



City of San José Housing & Community Development Commission

District 1— Martha O’Connell
District 3— Barry Del Buono
District 5— Ruben Navarro
District 7— Melissa Medina
District 9— Julie Quinn
Mayor — Nhi Nguyen

(VC) Alex Shoor —District 2
Huy Tran —District 4
Andrea Wheeler —District 6
Lee Thompson —District 8
Michael Fitzgerald —District 10
Vacant – CAAC-MR
(C) Mike Graves – CAAC ML

*Commissioners are appointed by corresponding Council Members, but do not represent the Council District.

REGULAR MEETING AGENDA

5:45PM

November 9, 2017

San José City Hall
Wing Rooms 118-120

- I. Call to Order & Orders of the Day**
- II. Introductions**
- III. Consent Calendar**
 - A. Approve the Minutes for the Regular Meeting of October 12, 2017
ACTION: Approve the October 12, 2017 action minutes
- IV. Reports and Information Only**
 - A. Chair
 - B. Director
 - 1. Recent and Upcoming City Council Agenda Items
 - 2. Update on Housing Developments
 - C. Council Liasion
- V. Old Business**
 - A. **2016-2017 Rental Rights and Referral Program Annual Report;** deferred from September 14, 2017 **(R.VanderVeen, Housing Department)**
ACTION: Informational only.
 - B. **Exploration of Inclusion of Duplexes in the Apartment Rent Ordinance;** deferred from October 12, 2017 **(R. VanderVeen, Housing Department)**
ACTION: Provide input on the staff report.
- VI. New Business**
 - A. **Federal Funding Update**
(K. Clements, Housing Department)
ACTION: Provide input on the development of the FY 2018-2019 Annual Action Plan and the identified federal funding priorities and strategies.
 - B. **Update on Housing-Related Impacts from October 17 Council Priority Setting Session** **(R. Bramson, Housing Department)**
ACTION: Informational only; memorandum from the City Administration on upcoming actions and potential impacts of affordable housing development as a result of the goals indentified in Mayor Liccardo’s September 28, 2017 memorandum entitled “Responding to the Housing Crisis.”

VII. Open Forum

VIII. Meeting Schedule

The next regular meeting will be Thursday, January 11, 2018 at 5:45PM, in the San Jose City Hall Wing Rooms 118-120.

IX. Adjournment

The City of San José is committed to open and honest government and strives to consistently meet the community's expectations by providing excellent service, in a positive and timely manner, and in the full view of the public.

You may speak to the Commission about any discussion item that is on the agenda, and you may also speak during Public Comments on items that are not on the agenda and are within the subject matter jurisdiction of the Commission. Please be advised that, by law, the Commission is unable to discuss or take action on issues presented during Public Comments. Pursuant to Government Code Section 54954.2, no matter shall be acted upon by the Commission unless listed on the agenda, which has been posted not less than 72 hours prior to meeting.

Agendas, Staff Reports and some associated documents for the Commission items may be viewed on the Internet at <http://www.sanjoseca.gov/hcdc>.

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the Office of the City Clerk, 200 East Santa Clara Street, 14th Floor, San José, California 95113, at the same time that the public records are distributed or made available to the legislative body. Any draft resolutions or other items posted on the Internet site or distributed in advance of the commission meeting may not be the final documents approved by the commission. Contact the Office of the City Clerk for the final document.

On occasion the Commission may consider agenda items out of order.

The Housing & Community Development Commission meets every Second Thursday of each month (except for July and December) at 5:45pm, with special meetings as necessary. If you have any questions, please direct them to the Commission staff. Thank you for taking the time to attend today's meeting. We look forward to seeing you at future meetings.

To request an accommodation or alternative format under the Americans with Disabilities Act for City-sponsored meetings, events or printed materials, please call (408) 535-1260 as soon as possible, but at least three business days before the meeting.

Please direct correspondence and questions to:

City of San José
Attn: Robert Lopez
200 East Santa Clara Street, 12th Floor
San José, California 95113
Tel: (408) 975-4402
Email: Robert.Lopez@sanjoseca.gov

Para residentes que hablan español: Si desea mas información, favor de llamar a Theresa Ramos al 408-975-4475.

Riêng đối với quý vị nói tiếng Việt : Muốn biết thêm chi-tiết, xin vui lòng tiếp xúc với Therese Tran, Đ.T. 408-793-5349.

對於說華語的居民: 請電 408-975-4450 向 Ann Tu 詢問詳細事宜。說粵語的居民則請撥打 408-975-4425 與 Yen Tiet 聯絡。

Para sa mga residente na ang wika ay tagalog: Kung kinakailangan pa ninyo ng inpormasyon, tawagan si Arlene Silverio sa 408-793-5542. Salamat Po.

HOUSING & COMMUNITY DEVELOPMENT COMMISSION

REGULAR MEETING ACTION MINUTES

OCTOBER 12, 2017

MEMBERS PRESENT: Mike Graves Chair
Davlyn Jones Commissioner
Martha O'Connell Commissioner
Huy Tran Commissioner
Andrea Wheeler Commissioner
Alex Shoor Vice Chair
Michael Fitzgerald Commissioner
Nhi Nguyen Commissioner (Arrived 6:18pm)
Julie Quinn Commissioner (Exited 9:45pm)
Ruben Navarro Commissioner
Lee Thompson Commissioner

MEMBERS ABSENT: Melissa Medina Commissioner
Barry Del Buono Commissioner

STAFF: Jacky Morales-Ferrand Housing Department
Kristen Clements Housing Department
Rachel VanderVeen Housing Department
Adam Marcus Housing Department
Robert Lopez Housing Department
Charles Oshinuga City Attorney's Office
Helen Chapman Councilmember Jimenez's Office

(I) Call to Order/Orders of the Day— Chair Graves opened the meeting at 5:55pm.

(II) Introductions—Commissioners, staff, and audience introduced themselves.

(III) Consent Calendar

A-B. Approve the Minutes for the Annual Retreat of September 9, 2017 and Regular Meeting of September 14, 2017.

Commissioner Thompson made the motion to approve the action minutes for the September 8, 2017 annual retreat and September 14, 2016 regular meeting with a friendly amendment by Commissioner Fitzgerald to correctly state that he was present at the retreat. The motion was seconded by Commissioner Jones. The motion passed unanimously (9-0).

(IV) Reports and Information Only

A. Chair – The Chair reported that members of the public could give another speaker only 2 minutes of their own time for public comments during New Business items.

B. Director's Report –Ms. Morales-Ferrand reported on past announcements of the Mayor's Housing Plan as well as the Governor's Housing Plan.

DRAFT

C. Council Liaison – None

(V) Old Business - None

(VI) New Business

A. Mobile Home Opt-In/Stay-In-Business Analysis of Draft Framework (R. VanderVeen, Housing Department)

ACTION: Accept the staff report and provide feedback and recommendations to staff on the Draft Mobilehome Opt-In/Stay-In-Business framework and on the revised public outreach plan.

Commissioner O'Connell recused herself from the discussion and vote and will act as a member of the public.

Commissioner Wheeler made the motion to amend the draft Mobilehome Opt-In/Stay-In-Business framework and revised outreach plan for City Council consideration with a second by Chair Graves. The motion passed by roll call vote (7-3).

Yes: Quinn, Jones, Graves, Shoor, Nguyen, Fitzgerald, Wheeler

No: Tran, Thompson, Navarro

Commissioner Wheeler made the motion to limit vacancy de-control charge to 10% of the rent with a maximum charge of \$100. Commissioner Fitzgerald added a friendly amendment of no more than three times in ten (10) years. The friendly amendment was accepted by Commissioner Wheeler and the motion was seconded by Chair Graves.

Commissioner Tran offered a friendly amendment to increase the time period to no more than three times in a 20-year period. Commissioner Wheeler and Graves accepted the friendly amendment. The motion passed by roll call vote (8-2).

Yes: Tran, Quinn, Graves, Shoor, Nguyen, Fitzgerald, Navarro, Wheeler

No: Thompson, Jones

Commissioner Wheeler made the motion to require the mobilehome park land/property owner to submit a land use designation for mobilehomes at the time of Opt-in with a second by Chair Graves. The motion passed by roll call vote (8-2).

Yes: Tran, Quinn, Jones, Graves, Nguyen, Fitzgerald, Navarro, Wheeler

No: Thompson, Shoor

Commissioner Thompson made the motion to include a restriction that residents have to approve the opt-in by a mobilehome land/property owner with a second by Commissioner Shoor. Commissioner Shoor also added a friendly amendment that it should be approved by 75% approval, Commissioner Thompson suggested 2/3 of park residents are also required to participate. The motion passed by roll call vote (8-2).

Yes: Tran, Quinn, Thompson, Jones, Shoor, Nguyen, Navarro, Wheeler

No: Graves, Fitzgerald

Commissioner Tran made the motion to accept the staff report for its analysis, but reject the recommendation of the Draft Mobilehome Opt-In/Stay-In-Business framework and on the revised public outreach plan as amended by the Commission, and instead that there be no more efforts on the Mobilehome Opt-In/Stay-In-Business Proposal. Commissioner Navarro seconded the motion. The motion passed by roll call vote (7-3).

Yes: Tran, Quinn, Jones, Shoor, Nguyen, Navarro, Wheeler

No: Thompson, Graves, Fitzgerald

DRAFT

B. Workload Assessment on Prioritization for Tenants of Affordable Housing (K. Clements, Housing Department)

ACTION: Accept the report and offer recommendations on potential Tenant Preferences to study, which may be used to establish priorities for making affordable apartments available to eligible applicants.

Commissioner Tran made the motion to set “live and work in San Jose” as a fundamental overarching preference for all priorities with a second by Commissioner Navarro. The motion failed by roll call vote (5-5).

