on the above, Attachment D seemingly adds an element that are excluded in the statements from pages 6 and 7. As such, **please confirm that under the COPA Program, the owner will ultimately be able to "choose" from the two "matched offers" on the "open market" and may take whichever offer they want "at their complete and absolute discretion," even if the two offers are identical?**

I'm looking to ensure the spirit of Attachment D is included in the final language of the program and give owners the ultimate say over which offer they accept.

NOTE: *If you're not the appropriate person to ask, please advise to whom I should send this message so I can obtain a clear understanding of the spirit of your proposed language.*

On a side note, this program is enormously alarming and worrisome to me given the many sacrifices and concessions property owners must continually make...and this is one more *huge* ask that I truly think will ultimately adversely affect our investment in terms of extended timeframes, opportunity costs, not to mention frustration and angst.

People start businesses for various reasons, namely to supplement income and provide a future income-stream for themselves and their family.

No other businesses, such as cleaners, fitness centers, tutoring centers, restaurants, nail salons, etc. must limit/control their "pricing" and essentially "subsidize" others the way landlords must do. My parents planned for their future and retirement by investing in real estate and sacrificing for years ("and eating spam and having sheets for drapes," when all else was unaffordable to them) to insure they were able to be self-sufficient and provide for themselves throughout their lifetimes, particularly retirement.

I'm not looking to make a public statement; however, ***I think it is absolutely imperative that the owners retain "complete and absolute discretion" if they receive an identical offer and are able to select whichever offer THEY want to insure a free market continues.***

Thanking you in advance for your time and reply,
Michelle Madruga




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COPA Agenda

David Eisbach [REDACTED]

Fri 3/24/2023 12:19 PM

To: CEDCommittee CEDCommittee@sanjoseca.gov

 3 attachments (45 KB)

COPA Unan wered Question 3 23 23 docx COPA Conundrum 2 13 2023 docx COPA Non Profit and City1 28 2023 docx

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Dear Comittee Members,

In anticipation of your meeting on March 27, 2023 at 1 30, I wish to add my comments to the agenda

Thank you for your consideration.

David Eisbach

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COPA, Unanswered Questions.3.23.23

I have only two minutes to speak on COPA. I beg the Committee Members to clarify the probable funds required to make a COPA purchase and operation of an income property. My interest is what funding is actual and what funding is possible. Let's use a duplex as a model, at a \$1,400,000.

1. What amount will the City pay or is allowed to pay for the purchase?
2. What amount will the City pay or is allowed to pay for the down payment?
3. Which of these amounts are offered in the form of a loan?
4. Will the City pay for any renovation of the property now or later?
5. Does the City retain an interest/responsibility in the property?
6. Because the Qualified Non-Profit is the legal owner, and will charge rents of 30% of each tenant's earnings, and pays for utilities, will the City enter a subsidy agreement? If so, how much?
7. Will the City in any way support future renovation, i.e. new roof, furnaces etc?
8. Are these loans at market level in Interest, payments, and terms in years?

I call on the Committee to ask and demand answers to these questions of the COPA Team. My point of view is that it is cheaper to simply provide low-income tenants a subsidy in their existing housing.

COPA Conundrum 2.13.23

A Qualified Non-Profit buys a duplex under COPA. The private owner has market rate rents of \$2,800 per month. The Santa Clara County's Area Median Income, AMI) is used here for a family of four. Subsidy required -, 30% of earnings above Market Rent +

	Annual Income	30%	Rent/month	Mkt Rent	+/- Subsidy
Extremely Low Income, ELI,	\$47,700	\$14,910	\$1,242	\$2,800	-\$1,558
Very Low Income	VLI \$82,850	\$24,955	\$2,071	\$2,800	-\$ 729
Low Income	LI \$117,750	\$35,325	\$2,943	\$2,800	+\$ 143
Higher AMI	\$150,000	\$45,000	\$3,750	\$2,800	+\$ 950

Note, COPA

1. Dictates that the tenant pays no more than 30% of their income
2. Will depart from the city's ARO rent raise rules of 5%
3. Will need a subsidy for VLI of \$1,558 and LI of \$729 each month (\$27,444 yr.)
4. Low income earns more than Market Rent by \$143 so there's no subsidy
5. The other tenant isn't in the low-income category and is \$950 so no subsidy

