

# Proposed Soft Story Seismic Retrofit Program

## Housing Providers Roundtable

January 11, 2024

# Cross-Departmental Team

- **Department of Planning, Building, and Code Enforcement:**
  - Abraham Chacko, Project Manager
  - Lisa Joiner, Deputy Director, Building Division & Chief Building Official
- **Office of Emergency Management**
  - Ray Riordan, Director
- **Housing Department**
  - Kristen Clements, Division Manager, Policy & Planning
  - Emily Hislop, Division Manager, Rent Stabilization & Eviction Prevention
  - Rachel VanderVeen, Assistant Director
  - Rosalynn Hughey, Deputy City Manager & Acting Housing Director
- **Seismic Consultant**
  - David Bonowitz, Structural Engineering

# OVERVIEW

# BACKGROUND: Why this work is underway?

## **City Council directed staff to study and address soft story buildings**

**2014** — City Council directed staff to explore ways to incentivize soft story building retrofits

## **City Council ranked soft story retrofit program as a policy priority**

**2017** — City Council ranked development of a soft story retrofit program as City's overall 8th policy priority

## **City applied for and won \$6 million hazard mitigation grant**

**2018** — City submitted *Hazard Mitigation Grant Program* application to California Governor's Office of Emergency Services

**2019** — Grant application forwarded to Federal Emergency Management Agency (FEMA)

**2021** — **Phase 1 Grant Awarded** after completing requested modifications and re-submitting grant application

## **City starts developing Soft Story Retrofit Ordinance & Rebate Program**

**2022** — City entered into agreement with Consultant to do an Inventory Analysis and assist with development of mandatory ordinance and program implementation

**2023** — City begins pre-ordinance outreach with building/property owners and residents; researches similar program in San Francisco, Oakland, and Los Angeles; and explores funding mechanisms. City applies for additional \$25 million FEMA grant.

# Guiding Principles



**Health &  
Safety**  
of residents



**Equity &  
Inclusion**  
of vulnerable and  
disadvantaged  
residents and  
owners

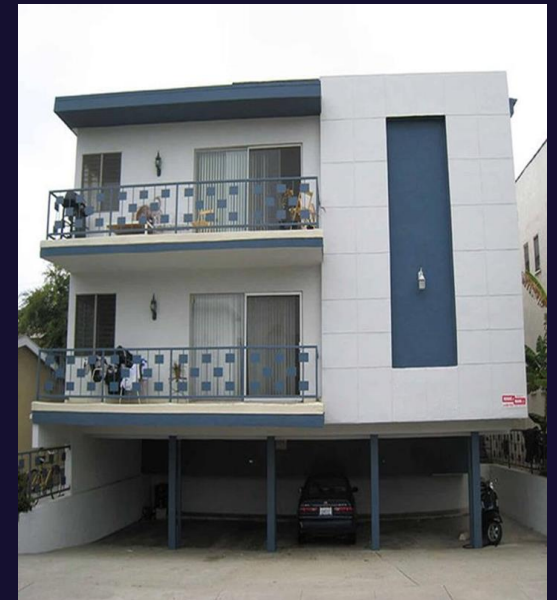


**Proactive &  
Prepared**  
Minimize the need for  
mass care and shelter  
in the event of an  
earthquake

# What is a "Soft Story" Building?

For San José and other California cities, "soft story" refers to buildings that:

- Are apartments, condominiums, or other multi-unit buildings (with multiple floors and living spaces)
- Are older
- Are constructed with a wood frame
- Have lower stories, garages, or crawl spaces that lack adequate wall support
- Have high risk of damage or collapse during an earthquake



# The Problem with Soft Story Buildings

- They are unsafe
- They have a high risk of damage or collapse during an earthquake
- The risks they pose can be disastrous as they can...
  - Threaten the lives of residents
  - Start fires that spread to nearby buildings





# The Problem with Soft Story Buildings

- Cause financial loss to building owners and tenants
- Displace people or force tenant relocation
- Delay the City's recovery