Yes: Tran, Jones, O’Connell, Navarro, Wheeler

No: Thompson, Graves, Shoor, Nguyen, Fitzgerald

Commissioner Tran made the motion to accept the report and consider the recommendations on potential Tenant Preferences to study, which may be used to establish priorities for making affordable apartments available to eligible applicants, as voted on individually by the Commission. Commissioner Shoor seconded the motion and the motion passed unanimously by roll call vote.

Recommendations on potential tenant preferences to study were voted on individually and are outlined in the following summary table. Each commissioner was given five votes that they could allocate to any preference type.

Preference Type	Total
Neighborhood	3
Anti-Displacement	2
Live or Work in San Jose	9
Disaster Victims	1
Displaced	5
Rent-Burdened	2
Artists	0
Teachers	2
Homeless	4
Unaccompanied Youth	6
Veterans	3
Lesbian, Gay, Bisexual, Transgender, Queer	2
Domestic Violence Survivors	5
Other: Disabled	1
Other: Seniors	1
Other: Applicant with children who live and work in San Jose	4

C. FY 2017-18 HCDC Workplan (R. Bramson, Housing Department)

ACTION: Discussion and potential recommendation to the Rules and Open Government Committee to approve the FY 2017-18 HCDC Workplan.

Commissioner O’Connell made the motion to recommend to the Rules and Open Government Committee to approve the FY2017-18 HCDC Workplan with a second by Commissioner Tran. The motion passed unanimously (10-0).

DRAFT

D. LGBTQ Senior Housing (R. Bramson, Housing Department)

ACTION: Review report on LGBTQ housing from County Supervisor Ken Yeager and consider adopting a position of support to the City Council.

Commissioner Shoor made the motion to have the Housing Department track the issue with the County of Santa Clara and bring back to the Commission at a time to take further action with a second by Commissioner Wheeler. The motion passed unanimously (10-0).

(VII) Meeting Schedule

The next regular meeting will be on Thursday, November 9, 2017 at 5:45PM, in the San Jose City Hall Wing Rooms 118-120.

Commissioner Graves asked if the issue of meeting date, time, and length could be agendized for the next meeting.

Commissioner Shoor asked if the following could be agendized for November or January: (1) discussion of a tax on empty homes in San Jose, (2) idea of a City Council policy for housing units for housing that is more family friendly, and (3) discussing developing a mobile application for rental rights. Ms. Morales-Ferrand commentd that the Department will bring back information for path of tax on empty homes, but that the City is already moving forward on a meeting with applcation developers. **Commissioner Thompson made the motion to move forward with these items at a later date with a second by Commissioner Jones. The motion passed by roll call vote (9-1).**

Yes: Tran, Thompson, Jones, O'Connell, Shoor, Nguyen, Fitzgerald, Navarro, Wheeler

No: Fitzgerald

Commissioner Navarro made the moton to add the issue of tax on foreign investors with a second by Commissioner O'Connell. The motion failed by roll call vote (5-5).

Yes: Tran, Jones, Shoor, Navarro, Wheeler

No: Thompson, O'Connell, Graves, Nguyen, Fitzgerald

(VIII) Open Forum

Shaun Cartwright commented that the Commission showed a lack of decorum after the first tiem of the meeting and that the Commission often lacks decorum and should do better.

(IX) Adjournment

Chair Graves adjourned the meeting at 11:13pm.



Memorandum

**TO: HOUSING & COMMUNITY
DEVELOPMENT COMMISSION**

FROM: Rachel VanderVeen

SUBJECT: SEE BELOW

DATE: November 2, 2017

Approved

Date

**SUBJECT: 2016-2017 RENTAL RIGHTS AND REFERRALS ANNUAL REPORT AND
COSTAR DATA INFORMATION**

INFORMATION

The Rental Rights and Referrals Program (RRRP) is providing the Annual Report in **Attachment A** that was deferred from the Housing and Community Development Commission (HCDC) meeting on September 14, 2017. The RRRP provides education and information to protect the rights of, and improve relations between, tenants and property owners.

RRRP is also providing information on CoStar rental market data in **Attachment B** used in the Annual Report to address comments about CoStar data being used to track average rents.

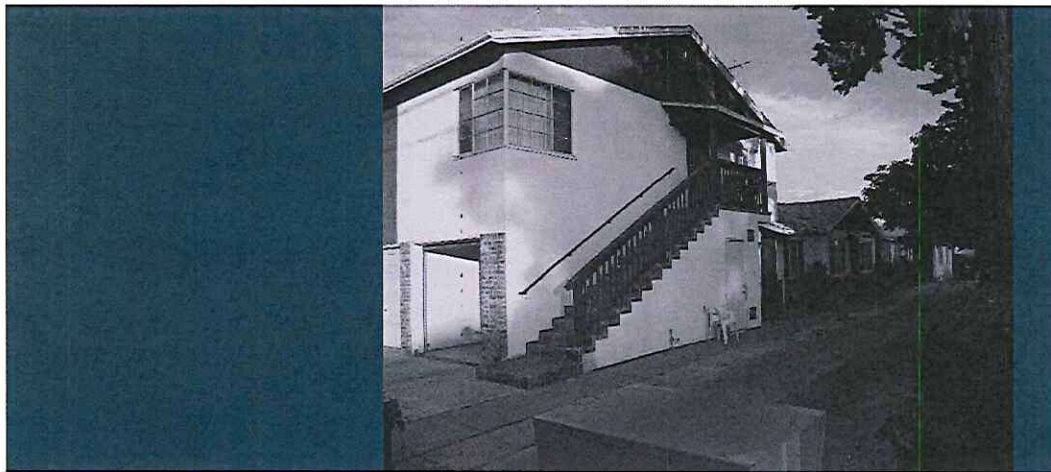
/s/
Rachel VanderVeen
Program Administrator

Attachments:

Attachment A – Rental Rights and Referral Program Annual Report
Attachment B – CoStar Data Information



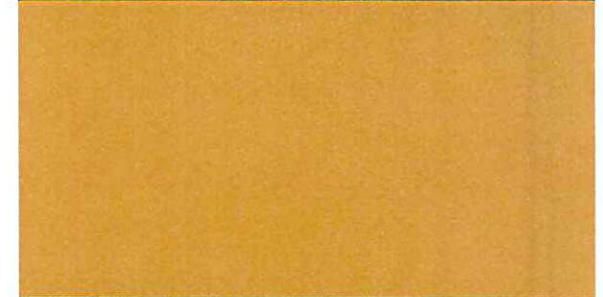
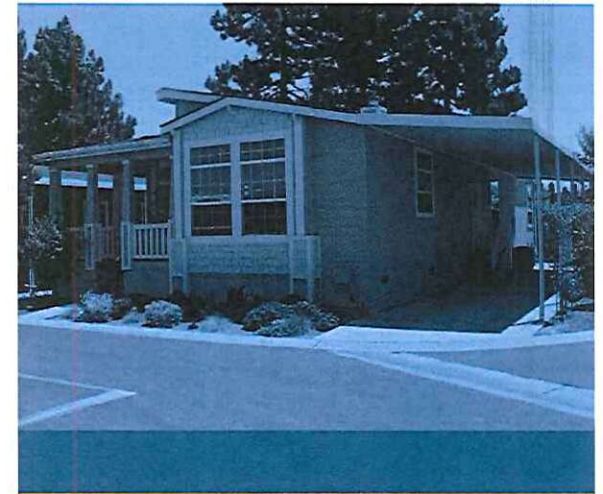
City of San José Housing Department
RENTAL RIGHTS AND REFERRALS
ANNUAL REPORT



2016-17

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INTRODUCTION

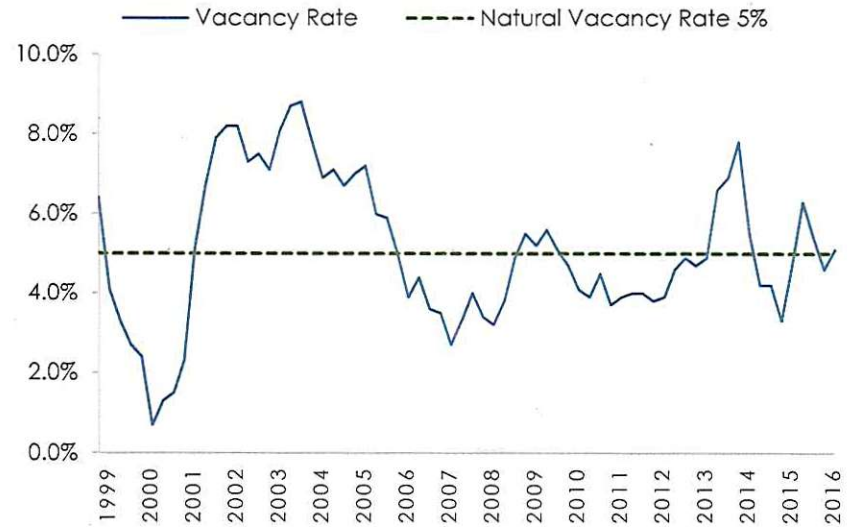
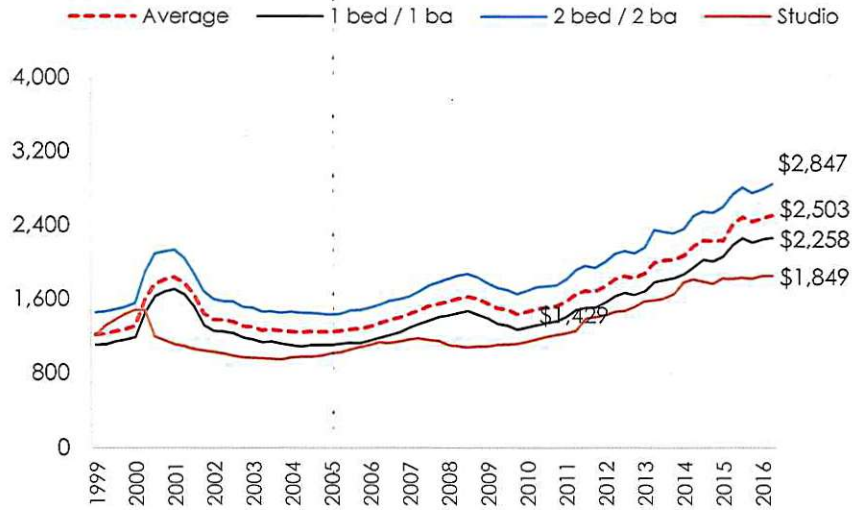
The City of San José has been experiencing a severe housing affordability crisis. San José is one of the most expensive cities in the country in which to live, and it has one of the highest rates of rent increases in the country. In March 2016, the median rental price for a one-bedroom apartment in San José was \$2,244 per month (\$26,928 per year), a nine percent increase in costs over March 2015. The median rental price for a two-bedroom apartment was \$2,792 per month (\$33,504 per year), a 7.3 percent increase over March 2015.

