



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Harry Freitas

**SUBJECT: EXPLANATION OF HOUSING UNIT
PRODUCTION PERFORMANCE
MEASURE IN CED CSA**

DATE: May 26, 2016

Approved

Date

5-27-16

BACKGROUND

This Memorandum is submitted in response to an inquiry by Mayor Liccardo at the Budget Study Session on the Community and Economic Development City Service Area on May 11, 2016 regarding the Strategic Goal of Increasing the City's Housing Unit Production (p. VII-22 of the Proposed Operating Budget). Specifically, the 2015-2016 estimate of 2,000 units for the San Jose housing production compared to regional fair share number target is below the 2015-2016 Target of 3,400 units. This memorandum provides an explanation for this difference.

ANALYSIS

The 2015-2016 target of 3,400 units was developed spring 2015 as part of the Development Activity Highlights and Five-Year Forecast (2016-2020). Permit activity had been strong and steady for several fiscal years; however, activity slowed considerably in 2015-2016 (1,343 units through March 2016) with an estimated additional 2,000 units moving into construction by the end of the current fiscal year. Housing production can vary due to multiple factors such as season, material and labor availability, credit markets, and supply and demand. The Planning, Building, and Code Enforcement Department forecasts are based on experience and data. Major Residential Projects such as Communications Hills (653 units), Arcadia Evergreen (250 units), Modera (204 units), iStar (301 units) and The Reserve (641 units) are in or were expected to be in the plan check process this year. For reasons outside of the permit review process, the timing and/or delay of these projects is expected to move 2,000 remaining units into construction in 2016-2017.

/s/

HARRY FREITAS, DIRECTOR
Planning, Building and Code Enforcement