# Post-Earthquake Soft Story Failures

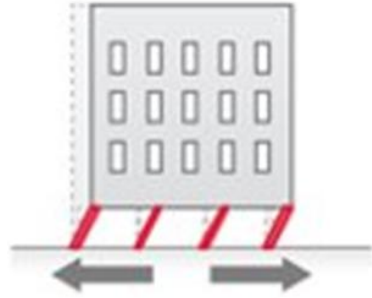




# Post-Earthquake Soft Story Failures

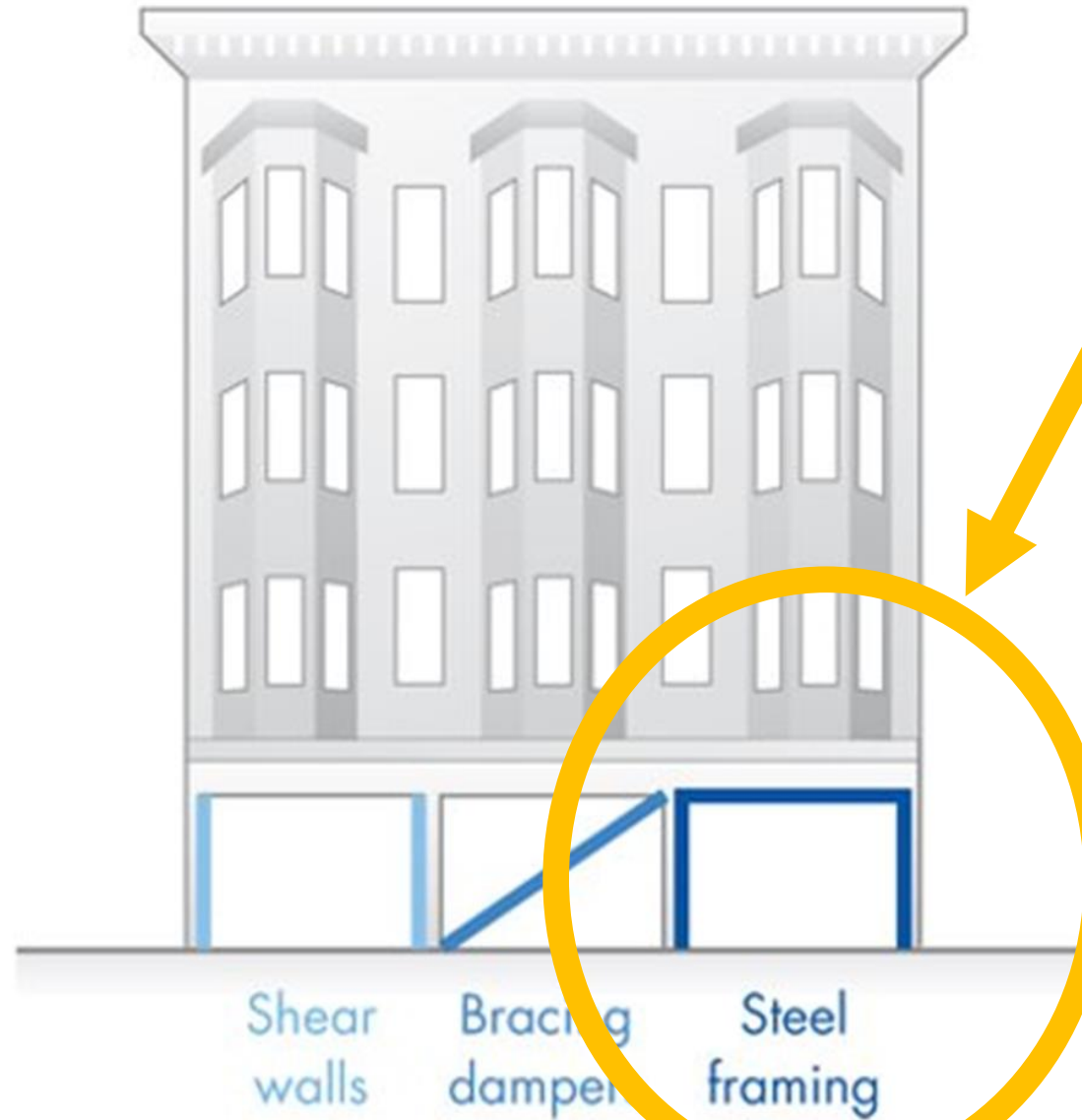


## Soft-Story Building



A weak ground floor can collapse during an earthquake.

## Soft-Story Retrofits







# **DRAFT ORDINANCE CONSIDERATIONS**

# Draft Program Design Considerations: Applicability

- Soft story “type” or severity
  - To be determined during the screening & design process
  - Many 2-story 4-unit buildings likely to be exempt
- Building size
  - All multi-unit buildings (3+ units), or only the largest (5+ units)
- Building age
  - Pre-1990, or only pre-1978



# Applicability Alternatives

Alternatives	Program Scope
Pre-1978, 5 or more units	Up to 1,495 buildings, 13,565 units ~ 40,000 people (Avg. household: 2.92 per unit)
Pre-1990, 5 or more units	Up to 2,272 buildings, 19,084 units ~ 56,000 people
Pre-1978, 3 or more units	Up to 2,363 buildings, 16,763 units ~ 49,000 people
Pre-1990, 3 or more units	Up to 3,577 buildings, 24,606 units ~ 72,000 people

# Draft Program Design: Implementation Schedule

- Objectives
  - Allow for more owner-tenant coordination
  - Account for owner, tenant, and City resources
- Considerations
  - Split buildings into 3 to 5 groups
    - Owner-occupied condos before rental buildings
    - Larger buildings before smaller ones
  - Phase deadlines over 5 to 10 years

# Possible Compliance Schedule

- Example: Assume 4 groups, 7 years total
- Phases: **S**creening, **D**esign & **P**ermitting, **C**onstruction