Over the past two years, the San José community has been engaged in a discussion regarding the Apartment Rent Ordinance and its role within our community. Based on input from the community and information from staff, the City Council passed the Ellis Act Ordinance and Tenant Protection Ordinance. These new laws provide the following provisions:

- 12 just causes for tenants to be given a notice to vacate, and elimination of no-cause notices
- Relocation benefits to tenants
- Right of return to the unit after Ellis Act removal, substantial rehabilitation, and order to vacate
- Standardized and formal process for issuing notices
- Rent stabilization for future tenants

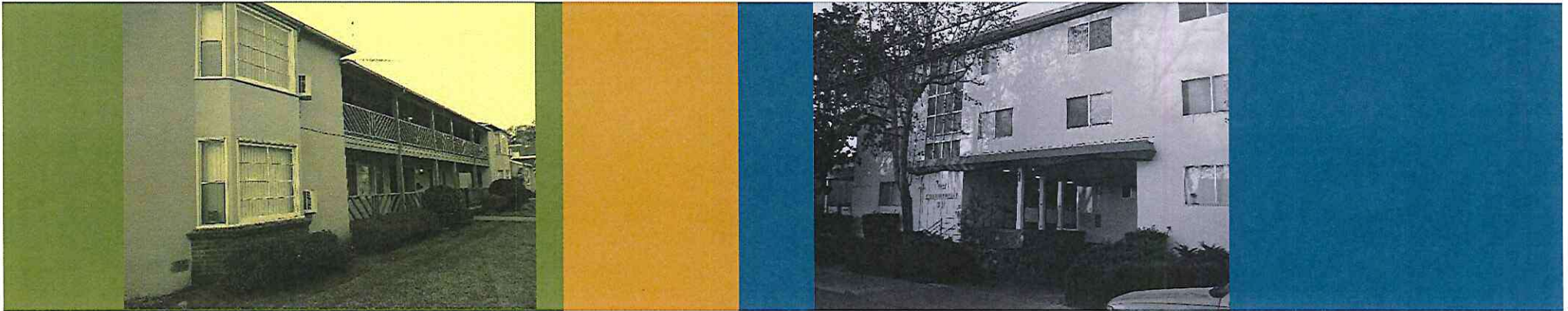
Average Rent for Apartments of All Sizes increased by 1.2% since last fiscal year

Average Vacancy Rate Dropped from 6.3% in FY 2015-16 to 5.1% in FY 2016-17



Source: Costar 2017 Quarter 2

**In 2010, the average rent for an apartment was \$1,429.
In Spring 2017, it was \$2,503.**



PROGRAM HIGHLIGHTS

The San José Rental Rights & Referrals Program provides various services to landlords and tenants/residents of apartments and mobilehomes in the city. The primary services include:

- Mediation and arbitration hearings between landlords and tenants/residents
- Customer service intake through walk-ins, phone, mail, and e-mail
- Outreach at community events and meetings, through e-blasts and newsletters
- Policy development and implementation

FY 2016-17 Workload Summary

368 petitions filed
(a 11% decrease from the previous year)

5,917 inquiries addressed
(a 59% increase from the previous year)

10% of customer contacts received in languages other than English

52 public meetings held on ordinance changes and program updates

PROGRAM OVERVIEW



Mission Statement

To enforce the provisions of the rent ordinances for the City of San José through education and collaboration in order to promote and maintain safe, healthy and sustainable apartment and mobilehome communities.

Major Accomplishments in FY 2016-17

- Tenant Protection Ordinance effective May 9, 2017
- Ellis Act Ordinance effective May 26, 2017
- Approval and extension of a temporary moratorium to prevent mobilehome conversion applications
- Engagement on the Mobilehome Opt-In Concept, including nine Advisory Committee meetings
- Provided flood-recovery assistance in response to the February 2017 Coyote Creek flood

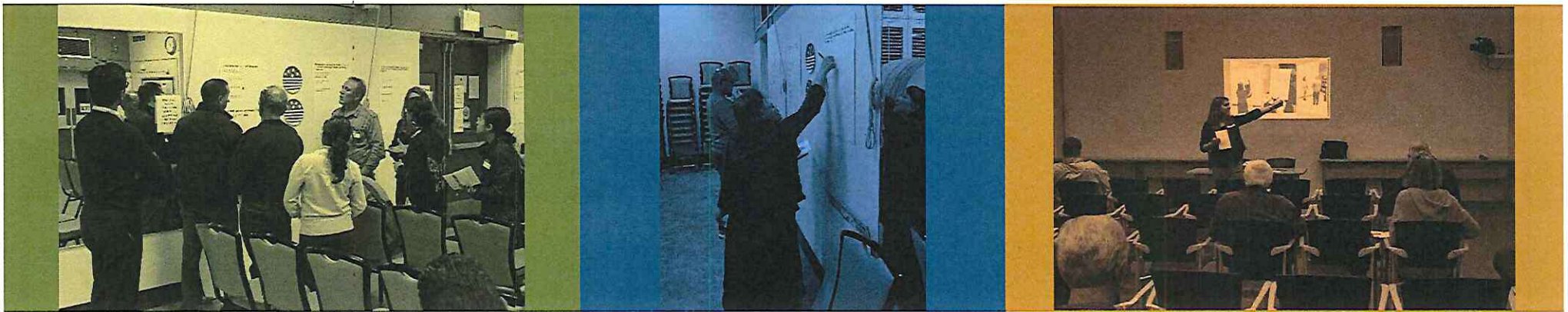
Current Staffing

- Housing Policy and Planning Administrator
- Senior Analyst
- 3 Analysts
- Staff Specialist

6.0 FTE

Authorized 2016-2017 Program Budget

\$1,746,290



MAJOR POLICY CHANGES

Ellis Act Ordinance

On April 25, 2017, the City Council adopted the Ellis Act Ordinance. This Ordinance creates a standardized and formalized process for issuing notices, provides relocation benefits, and protects tenants when a rent stabilized property owner makes a financial decision to remove their property from the rental housing market.

To remove the building permanently from the residential rental market under the Ellis Act, the property owner is required to pay relocation assistance to the tenant household based on bedroom size.

The new requirements adopted by the City Council became effective on May 25, 2017.

REQUIRED RELOCATION PAYMENTS

	Studio	1BR	2BR	3BR
Base Relocation Assistance	\$6,925	\$8,400	\$10,353	\$12,414
Qualified Assistance Levels	\$2,770	\$3,360	\$4,141	\$4,966
Special Assistance	\$1,200	\$1,400	\$1,700	\$2,000

Tenant Protection Ordinance

The Tenant Protection Ordinance specifies requirements for providing notices to vacate for tenants living in apartment buildings with three or more units in San José. The Ordinance protects tenants from unanticipated evictions and gives them some stability in San José's difficult housing market.

Just cause is a requirement that any notice to a tenant to vacate state a just cause for eviction. Notice to vacate must be based on a cause included in the list of 12 "Just Cause" terminations listed in the Ordinance. The Tenant Protection Ordinance includes just cause protections for tenants commencing on the date of tenancy covering existing leases and rental agreements in place at the time that the Ordinance became effective.

