



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Rosalynn Hughey
Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: March 8, 2019

Approved

Date

3/8/19

SUBJECT: ACCEPTANCE OF THE ANNUAL PROGRESS REPORT ON THE IMPLEMENTATION OF THE SAN JOSE GENERAL PLAN HOUSING ELEMENT AND THE HOUSING SUCCESSOR TO THE REDEVELOPMENT AGENCY ANNUAL REPORT

RECOMMENDATION

- (a) Accept the Calendar Year 2018 Annual Progress Report on the Implementation of the San José 2014-23 Housing Element; and
- (b) Accept the Fiscal Year 2017-18 Housing Successor to the Redevelopment Agency Annual Report.

OUTCOME

Approval of this request will enable staff to submit both the City's Annual Progress Report on the Housing Element to its General Plan and the Housing Successor Report to the State of California, as required by April 1, 2019. The City Council's acceptance of the Annual Progress Report is required prior to submitting the report to the California Department of Housing and Community Development (HCD) and the Governor's Office of Planning and Research (OPR). In addition, maintaining a Housing Element that complies with HCD's reporting requirements allows the City to remain eligible for important State and regional funding for housing, transportation, and parks.

EXECUTIVE SUMMARY

State law requires jurisdictions to prepare an annual progress report each calendar year to detail the implementation of their Housing Elements to their General Plans and to submit the report to HCD and OPR. Since the passage of Assembly Bill 879 (Grayson) in 2017, this requirement has applied to charter cities such as San José. In the recent past, the California legislature passed several other bills to strengthen the Housing Accountability Act and to amend State Housing

Element Law to hold jurisdictions accountable for meeting their housing goals. Maintaining a Housing Element that complies with HCD's reporting requirements qualifies jurisdictions for State funding programs.

The Housing Element establishes a strategy to meet a jurisdiction's housing production goals defined by its Regional Housing Needs Allocation (RHNA). San José's RHNA goal for the current 8.8-year period from January 2014 through October 2022 is 35,080 housing units. This equates to a required annual production rate of 3,986 units. A large portion of San José's current RHNA goal (42%) consists of homes that are affordable for Extremely Low-Income (ELI), Very Low-Income (VLI), and Low-Income (LI) households as defined by HCD.

In calendar year 2018, San José continued its strong focus on production in issuing building permits for 2,973 new residential units. This number constitutes a small (4%) decrease from the number of building permits issued in 2017. The 2018 permits were issued for 1,527 market-rate units (94% of the annualized goal) and 1,446 affordable units (61% of the annualized goal). The City continues to be well ahead in its market-rate housing production, but behind in its affordable housing production despite best efforts. During the first five years of the 8.8-year RHNA period (57% of the way through the period), the City has met 83% of its market-rate housing goal and 13% of its affordable housing goal. In 2018, the majority of building permits were for new multifamily housing in and around Downtown and south of Downtown concentrated in Council Districts 3 and 7. Production of accessory dwelling units (also called secondary units, or in-law units) also continues to increase. As production under RHNA is counted once building permits are issued, the City's recent commitments to new affordable housing production should appear in future RHNA cycles.

Ways to spur housing production continue to be a focus both at the local, State, and regional level. In 2018, the State of California created several new housing funding sources including SB 35 (2017) which streamlines housing development in jurisdictions that are not meeting housing production goals. Additional sources and production tools are possible through the many housing-related bills that have been introduced in the current legislative session in Sacramento. Regionally, the Metropolitan Transportation Commission's CASA (Committee to House the Bay Area) framework was finalized in January 2019. All of these efforts should support the City's ongoing work to meet its five-year goals in its Housing Crisis Response Plan.

The Housing Successor to Redevelopment Agency Annual Report for Fiscal Year 2017-18 is required to be submitted with the Annual Housing Element Progress Report. The Housing Successor report provides information on the City's use of the assets created through redevelopment. The City's major asset is loan repayments from loans originated with 20% redevelopment funds for affordable housing, now known as the Low and Moderate Income Housing Asset Fund (LMIHAF). The Successor Agency has addressed the required expenditure tests, as outlined in the Report.

BACKGROUND

The Housing Element establishes a comprehensive policy framework to implement San José’s residential strategies and outlines the City’s plan to meet its affordable and market-rate housing production goals. The determination of regional housing need is made by HCD, the California Department of Finance, and regional Councils of Government (COGs) throughout the State. The State calculates regional housing needs based on population projections and forecasts used in preparing the Regional Transportation Plan (RTP) and the regional Sustainable Communities Strategy (SCS). The SCS is a land use and transportation plan for reducing greenhouse gas emissions as required by Senate Bill 375 (2008). Our regional SCS is also known as Plan Bay Area.

The Association of Bay Area Governments (ABAG) is our local COG. ABAG is responsible for assigning RHNA goals to Bay Area Cities and Counties. In 2012, ABAG adopted the final RHNA which used a multi-step methodology. This methodology considers population forecasts, past RHNA performance, employment, transit, fair share factors, and Priority Development Areas (PDA). ABAG distributes units into five income categories based on local and regional indicators.