Questions:

6. If the low-income categories get a three percent raise, will COPA raise rents that amount?
7. Will the QNP adjust the LI rent to reflect the 30% by \$143 above the \$2800 Mkt Rent?
8. Will the high earning tenant be treated the same.? Reflect rents at their 30% of Income?
9. If Market Rents are \$2800, high-earners raised by \$316 for three years that's 11% each.
10. If both tenants are high income, how does COPA work?
11. Should COPA purchases be narrowed to buying properties with low-income tenants?
12. Potentially the 30% of income could be an avenue to raise rents above the market.
13. Would it be cheaper to subsidize low-income tenants, without COPA and QNP?

David Eisbach

COPA, Non-Profits and City 1.28.2023

I see what good non-profits do; I know that the city relies on them to perform tasks to help solve the homeless scourge; I donate to non-profits with a number of causes; however, I most emphatically do not support placing a non-profit in an ownership position of rental properties.

Somehow, San Jose has accepted the view that non-profits can do no wrong and somehow, they are the solution to the housing crisis. The big checks coming from HUD, California and Santa Clara County are too big to handle, so San Jose gives a major amount of money to Sacred Heart Community Services, a non-profit to disburse to the myriad non-profits filling every niche of social need among our housing-deficient citizenry. Sacred Heart is in the foreground of non-profits, who are always in the lobby line endorsing rent control, anti-displacement, and now COPA, the Community Opportunity to Purchase Act. San Jose Housing Department leads.

Private owner

Cash down payment of offer

Buyer gets loan and PITI

Pays property tax and fees

Has market rents

Pays 40% of income for operation

He might be close to zero cash flow

Will pay for any renovation

He will absorb any annual negative

Pays for Housing Dept programs

COPA QNP owned

Cash down from govt. sources

City grants or makes long-term loan

Gathers grants/loans from many sources

No property tax, some fees etc.

Low-income pay 30% of income

Will have the same cost

Will have a negative cash flow

Will have the city pay

Has a city permanent subsidy

Ever relying on city's generosity

Unanswered Questions

Calls for the city to compare total COPA costs and simply subsidizing the low-income tenants' 30% of income rent and the private owners' market rents failed.

COPA claims that tenants receive **Equity**, the growth of wealth tied to the value of the property. How does that work? If a tenant stays for ten years and leaves, does he receive equity? COPA says tenant **Ownership** is possible. How does COPA do that, especially with a duplex. Rents are locked permanently at 30% of income. If the Qualified Non-Profit decides to sell, and no other QNP will buy, but a private buyer will, must the new owner keep the 30% formula? Do the tenants share in the sale? Does the QNP return the money to the city?

If the plan doesn't remove middle and upper-income tenants from a low-income COPA purchase, what is the purpose of spending large sums on a duplex? Should COPA be required to seek purchasing only properties that are already affordable?

Why hasn't the COPA Team explained the real cost of the COPA program?

If COPA passes, city support of non-profits in purchasing and subsidies of a rental, will rise, and so will the 105 jobs in the Housing Department, How many?

The seller receives a COPA Intent to Purchase offer in 15 days, followed by an Offer to Purchase by day 40; Seller refuses offer, then places his property on the open market on the 47th day; he receives a private offer and accepts it; COPA makes a matching offer, which is refused. If the new private buyer drops out, can the seller still refuse? If the seller, accepts the QNP offer, it's 120 more days. The total time would be 167 days as opposed to 30 to 60 days in private sales. The last year saw 8 increases in interest rates. What effect would this have on the sales price of a property?

The COPA program does not create one new rental unit.

The QNP's growth will create difficulties regarding oversight and enforcement. Already the power and unity of the non-profit numbers are strong. There will come a time, when they will be dictating terms to the city.

It seems to me, no matter how many Qualified Non-Profits purchase rental properties, by design, they will always be dependent on grants, donations and subsidies. In the end, the city will subsidize properties, the growing bureaucracy of QNPs, and the Housing Department growth, while the city receives less and less revenue and the private owners and citizens are burdened by rising taxes more and more.

David Eisbach