12 Just Cause Terminations Listed in the Ordinance

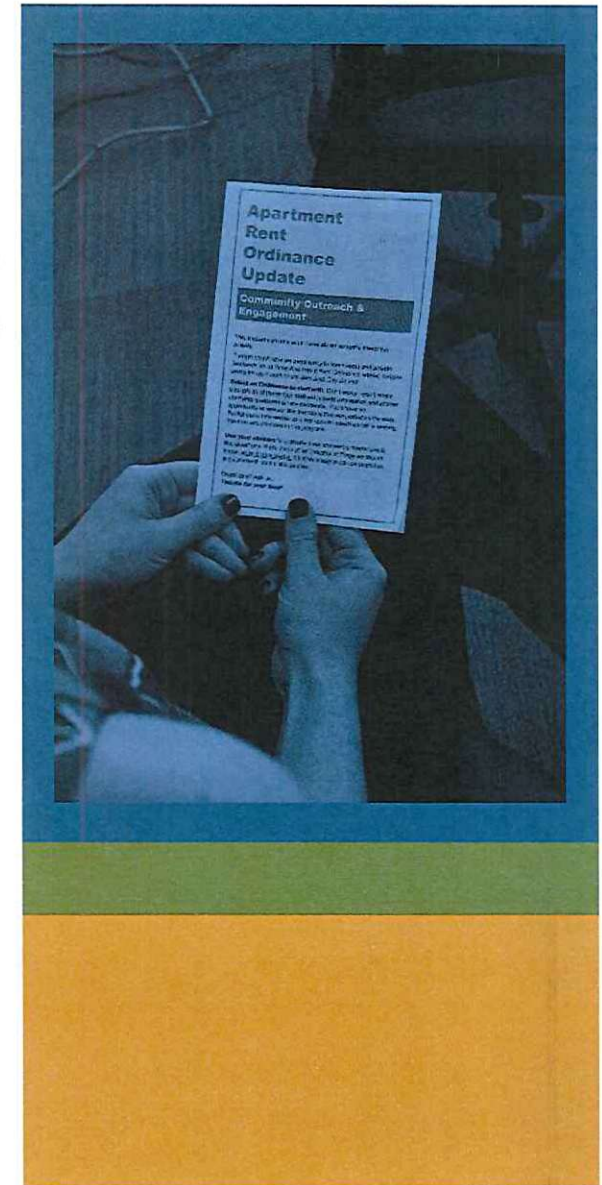
Just Cause Reasons Based on Tenant Actions

1. Nonpayment of rent
2. Violation of the lease
3. Damage to the apartment
4. Refusal to agree to similar or new rental agreement
5. Disorderly behavior disturbing the peace
6. Refuse access to the apartment, requested in accordance to law
7. Unapproved holdover subtenant

Just Cause Reasons Based on Landlord Decision or Consequence of Action

8. Substantial rehabilitation of the apartment
9. Removal of apartments from the rental market under the Ellis Act
10. Owner move-in
11. City code enforcement actions requiring a move out
12. Convert an unpermitted apartment for permitted use

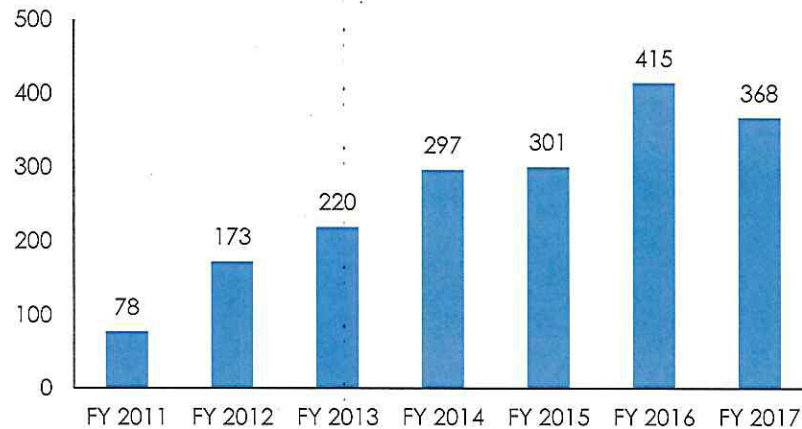
On May 9, 2017, the City Council adopted an Urgency Ordinance that implements the Tenant Protection Ordinance immediately. The new requirements adopted by the City Council became effective May 10, 2017.



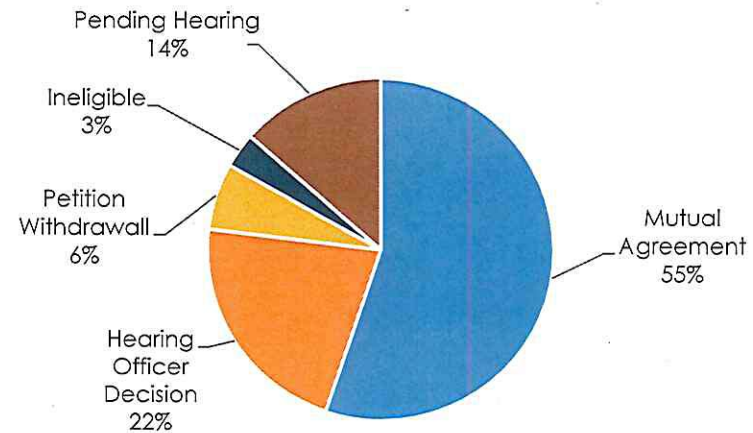
The number of petitions filed has steadily increased over the last seven years

Most petitions filed (55%) are resolved through mutual agreement

Petitions Filed FY 2011-2017



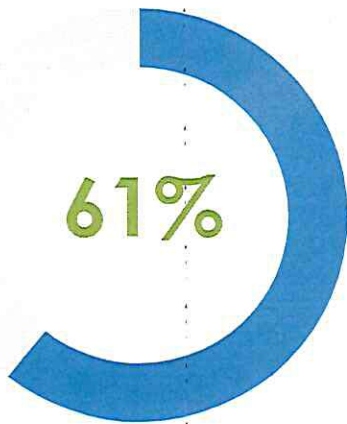
Outcomes of Petitions Filed FY 2016-17



The number of petitions has increased 370% over the past seven years. The number of petitions filed in 2016-2017 is the second highest since the program's inception in 1979.

Most tenant petitions were filed for service reductions or housing code issues.

223 Service Reduction



136 Rent Increase



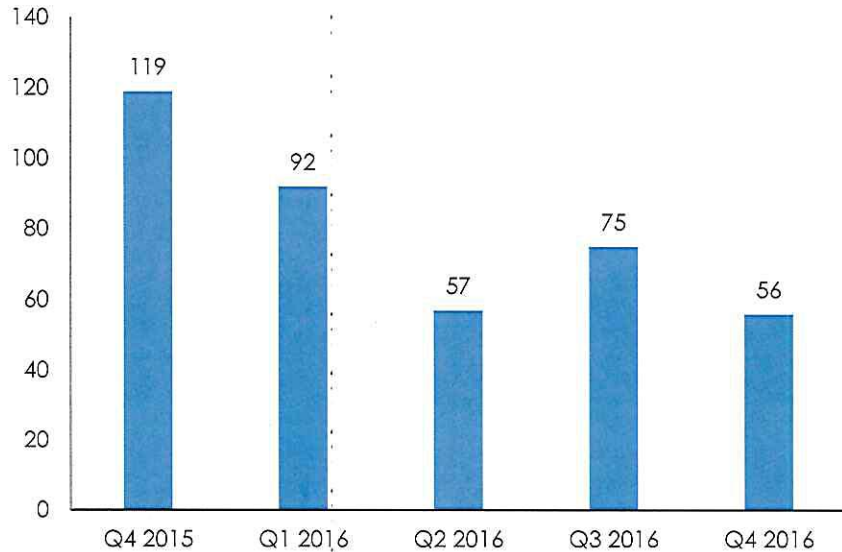
47 No-cause Notice



*Note – out of a total of 368 cases. Some may include more than one issue, which explains the percentages totaling more than 100 percent.

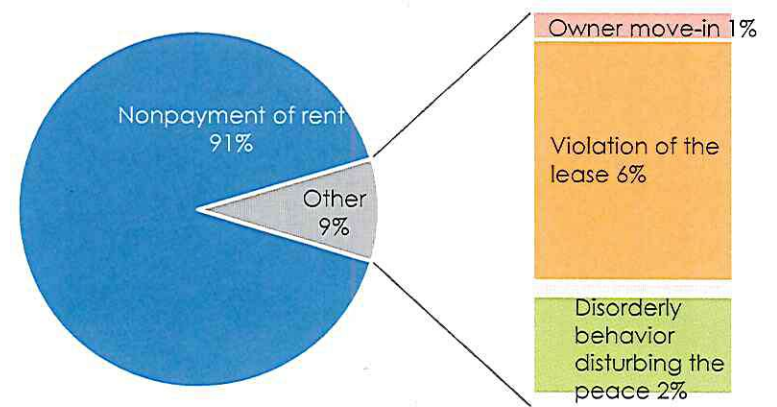
The total number of no-cause notices served to tenants decreased with the adoption of the Tenant Protection Ordinance

No Cause Notices Received



The vast majority of just-cause terminations are due to nonpayment of rent

260 Just Cause Terminations by Reason received May 10-June 30, 2017

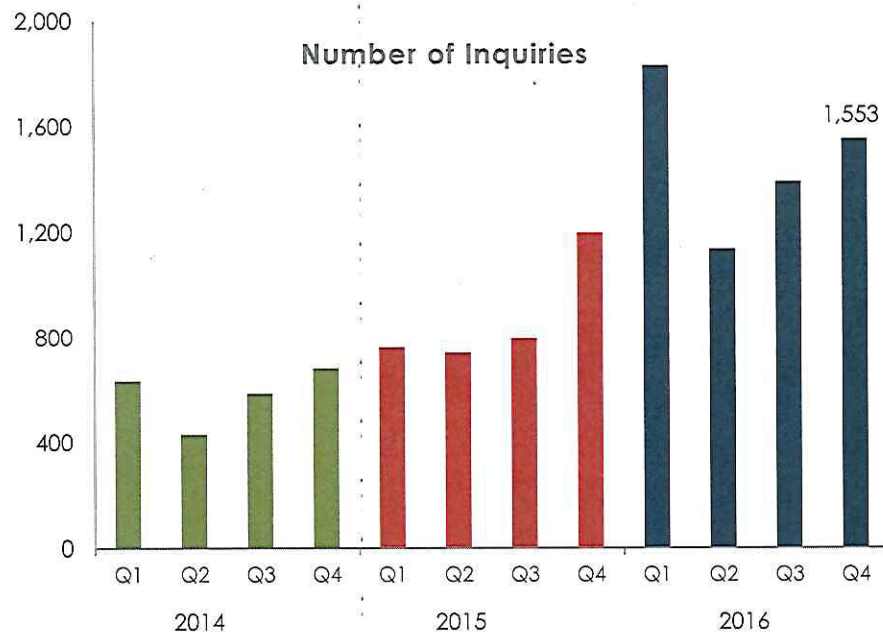


*The Tenant Protection Ordinance was passed on May 9, 2017, eliminating no-cause notices and requiring the filing of just-cause notices.