San José’s RHNA for the current 8.8-year projection period from January 2014 through October 2022 is 35,080 housing units. The City’s current RHNA is slightly higher than the previous 2007-14 RHNA cycle allocation of 34,721 units). The current cycle’s goal equates to an annual production rate of 3,986 units.

The RHNA itself is divided into four income categories that encompass all levels of housing need. HCD combines ELI and VLI units into the VLI category, but because ELI is an important focus in San José this memorandum breaks them out. A large portion of San José’s current RHNA goal (42%) is focused on Extremely-Low Income (ELI), Very-Low (VLI) Income, and Low Income (LI) households, as defined by HCD and as shown in Figure A below.

Figure A – HCD 2018 Income Limits for Santa Clara County¹

Income Level % of AMI	Household Size							
	1	2	3	4	5	6	7	8
Extremely Low Income (30% AMI)	\$27,950	\$31,950	\$35,950	\$39,900	\$43,100	\$46,300	\$49,500	\$52,700
Very Low Income (50% AMI)	\$46,550	\$53,200	\$59,850	\$66,500	\$71,850	\$77,150	\$82,500	\$87,800
Lower Income (80% AMI)	\$66,150	\$75,600	\$85,050	\$94,450	\$102,050	\$109,600	\$117,150	\$124,700
Median Income (100% AMI)	\$87,650	\$100,150	\$112,700	\$125,200	\$135,200	\$145,250	\$155,250	\$165,250
Moderate Income (120% AMI)	\$105,200	\$120,200	\$135,250	\$150,250	\$162,250	\$174,300	\$186,300	\$198,350

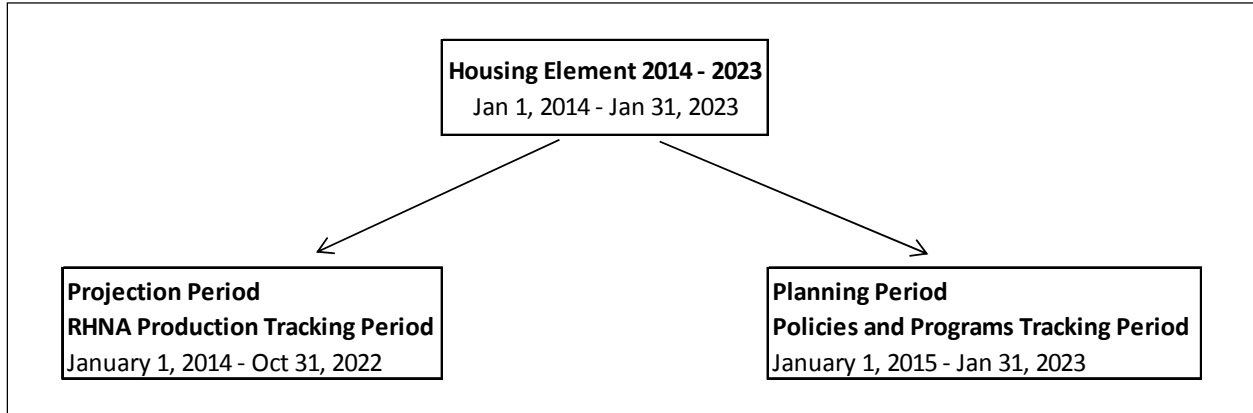
The City Council adopted its 2014-23 Housing Element on January 27, 2015, and submitted it to HCD for approval on January 30, 2015. HCD certified the Housing Element on April 30, 2015.²

¹ Income Limits for 2018 are the most recent available; 2019 limits have not yet been released.

² The adopted Housing Element is posted at www.sanjoseca.gov/DocumentCenter/View/43711

There are two reporting periods associated with the Housing Element, as shown in Figure B below. Building permit goals are measured against an 8.8- year projection period from January 1, 2014 to October 31, 2022. However, progress on policies and programs (Attachment D in the adopted Housing Element plan) have been tracked since 2015 against an 8.1-year planning period from January 1, 2015 to January 31, 2023.

Figure B – RHNA 2014-23 Reporting Periods



State law requires jurisdictions to prepare an annual progress report each calendar year to detail the implementation of their Housing Element and to submit it to HCD and OPR. All jurisdictions, including charter cities, must now submit annual reports.

Changes to the Annual Progress Report

In response to the passage of several housing bills, the State has increased reporting requirements for Cities and Counties. Starting in calendar year 2018, the Annual Progress Report must now list the number of development applications received, planning entitlements issued, building permits issued, and certificates of occupancy issued. The Annual Progress Report must also report on projects that applied for SB 35 streamlining and if these projects were approved.

The Annual Progress Report reports on the City’s continued progress with implementing programs and policies to increase, preserve, and improve the supply of affordable housing; to invest in activities to end homelessness; to promote equitable development; and to create healthy and sustainable communities and neighborhoods.