Group	2024	2025	2026	2027	2028	2029	2030	2031
1 (Condos 5+)		S	D&P		C			
2(Condos 3-4)		S	D&P			C		
3(Apart. 5+)		S	D&P				C	
4(Apart. 3-4)		S	D&P					C
FEMA	S	DP	C					

# Learning from Other Cities' Programs

City	Program Type	# of Stories	# of Units	Year built	Pass-through %	Pass-through Period
San Francisco	Mandatory	3+	5+	Pre-1978	100%	20 years
Los Angeles	Mandatory	2+	4+	Pre-1978	50%	10 years +
Oakland	Mandatory	2+	5+	Pre-1991	70%	25 years
Berkeley	Mandatory	2+	5+	Pre-1978	100%	8 years – applies only to owners of up to 12 units
Hayward	Mandatory Screening only	2+	3+	Pre-1979	NA	NA
Mountain View	Voluntary (No program)	tbd	tbd	Pre-1980	By # Units 90% (1-5) 75% (6-20) 50% (>20)	20 years

# Estimated Retrofit Costs

- Cost range estimated from \$45,000 to \$150,000 per building, depending on design and size
- Includes Pre-design Investigation, Retrofit Design, and Construction (including Permits and Fees)
- Assumes structural retrofit of the ground story only, with criteria similar to California Existing Building Code
- For similar buildings on the same parcel, actual costs would likely include substantial discounts

# REBATE PROGRAM EXPLORATION



# Draft Program Design: Rebates

- Context
  - Rebates awarded on reimbursement basis
  - Prevailing wages apply if rebate is awarded
  - Funding
    - \$4.5M currently available
    - Application submitted for additional \$25M
- Priorities to consider
  - Larger rebate to fewer recipients vs. smaller rebates to more
  - Areas with more low-income/high rent burden residents
  - Smaller buildings vs. larger buildings (feasibility vs. impact)
  - Impact on ARO pass-throughs if rebate received

# Draft Program Design: ARO Buildings Pass-through

- Soft story retrofit is eligible Specified Capital Improvement
  - Muni Code Sec. 17.23.330 and ARO regulations
  - Retrofit cost amortized over 20 years
  - Pass-through capped at 3% of rent at time of petition
- Streamlined process
  - Pre-approval petition to estimate pass-through amounts
  - Apply for rebate at same time as pass-through
- Considerations re: reduction of services petitions
  - During work - dust, noise, loss of access to services
  - After work - permanent loss of services (parking, storage, etc.)

# Pass-through Example

Base Rent Amount = \$2,000

Capital pass-through rent increase cap =  $\$2,000 \times 3\% = \$60$

Year and Presumed Rent Increase	Monthly Rent	Added Capital Pass-through	Maximum Total	Months Covered
January 2027 (Base)	\$ 2,000	\$60	\$ 2,060	Jan – Dec 2027
January 2028 (+ 5%)	\$ 2,100	\$60	\$ 2,160	Jan – Dec 2028
January 2029 (+ 5%)	\$ 2,205	\$60	\$ 2,265	Jan – Dec 2029
January 2030 (+ 5%)	\$ 2,315	\$60	\$ 2,375	Jan – Dec 2030
January 2031 (+ 5%)	\$ 2,431	\$60	\$ 2,491	Jan – Dec 2031
January 2032 (+ 5%)	\$ 2,552	\$60	\$ 2,612	Jan – Dec 2032

## Other Possible Funding Sources for Rebate Program

- California Earthquake Authority to offer the Earthquake Brace + Bolt (EBB) program ([Calcities.org](http://Calcities.org))
- Exploring partnerships with banks/financial institutions for low/no interest loans or lines of credit

# **RESIDENT AND PROPERTY OWNER FEEDBACK TO DATE**

# Pre-Ordinance Outreach and Engagement

Since May 2023, over a dozen meetings with:

- Housing Providers
- Residents/tenant groups
- California Apartment Association
- Bay Area Housing Network
- Building and Trades Council



# Pre-Ordinance Outreach: Key Takeaways

- City should prioritize health and safety concerns
- Tenants are very concerned about increased rents due to pass-throughs and increased risk of displacement
- Housing Providers want reasonable timeframe for compliance and streamlined City processes
- Housing Providers concerned about retrofits' cost and ability to be financed

# Pre-Ordinance Outreach: More Key Takeaways

- City needs to clarify for housing providers that other building requirements will not be triggered due to retrofit work
- Housing providers interested in connections to qualified contractors
- Staff should conduct more outreach and engagement with Housing Providers and Tenants
- City should seek more funding for rebate program

# NEXT STEPS

## Next Steps

- February 8, 2024 – Housing and Community Development Commission
- March 25, 2024 – Community and Economic Development Committee
- April 2024 – City Council
- May-August 2024 – Post-ordinance outreach
- Fall 2024 – Initiate program implementation

# ANNOUNCEMENTS

- RUBS Update
- Next Housing Providers Roundtable Meeting: **Thursday, February 15, 3:00pm** (Please note date change – not second Thursday of the month due to Neighborhood Services and Education Committee Meeting)