As a result of the Tenant Protection Ordinance being implemented, many landlords are serving notices to vacate due to nonpayment of rent.

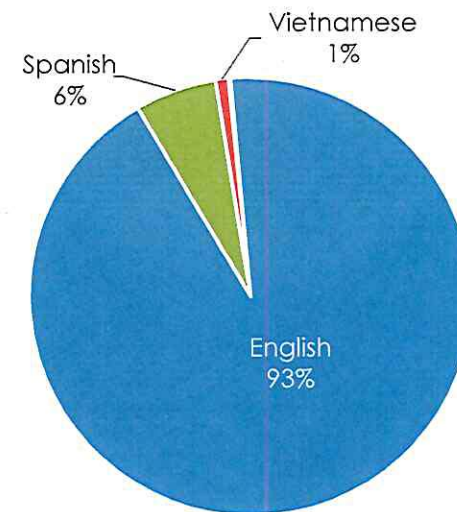
Client inquiries may have increased as a result of greater engagement through public events and community meetings.

The number of client inquiries has been increasing over the last three years



7% of all inquiries were made in a language other than English

Number of Inquiries by Language for FY 2016-17





MOBILEHOME PROGRAM

The City of San José is committed to protecting the rights of mobilehome owners, park owners, and park managers and to providing education and information to improve their relationships. In the case of a rental dispute between a park owner and a mobilehome owner, knowing the law, having access to resources, and exploring options can improve outcomes.

The City's Mobilehome Rent Ordinance covers the 59 mobilehome parks where rental lots were permitted with plumbing, electrical, and sewage before September 7, 1979 with certain exceptions. The Ordinance regulates annual rent increases with a floor of 3% to a maximum 7%, based on a formula of a maximum annual percentage increase. The Ordinance also permits landlords to a fair rate of return on their investment and may request for a higher increase provided a petition is filed with the City.

FY 2016-17 Fast Facts

- 59** number of mobilehome parks covered by the Mobilehome Rent Ordinance
- 10,838** number of mobilehome lots covered by the Mobilehome Rent Ordinance
- 222** inquiries regarding mobilehomes
- 90** number of days' notice required for management to increase a homeowner's rent
- 31%** mobilehome lots located in District 7 (Central San José)

CoStar Data Universe October 2017

By Unit Size		
Unit Size	# Properties	%
2-4 Units	1,098	43%
5-9 Units	693	27%
10-19 Units	400	16%
20-49 Units	196	8%
50+Units	192	7%
TOTAL	2,579	100%

By # Bedrooms		
# Bedrooms	# Properties	%
Studio	333	10%
1 Bedroom	1,014	29%
2 Bedroom	1,477	43%
3 Bedroom	605	18%
4+ Bedroom	21	1%
TOTAL*	3,450	100%
Total larger than 2,579 as some properties may have multiple bedroom sizes		

By Class		
Class	# Properties	%
A	35	1.4%
B	298	11.6%
C	2,237	86.7%
F	9	0.3%
TOTAL*	2,579	100%

Sub-markets in San Jose*		
Sub-Markets	# Properties	%
Central SJ	1,040	40.3%
East SJ	235	9.1%
North SJ	23	0.9%
South SJ	588	
Milpitas/Berryessa	703	27.3%
TOTAL*	2,589	100%
Includes some of Milpitas too, boundaries may not match SJ boundaries exactly		



Memorandum

TO: HOUSING & COMMUNITY
DEVELOPMENT COMMISSION

FROM: Rachel VanderVeen

**SUBJECT: EXPLORATION OF THE
INCLUSION OF DUPLEXES
IN THE APARTMENT RENT ORDINANCE**

DATE: November 2, 2017

Approved

Date

RECOMMENDATION

Accept staff's recommendation to exclude duplexes in the proposed amendment to the Apartment Rent Ordinance, Chapter 17.23 of Title 17 of the San José Municipal Code.

BACKGROUND

The Apartment Rent Program Regulations were presented to the Housing and Community Development Commission (HCDC) at its regularly-scheduled meeting on September 14, 2017, and at a special meeting on October 5, 2017.

On September 14, 2017, staff included duplexes on the agenda for HCDC to evaluate whether duplexes should be added to the ARO. HCDC voted to not include duplexes.

On October 5, 2017, staff did not include duplexes on the agenda given that the intention of the special HCDC meeting was to discuss amendments to the existing Apartment Rent Ordinance, which excludes duplexes. HCDC amended the September 14, 2017, motion regarding the Annual Allowable Increase; however, it could not move to amend the Ordinance regarding duplexes because it was not itemized on the agenda. Instead, the Commission passed a motion to include duplexes on the November 9, 2017, agenda for reconsideration. On November 9th, HCDC directed staff to return to a future HCDC meeting with the reconsideration of duplexes to be added to the meeting agenda.

The summary of HCDC direction to staff is available on the HCDC's webpage at:
<http://www.sanjoseca.gov/DocumentCenter/View/72221>.

ANALYSIS

The City Council's direction to staff on September 1, 2015, included developing a workplan to explore the inclusion of duplexes under the ARO. The State's Costa-Hawkins Rental Housing Act (passed in 1995) exempts the following types of units from rent stabilization programs: units constructed after February 1, 1995; units that were already exempt from local rent stabilization programs; and single family homes and condominiums. Therefore, duplexes built before 1995 may be included under the City's ARO and still comport with State law.

Using 2015 County Assessor's data, staff's preliminary estimate of the number of duplexes in San José is 6,393 duplex buildings comprising 12,786 units. Further, the City's ARO exempts units that are landlord-occupied. The County Assessor's data indicates 1,394 units in duplexes with a homeowner's exemption. Therefore, excluding duplex units that are owner-occupied, the net number of duplex units that could potentially be covered by ARO is 11,392 units.

The main argument for including duplexes in ARO is the potential to add over 11,000 rent-stabilized units to the City's ARO program with a simple change. This would add considerably to the City's 44,359 ARO units; adding non-owner-occupied duplex units would constitute an increase of 26% in the ARO housing stock.

However, landlords of duplexes have not operated in a rent-regulated environment and are unfamiliar with the ARO. Increasing the ARO housing supply by 26% would require a significant amount of additional City staffing to transition a new group of landlords into the program. The Housing Department's current recommended staffing proposal does not contemplate the additional workload involved in the significant outreach and community education that inclusion of duplexes would require. In addition, the economics of managing two-unit rental properties subject to rent stabilization would need to be analyzed to determine if inclusion in the ARO is financially feasible for duplex owners to implement.

After the passage of the Tenant Protection Ordinance (TPO), community members also questioned if duplexes could be included under the TPO. This would extend just cause protection to tenants living in duplexes. Staff would need to complete a policy review of the implications of adding duplexes to the ARO as well as to the TPO.

Following is a summary of comments received from landlords and tenants on the inclusion of duplexes in the ARO:

Landlords' Position	Tenants' Position
<ul style="list-style-type: none">Do not include duplexes. Duplexes are an owner's entry to property management. Managing duplexes is different than managing larger residential rental properties.	<ul style="list-style-type: none">Duplexes should be included under the ARO. Renters should be protected regardless of the type of property they are renting.

A workplan for action items that would be necessary to include duplexes in the ARO is included as **Attachment A**. Considering current demands and priorities of the Housing Department, it would be difficult for staff to move forward with the duplex workplan at this time. Staff recommends reconsidering the addition of duplexes to ARO after the Department has fully implemented the revised ARO and all staff have been hired and onboarded. This would ensure that the Department has sufficient capacity to consider and plan for the impacts of adding additional apartments to the Ordinance.

EVALUATION AND FOLLOW-UP

Staff intends to bring the revised draft ARO, along with the amendment to the TPO, to the City Council for consideration on November 14, 2017. The City Council will hold a second reading of amendments to the ARO and the TPO the two weeks following its first reading. If approved on November 14, 2017, the second reading would be held on November 28, 2017. The updated ordinances then would be effective 30 days following the City Council's second reading.

PUBLIC OUTREACH

Staff has met with a wide range of stakeholders while developing amendments to the ARO. With the assistance of the California Apartment Association, Bay Area Homeowners Network, and the Renters Coalition, the Housing Department staff met with property landlords and managers of small properties, large properties, and a variety of tenants and tenant advocates on multiple occasions. The Department also hosted 24 public meetings on the proposed ARO listed in **Attachment B**. The public comment files can be found on the Department's website at <http://www.sanjoseca.gov/DocumentCenter/View/71919>.

/s/

Rachel VanderVeen
Program Administrator

For questions, please contact Rachel VanderVeen, Program Administrator, at (408) 535-8231.

ATTACHMENTS:

- **Attachment A** – Exploration of Duplex Inclusion Work Plan
- **Attachment B** – Summary of Public Meetings for the Apartment Rent Ordinance

Exploration of Duplex Inclusion Work Plan
 (Tenant Protection Ordinance & Apartment Rent Ordinance)

Action Item	Estimated Time to Complete (1 month increments)									
	1	2	3	4	5	6	7	8	9	10
Research property tax information (2 months)										
1. Identify addresses for all owners of duplexes	■									
2. Identify owner occupied units in duplexes		■								
Bill Owners to Collect the Annual Fee (6 months)										
3. Create billing system			■	■						
4. Develop billing materials					■					
5. Provide customer service to owners receiving the bill						■				
6. Collect revenue in appropriate accounts							■			
7. Send delinquent billings								■		
8. Reconcile accounts									■	
Consider Including Duplexes Under the Tenant Protection Ordinance and Apartment Rent Ordinance (3 months)										
9. Research implications of extending the Tenant Protection Ordinance and Apartment Rent Ordinance to duplexes					■	■	■			
10. Prepare an update to the Tenant Protection Ordinance and Apartment Rent Ordinance						■	■	■		
11. Prepare documents for City Council consideration								■	■	
Update Website (1 month)										
12. Update current information on the website to include duplexes									■	
Public Outreach to Duplex Owners and Tenants (3 months)										
13. Hold meetings to discuss with tenants and landlords on proposed ordinance changes					■	■	■			
14. Hold meetings to educate tenants and landlords on their rights and responsibilities								■	■	■

Summary of Apartment Rent Ordinance Meetings from June 6, 2017 to October 5, 2017

Housing & Community Development Commission – 2 Total

September 14, 2017	San José City Hall Wing Rooms	5:45 PM
October 5, 2017	San José City Hall Wing Rooms	5:45 PM

Public Meetings – 7 Total

June 26, 2017	San José City Hall Wing Rooms	6:30 – 8:30 PM
July 11, 2017	Cypress Community Center	6:30 – 8:30 PM
July 12, 2017	San José City Hall Wing Rooms	9:00 – 11:00 AM
July 18, 2017	Seven Trees Community Center	6:30 – 8:30 PM
August 16, 2017	District 2 – Hosted by Councilmember Jimenez	6:30 – 8:30 PM
August 24, 2017	Educational Park Branch Library	6:30 – 8:30 PM
August 31, 2017	San José City Hall Wing Rooms	2:00 – 4:00 pm

Stakeholder Meetings – 15 Total

June 6, 2017	Renters' Coalition
June 7, 2017	Housing Providers
June 9, 2017	Renters' Coalition
August 24, 2017	Santa Clara County Housing Authority Board
August 31, 2017	PACT: People Acting in Community Together
September 7, 2017	Latinos United for a New America (LUNA) & Santee Neighborhood
September 11, 2017	California Apartment Association Tri-County
September 13, 2017	Bay Area Homeowner Network (BAHN)
September 14, 2017	Burbank/Sherman Oaks Neighborhood Association
September 15, 2017	Renters' Coalition
September 15, 2017	Hearing Officers
September 21, 2017	Sacred Heart Community Service
September 21, 2017	Apartment Owner
September 21, 2017	Colonial Gardens Apartment Owners
September 22, 2017	California Apartment Association Tri-County

Total Meetings: 24



Memorandum

TO: HOUSING AND COMMUNITY
DEVELOPMENT COMMISSION

FROM: Ray Bramson

SUBJECT: FEDERAL FUNDING UPDATE

DATE: November 1, 2017

Approved

Date

RECOMMENDATION

Provide input on the development of the FY 2018-2019 Annual Action Plan and the identified federal funding priorities and strategies.

OUTCOME

The goal of this report and presentation to the Housing and Community Development Commission is to review and to obtain feedback on potential federal investments for FY 2018-19, and to provide staff with input from the Commission on funding priorities.

BACKGROUND

As an entitlement City, San José receives federal formula grants each year from the U.S. Department of Housing and Urban Development (“HUD”) for a variety of housing and community development activities. The amount that the City receives each year is based on several factors including population, poverty, and housing statistics.

Consolidated Plan

Every five years, HUD requires jurisdictions that receive federal funding to develop a Five-Year Consolidated Plan (“ConPlan”). The ConPlan identifies priority needs, goals, actions, and funding strategies for the four federal housing and community programs: the Community Development Block Grant (“CDBG”); HOME Investment Partnership (“HOME”); Emergency Solutions Grant (“ESG”); and, Housing Opportunities for Persons with AIDS (“HOPWA”).

The 2015-2020 ConPlan was approved by the City Council on May 5, 2015. The ConPlan identifies four categories as areas of greatest need within the community. Additionally, the ConPlan identifies broad project goals to address the areas of need which include:

- 1) Increasing and preserving affordable housing opportunities;
- 2) Responding to homelessness and its impacts on the community;
- 3) Promoting fair housing; and,
- 4) Strengthening neighborhoods.

All activities funded under the four federal funding programs must support one or more of these four categories identified in the Consolidated Plan

Annual Action Plan

In accordance with the federal funding requirements, the City must prepare an Annual Action Plan (“AAP”) to document how it plans to utilize its federal resources each year. The AAP outlines one-year strategies that will enable the City to meet its five-year ConPlan goals. Included in the AAP are funding recommendations for specific actions and activities for each of the four federal funding sources. The AAP must also describe how the City plans to support the goals and meet the needs identified in the ConPlan. Prior to the AAP’s final approval by the City Council, the Housing Department must provide for a 30-day public review of the AAP. In accordance with the City’s Citizen Participation Plan, the Housing Department must provide three public hearings on the AAP to create an opportunity for public comment.

Federal Funding Sources and their Use

San José receives four major sources of federal funding annually from HUD. Each of these sources is distinct, and supports specific housing and community development needs. The primary use for each fund is stated in Table 1 along with the amount that is projected to be allocated for FY 2018-2019.

Table 1: Estimated 2018-2019 San José Federal Funding Levels

Funding Source	Primary Use	Estimated 2018-2019 Allocations
CDBG	Housing and Community Development Programs, Services, and Capital Improvements	\$7,786,250
HOME	Housing	\$2,387,150
ESG	Homeless Services and Shelter Operations	\$717,550
HOPWA	Housing Support for Persons with AIDS	\$949,300
	Total	\$11,840,250

Note that these figures already incorporate a possible reduction of 5% from FY 2017-2018. Staff implemented this practice per HUD’s guidance, which will minimize the City’s need to reduce existing contract amounts in the case of budget cuts. This enables grant recipients to plan for their resources more reliably. If cuts do not occur and there are excess sources available, staff

would propose small increases in Public Services contracts and would amend the AAP accordingly.

Note also that the CDBG figure assumes no additional payments are made to Section 108 loans in FY 2018-2019. Approximately \$2 million of CDBG would be spent to pay Section 108 loan debt service, absent any changes to current practices. However, the City is planning to refinance \$1.8 billion in existing debt of the Successor Agency to the former Redevelopment Agency ("SARA") at the end of 2017. Presuming this refinancing reduces debt service payments as expected, SARA would be able to cover the Section 108 loan payments with its annual funding allocations until the loans are fully repaid. CDBG funds would no longer be necessary to fund annual debt service.

Regulatory requirements for the use of HOME, ESG, and HOPWA are fairly specific. HOME funds must be used to create affordable housing opportunities; ESG funds must be used to support efforts addressing homelessness; and HOPWA funds must be used for housing and services for individuals with AIDS or HIV.

CDBG is the most flexible federal funding source, and may be used to fund a wide range of housing and community development needs. For this reason, funding priority decisions usually focus on the use of CDBG.

CDBG Funding Categories

CDBG funds are divided into three categories: Public Services, Administration, and Community Development Investment ("CDI") activities.

Public Services: These funds can pay for a variety of services for low-income individuals. Program regulations require that funding for public services be capped at 15% of the annual allocation combined with the *prior* year's Program Income. (Program Income is primarily comprised of repayments from federally-funded loans.)

Administration: Recognizing the significant work involved with managing CDBG funds, HUD allows CDBG to fund limited costs of administrative planning and oversight. Up to 20% of the annual CDBG allocation, combined with the *current* year's Program Income, can be used for Administration costs. Fair Housing can also be funded out of this category.

Community Development Investment: CDI funds can be used to fund infrastructure and other needs. Enhanced Code Enforcement is one of the few "service" activities that can be funded with CDI funds. There is no limit on the amount of funding that may be dedicated to the CDI category.

ANALYSIS

In late October 2017, Housing Department staff launched its planning and outreach process for the FY 2018-2019 Annual Action Plan. Staff will hold a series of stakeholder and community meetings to help identify opportunities for investment, and will solicit input on the four goals and potential funding priorities for the upcoming year. Participants in the meetings will be provided with an overview of the programs, services, and projects currently funded through the City's federal sources, and a fiscal outlook for next year.

CDBG Current Funding Limits

Table 2 below indicates the City's projected CDBG allocation and amount of loan repayments expected, and the amounts to be spent on Public Services, Administrative Costs, and CDIs:

Table 2: CDBG Resources and Caps

FY 2018-2019 projected CDBG Allocation	\$7,786,250
FY 2018-2019 projected Program Income (PI)	\$1,600,000
Public Service Cap for 2018-2019 (18/19 Allocation + 17/18 PI * 15%)	\$1,527,950
Administrative Cap for 2018-2019 (18/19 Allocation + 18/19 PI * 20%)	\$1,877,250
CDI from 2018-2019 Allocation (no cap)	\$5,981,050

Staff is projecting a larger than usual amount of program income in FY 2017-2018 in anticipation of a large CDBG loan repayment. Because the Public Service Cap is based on 15% of the annual allocation combined with the prior year's Program Income, the FY 2018-2019 cap is expected to be larger than prior years, despite a projected allocation reduction.

CDBG-funded Public Services

For FY 2017-2018, the Housing Department funded four sets of services under the CDBG Public Services category. Table 3 outlines the 2017-2018 commitments by type of service, and the proposed 2018-2019 services funding levels:

Table 3: CDBG-funded Public Services

Services	Activities	FY 2017-2018 Funding*	Proposed FY 2018-2019 Funding*
Homeless Services	<ul style="list-style-type: none"> • Outreach & Shelter • Rapid Rehousing and Supportive Services 	\$350,000	\$350,000 (new)
Legal Services for Low-income Tenants	<ul style="list-style-type: none"> • Outreach • Investigations • Legal Representation 	\$527,950	Continued
Neighborhood	<ul style="list-style-type: none"> • Safety Net Services 	\$200,000	Continued

Services	Activities	FY 2017-2018 Funding*	Proposed FY 2018-2019 Funding*
Engagement	<ul style="list-style-type: none"> Leadership Development 		
Senior Services	<ul style="list-style-type: none"> Hot Meal Delivery Senior Access & Health Support 	\$200,000	Continued
Fair Housing Services	<ul style="list-style-type: none"> Tenant/Landlord Services 	N/A**	\$250,000**
Total		\$1,277,950	\$1,527,950

*Note: indicates full contract value over multiple years

**Note: Program Administration is also being used to fund Fair Housing.

In addition to these CDBG-supported Public Services, the City is funding \$380,000 for Fair Housing services out of its Administrative budget in 2017-2018. For Fair Housing in 2018-2019, staff proposes to fund \$250,000 from Public Services and \$130,000 from Administration funds.

Public Services are generally funded on a three- to five-year funding cycle. All services listed in Table 3, except for Homeless Services, will still be within their contract terms in FY 2018-2019. Therefore, these activities will continue under their current contracts.

There are two forthcoming Requests for Proposals (“RFPs”) that the City plans to issue soon for services that will operate in FY 2018-2019.

First, an RFP for Legal Services will provide up to \$500,000 to help low-income tenants increase housing stability by providing landlord/tenant counseling, education, referrals, and legal assistance to tenants facing unlawful evictions or other landlord/tenant issues. Services will include outreach and education, investigative services, and a legal services clinic. The approved 2017-2018 AAP authorized the award of contracts pursuant to this RFP. Staff plans to issue the RFP in early November and award in early 2018.

Second, a RFP for Homeless Services will provide up to approximately \$500,000 in federal funding and will likely include funding for outreach and shelter programs. In addition to being one of the four primary needs identified in the 2015-2020 Con Plan, addressing homelessness remains one of the top priorities in San José. Because the City anticipates receiving an unusually high amount of loan repayments in FY 2017-2018, the additional funds enables the City to increase the amount for Homeless Services in the forthcoming RFP over last year’s grant level. The final Homeless Services contract amount will be adjusted per the City’s final funding CDBG allocation by mid-2018. Staff plans to include the Homeless Services identified through the RFP in the 2018-2019 AAP. Staff plans to issue the RFP in early 2018 and award in Spring 2018.

Through public and stakeholder meetings that will help inform development of the next AAP, staff will seek feedback on community needs and priorities related to Homeless Services. The City is also coordinating with the County-wide Continuum of Care organizations and the County of Santa Clara’s Office of Supportive Housing to determine how best to use the City’s limited funds to ensure their efficient use in a way that compliments the County’s array of services.

Community Development Investments (“CDI”)

In addition to the recommendations for CDBG Public Services, the Housing Department is also recommending that the City continue to provide CDI funding for the following eligible activities:

Table 4: Proposed CDI Activities FY 2018-2019

Activity	Description	Status Recommendation	Agencies
Minor & Urgent Home Repairs	Owner-occupied single family homes and mobilehome repairs	Awarded in FY2016-17 (continue funding)	Rebuilding Together, Silicon Valley Habitat for Humanity
Job Training and Placement	Job training and placement for homeless individuals Housing coordination	Awarded in FY2016-17 (continue funding)	San José Streets Team
Enhanced Code Enforcement	Code Enforcement services focusing on multifamily housing issues	Continue funding	City of San José
Nonprofit Facilities Improvements	Work is being completed on facility improvements such as commercial ADA improvements and kitchen upgrades	NOFA for new projects is slated for release in early 2018	Nonprofit service providers
City Infrastructure Improvements	Improvements to City infrastructure such as enhanced crosswalks, traffic calming improvements, and alleyway improvements. Improvements will be focused in the City’s three Place-based Neighborhoods and in geographic areas near supportive housing developments for formerly-homeless residents.	Continue funding	City of San José

Federal Budget Status

The federal government currently is operating under a Continuing Resolution (“CR”) for budget authority, as it has not yet passed a budget for federal FY 2018. The current CR was passed in early September and expires on December 8, 2017. The federal Budget Control Act requires a bipartisan agreement for the budget to deviate from its spending caps; therefore, the current CR gave the government approximately three months to come to agreement. Based on funding proposals from the House and Senate, the assumed funding levels for the HUD entitlement programs per the CR are approximately level to last year’s budget.

While the Administration's proposed budget zeroed out both HOME and CDBG, homeless programs fared better in the budget proposals. The Table below illustrates the current federal budget proposals for the City's four entitlement programs in federal FY 2018:

Table 5: Proposed Budget Levels for the City's Four HUD Entitlement Programs

Program	FY 2017 Final Budget	Administration	House	Senate
CDBG	\$3.0B	\$0	\$2.91B	\$3.0B
HOME	\$950M	\$0	\$850M	\$950M
HOPWA	\$356M	\$330M	\$375M	\$330M
ESG	\$310M	\$255M	\$270M	\$270M

Sequestration, which involves setting a hard cap on the amount of government spending, remains possible as budget negotiations continue. Sequestration could result in a 5% cut across the board to federal department budgets; however, the effect of sequestration on individual programs may vary. As the City's ability to fund external contracts under the CDBG program is the most impactful on San José's community-based organizations, strategies to address potential reductions in CDBG are the focus of this memorandum.

Anticipated Funding Levels for CDBG

As noted above, the City's estimated \$7,786,250 of CDBG funds available for programing during the FY 2018-2019 already incorporates a possible reduction of 5% from FY 2017-2018, and assumes no additional payments are made to Section 108 Loans in FY 2018-2019. In addition, the City expects to receive \$2.4 million in Program Income in 2017-2018 due to a loan payoff, which is higher than usual.

Given these conditions, it is probable that any modest federal cuts to CDBG could be absorbed. Cuts in the program would have to substantially exceed the levels of cuts associated with sequestration or the likely approved federal budget amounts for existing commitment levels to be disrupted. This level of deep cutting seems unlikely. Therefore, staff does not expect an impact on existing funding commitments or projected commitments for FY 2018-2019.

EVALUATION AND FOLLOW-UP

Housing Department staff will complete the public and nonprofit outreach process to identify Homeless Services needs and priorities in November 2017. RFPs for Legal Services and Homeless Service projects will be released in the next few months, as will a NOFA for Nonprofit Facilities. Should an insufficiency of projects be identified through the NOFA process or there are no "shovel-ready" projects proposed, CDI projects sponsored by the City will be initiated.

As part of public outreach, Housing Department staff will work collaboratively with other City departments to determine which CDI projects to propose for funding and will bring these recommendations to City Council for approval. Staff will complete the draft 2018-2019 AAP by March 2018. Public hearings on the draft AAP will include a Housing and Community

HOUSING AND COMMUNITY DEVELOPMENT COMMISSION

November 2, 2017

Subject: Federal Funding Update

Page 8

Development Commission (“HCDC”) meeting and a City Council meeting in Spring 2018. Staff will submit the final AAP to HUD by May 15, 2018.

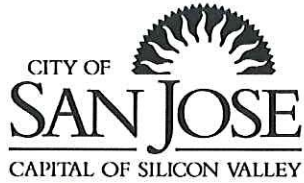
PUBLIC OUTREACH

Staff is conducting a series of public meetings to seek input on priorities for the 2018-2019 AAP. A meeting with community-based nonprofit organizations was held on October 25, 2017, with approximately 24 participants in attendance representing 16 organizations. A public meeting was held the afternoon of November 1, 2017, at Tully Branch Library with approximately 10 participants. Staff will present to the City Council’s Neighborhood Services and Education Committee on November 9, 2017. Another public meeting will be held the evening of November 2, 2017, at Roosevelt Community Center. Public meetings also will be held at HCDC the evenings of November 9, 2017, and January 11, 2018. Once the AAP is drafted, staff will hold additional public meetings at HCDC and at City Council, and will make a copy of the draft available to the public for review.

/s/

RAY BRAMSON

Acting Deputy Director of Housing



Memorandum

**TO: HOUSING & COMMUNITY
DEVELOPMENT COMMISSION**

FROM: Ray Bramson

SUBJECT: SEE BELOW

DATE: November 9, 2017

Approved

Date

**SUBJECT: UPDATE ON HOUSING-RELATED ISSUES FROM THE OCTOBER 17
COUNCIL PRIORITY SETTING SESSION**

INFORMATION

The attached document provides the City Administration's response to the actions recommended in Mayor Liccardo's September 28, 2017, memorandum entitled "Responding to the Housing Crisis." Many of the areas identified in the Mayor's memorandum and the City Administration response will require additional work plan modifications for City departments. The attached document provides the responsible department for each identified item and a brief discussion on impacts and strategies going forward.

Ray Bramson
Acting Deputy Director



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: COUNCIL PRIORITY
SETTING SESSION

DATE: October 16, 2017

Approved

D. D. S. L.

Date

10/16/17

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

This supplemental memorandum is a follow up to the October 6, 2017 "Council Priority Setting Session" memorandum from the City Manager. On September 28, 2017 the Mayor issued a memorandum entitled "Responding to the Housing Crisis." This memo identified a large number of items to address the housing crisis and directed staff to identify which items could be implemented immediately, which items required additional resources and prioritization at the October 17 Priority Setting Session, and which items would consume undue staff time, public cost or risk that would outweigh the likely benefit. Staff reviewed all of the work items in this memo, identifying 1) which items were green light items that staff will add to its respective department's workplan; 2) which items were "yellow" light items that should be prioritized on October 17. Attachment A of the October 16 supplemental memorandum from the City Manager for the Priority Setting Session identifies the "yellow light" items and provides additional information that Council should consider when it votes on its priorities. This supplemental memo discusses the green light items identified in the Mayor's September 28 memo.

ANALYSIS

The items below are items from the Mayor's September 28, 2017 memorandum that are "Green Lighted," meaning that staff will be integrating them into department workplans. For each item the lead Department is identified, as well as any issues that will need to be considered.

Establish a goal of 25,000 homes, and at least 10,000 affordable housing homes (Item 1.A)

Staff wants to clarify that setting an aspirational goal for the number of restricted affordable apartments will likely result in the City's funding less deeply affordable apartments, given the same amount of City resources available. This strategy would result in rental developments supported by low-income housing tax credits that are restricted for low-income and perhaps very

low-income residents who earn up to 60% and 50%, respectively, of the area median income. However, extremely low-income (ELI) rents for those earning up to 30% of area median income, which cost the most to subsidize, would likely be possible only if other substantial funding sources were available and required ELI rents. This shift away from the City's funding of ELI apartments is consistent with the City's approval on June 6, 2017 of its Affordable Housing Investment Plan. That Plan identifies a strategy of the City funding apartments complimentary to those ELI and special needs apartments to be funded by County Measure A. However, the aspirational goal may prevent the Housing Department in investing in innovative solutions that may not be as cost effective, or funding any units below 50% because of the desire to meet the overall goal. Regardless of funding source, all affordable homes produced in San José will count towards this goal and the City's Regional Housing Needs Allocation (*Housing Department*).

Downtown (Item 1.B)

Staff is working towards the goal of facilitating the continuation of the residential development trend in Downtown. The Downtown Strategy draft EIR is anticipated to be circulated for public review in the spring of 2018, with the certification of the EIR and proposed Downtown Strategy and General Plan amendments anticipated to be brought forward for Council consideration in the fall of 2018. Staff is also working with a technical consultant and coordinating closely with a project steering committee (including SJDA, SVO, SPUR, SVLG, South Bay Labor Council and the Chair of the Airport Commission) to complete a study to consider maximizing Downtown development capacity while maximizing aviation operations at SJC. Staff will develop a workplan that further engages the developer community to focus on enabling development to proceed, especially those projects currently in the pipeline. (*PBCE and OED*)

- i. Through the engagement with the development community, staff will explore opportunities to encourage collaboration between housing developers and the owners of private parking facilities. (*OED*)
- ii. Staff is currently developing a workplan to create a Downtown Vision document that creates an enhanced design culture and capacity in Downtown. This work will develop an illustrative base mapping database of existing conditions plus approved developments and infrastructure projects. Staff will integrate consideration of appropriate sites that are suitable for expansion of the geographic boundaries of the Downtown Core land use designation. (*PBCE*)

Urban Villages (Item 1.D)

Staff will be returning to the City Council on November 14 to present their draft Urban Village Implementation Framework for Council discussion and direction. This is essential for enabling mixed-use residential development in Urban Villages on sites previously zoned Commercial. (*PBCE and OED*)

Work Underway (Item 1.E)

- i. Downtown EIR – *see above*.
- ii. Urban Villages – *see above*.
- iii. Complete the transition from an LOS to a VMT CEQA threshold: Staff will be bringing General Plan Amendments and a new Transportation Analysis Policy for Council consideration on December 12, 2017. (*PBCE, DOT and DPW*)

- iv. Complete the Tri-Village EIR and Transportation Improvement Plan: The EIR for the West San Jose Urban Villages (Stevens, Creek, Santana Row/Valley Fair, Winchester, West San Carlos and South Bascom) and the West San Jose Transportation Improvement Plan are anticipated to go to Council for its consideration in the fall of 2018. *(PBCE and DOT)*

Aligning Fees to Encourage Housing Construction (Item 1.F)

- i. Complete study on PDO/PIO to align fees on sq. ft. basis not unit basis: PRNS is in the process of updating the Greenprint which is the long-term strategic plan that guides the future expansion of San José's parks, recreation facilities and community services. Once the Greenprint update is complete (expected in 2018), PRNS will analyze how park impact fees are assessed under the current Park Impact and Parkland Dedication ordinances (PIO/PDO). The study could consider assessing park impact fees based on housing square footage, occupancy by bedrooms, or other defensible calculations, and assess appropriate timeframes for when the fees should be paid. Any adjustment of park impact fees must be consistent with the State Quimby Act, supported by defensible data, needs to be adjustable on an annual basis, and easily implementable. The Study will include a community engagement plan which will include PRNS stakeholder groups including park advocates and the development community. Additionally, in December 2017, PRNS will bring forward a recommendation to the City Council to establish a new rate category for high rise units that is based on the average persons per unit that live in a typical high rise unit. *(PRNS)*

Regional Approach (Item 1.G)

Staff will continue to track and facilitate regional efforts that support incentives for local jurisdictions to build more housing. This includes work with MTC, CASA, ABAG, VTA, SV@Home, and the Santa Clara Cities Association. *(Housing/PBCE/DOT)*

Reimagining underutilized Business Corridors (Item 2.b)

Staff will develop a General Plan policy framework for Council Consideration as part of the 2018 General Plan Annual Review. As part of this process, staff will identify any needed zoning code amendments. Staff will also develop Neighborhood Business District Urban Design Guideline for residential and mixed-use development to provide guidance on how new higher intensity development can be sensitively integrated into existing neighborhoods. Staff does not currently have capacity to conduct individual planning and public engagement processes for individual business districts. If the City Council desires the preparation of individual plans prepared with stakeholder engagement, additional resources will need to be identified. *(PBCE)*

Completing General Plan Update Work (Item 2.D)

- i. **Opportunity Sites:** Staff will work to develop criteria that properties must meet to be eligible for redevelopment with housing or mixed use, and then create a strategy for community and stakeholder input on potentially eligible nuisance properties. Once identified and deemed eligible, staff will bring forward a workplan and budget request to initiate General Plan Land Use amendments on these properties, as well as conforming rezonings. *(PBCE)*

- ii. ***Realign Urban Village Horizons:*** Per the Envision San José 2040 General Plan, the City Council can move individual Villages from later Horizons into the current growth Horizon as part of the General Plan Annual review; however, the City Council can only move an entire Horizon into the current Horizon as part of a Four Year Major Review of the General Plan. Since all of the Horizon II Villages are on Light Rail, staff will bring recommendations to Council on the movement of individual Horizon II Urban Villages into Horizon I as part of the 2018 General Plan Annual Review. The Mayor's direction is to move those Villages on Light Rail and Bus Rapid Transit (BRT) into Horizon I. Currently, the only BRT line in the VTA system is along East Santa Clara and Alum Rock Avenue. All of Villages along this corridor are currently Horizon I. Unless otherwise directed by Council, staff will not consider the Rapid 523 and 522 bus routes as BRT, and therefore will not propose moving the Horizon III Stevens Creek, Santana Row/Valley Fair, and The Alameda North Urban Villages into Horizon I. If the Council ultimately decides to move Urban Villages along light rail from Horizon II to I, an Urban Village plan will still need to be prepared and then approved by Council to facilitate market rate housing in these Urban Village; affordable housing can presently move forward in all Urban Village regardless of Horizon. *(PBCE)*
- iii. ***Existing Commercial Parcels:*** Staff will complete an analysis to identify those commercial parcels that are surrounded by residential on four sides and then analyze the viability of long term commercial uses. In those cases, where it is appropriate, staff will bring forward a workplan and budget request to initiate General Plan amendments and conforming rezonings to allow housing and/or mixed use on these properties. *(PBCE & OED)*

Affordability for the Missing Middle (Item 3.A)

Staff will continue to support the Mayor's meetings with potential financiers of moderate-income housing and help to shape financial structures that could work for rental housing. Staff also will return to City Council's CEDC in 2018 with broader strategy recommendations to support housing for households earning 60-120% of Area Median Income. *(Housing)*

Secondary Units (Item 3.A)

Staff will be conducting outreach on Accessory Dwelling Units and Garage Conversions in December and January, and anticipate being ready to present this input, and policy alternatives, to Council in February. As part of its moderate-income strategy, staff will also identify strategies and programs that encourage ADUs such as the Housing Trust's pilot. Staff will work with the Housing Trust on its pilot, although pursuing additional strategies may require additional resources. *(PBCE/Housing)*

Anti-Displacement Strategies (Item 3.C)

Housing staff continues to analyze all Urban Villages' baseline housing data, which will be included in newly-approved Urban Village Plans and a more global analysis. Per the City Council's last priority setting session, staff is studying Tenant Preferences including prioritization of households that become displaced and specific neighborhood preferences. This topic item will be addressed at CEDC in October and staff expects to return to the City Council with draft policies by late 2018. *(Housing)*

Dispersion (Item 3.D)

Staff will return to the City Council in 2018 with recommended updates to the City's Dispersion Policy. *(Housing)*

Caltrans Sites for Homeless (Item 3.G)

Staff is returning to the City Council with an update on Bridge Housing Communities for homeless households in early November 2017. This action will include an assessment of possible sites for Bridge Housing, including identified CalTrans sites. *(Housing)*

State Advocacy (Item 3.H)

Housing staff will continue to work with the Intergovernmental Affairs Office to pursue legislation and support for tax increment tools and other sources to allow local government to subsidize affordable housing creation. *(Housing)*

COORDINATION

The preparation of this supplemental memo was coordinated with the Department of Planning, Building and Code Enforcement, the City Attorney's Office, the Departments of Housing, Transportation, and Parks, Recreation and Neighborhood Services.

/s/
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