With the acceptance of a completed Annual Progress Report by the City Council, staff will submit the report to HCD and the Governor’s Office of Planning and Research. It is important to note that maintaining housing element compliance qualifies jurisdictions for funding opportunities including but not limited to: The Sustainable Communities Grant, PDA Planning Grant, Affordable Housing and Sustainable Communities funding, Housing Related Parks Program, Infill Infrastructure Grant, SB 2 Planning Grants, One Bay Area Grant, and the Building Equity and the Growth in Neighborhoods program

The Housing Successor to the Redevelopment Agency Annual Report for Fiscal Year 2017-18 (Housing Successor Report) is included with the Housing Element Annual Report to satisfy the requirements of Senate Bill 341, which took effect on January 1, 2014. This report describes how the City (as the housing successor to the former Redevelopment Agency of the City of San José) has utilized its former redevelopment agency funds on housing activities in conformance with State Health and Safety Code.

ANALYSIS

On November 1, 2011, the City Council adopted the Envision San José 2040 General Plan which advanced longstanding policies of growth management and environmental sustainability. By 2040, the City is projected to grow by over 470,000 residents. To accommodate this growth, the General Plan's Focused Growth Major Strategy plans for 120,000 new housing units and focuses new housing growth into infill areas that are well served by transit and city services. Additionally, the City aspires to add over 380,000 jobs in the same timeframe. San Jose is unique in the nation and in the region as a large city that has a ratio of jobs to employed residents well below one—meaning that San Jose has a small jobs base relative to its resident population. Achieving housing production goals and job development goals at rates sufficient to improve the city's jobs-employed resident balance is a central goal of the Envision 2040 Plan.

The City's Housing Element aligns with the goals contained in the General Plan to provide housing throughout the City and to address the needs of San José's economically, demographically, and culturally diverse population. The Housing Element addresses how the City can facilitate development of these new homes consistent with affordability requirements while planning for neighborhoods with parks, schools, and access to transportation, jobs, shopping, and other services.

Housing Market Overview

San José is one of the most expensive cities in the nation to rent or to buy a home. Market rents are significantly out of reach for many San José workers including teachers, construction workers, and retail salespersons. Average effective rents increased 5.5% between 2017 and 2018 and increased 28% over the past five years³. In Q4 2018, the average effective rent in San José was \$2,417⁴. Figure C compares rents and incomes need to afford deed restricted, rent stabilized, and class A market rate housing in San José.

³ Costar Q4 2013 – Q4 2018

⁴ Costar Q4 2018

Figure C: Comparison of Rents and Incomes

Income Level ⁵	1 Bedroom		2 Bedroom	
	Max Income	Rent	Max Income	Rent
Extremely Low-Income (30% AMI)	\$31,950	\$799	\$35,950	\$899
Very Low-Income (50% AMI)	\$53,200	\$1,330	\$59,850	\$1,496
Rent Stabilized	N/A	\$1,737	N/A	\$2,047
Low Income (80% AMI)	\$75,600	\$1,890	\$85,050	\$2,126
Moderate Income - 110%	\$110,165	\$2,754	\$123,970	\$3,099
Market Rate Class A	N/A	\$2,752	N/A	\$3,292
Moderate Income - 120%	\$120,200	\$3,005	\$135,250	\$3,381

In 2018, the average residential vacancy was 4.2% for all housing, 7.1% for Class A housing, 4.5% for Class B housing, and 3.8% for Class C and F housing.⁶ The lower vacancy rates for Classes B, C, and F housing indicate the relative scarcity of lower rent apartments in San José. Definitions for CoStar building classes are included as Attachment A.

Home prices increased by 53% over the last five years⁷ but decreased by 8% in the last year. In Q4 2018, the median home price was \$1,050,000⁸. Homes are also taking longer to sell with Days on Market rising from 20 to 35 days. For-sale homes are affordable to higher income households, but only 13% are affordable to households earning the median income.⁹ In Q4 2018, the 30-year fixed interest rate was 4.64%, which was 17% higher than last year's rate of 3.95%, making homes more expensive for borrowers.¹⁰

Summary of Planning Entitlements proposed in 2018

During this period, 34 residential entitlement applications were proposed for the development of 5,559 units, of which 87% were market-rate and 12% were affordable. One 87-unit affordable application was submitted using SB 35 streamlining and is currently under review. **Attachment B, Table A** provides project specific details on entitlement applications.

Entitlements for 112 units were completed in 2018, of which 81 were affordable and 31 were market-rate. **Attachment B, Table A2** provides details on completed entitlements.

⁵ Income and rent levels based on 2018 California HCD Income Limits, City of San Jose Rent Stabilization Program, and CoStar as of 2/27/19.

⁶ Housing Class is defined by CoStar and is based on building characteristics such as location, size, quality of construction and materials, and amenities.

⁷ Santa Clara County Association of Realtors, Q4 2013 – Q4 2018

⁸ Santa Clara County Association of Realtors, December 2018

⁹ National Association of Home Builders (NAHB) Housing Opportunity Index Q4 2018

¹⁰ Freddie Mac 30-year Fixed Rate Mortgage December 2018

Summary of Building Permit Activity in 2018

In calendar year 2018, the City issued building permits for 2,973 new residential units, a 4% drop from the 2017 permits issued. This included 1,527 market-rate units (94% of the annualized goal) and 1,446 affordable units (61% of the annualized goal). **Figure D** illustrates this 2018 activity by income category.

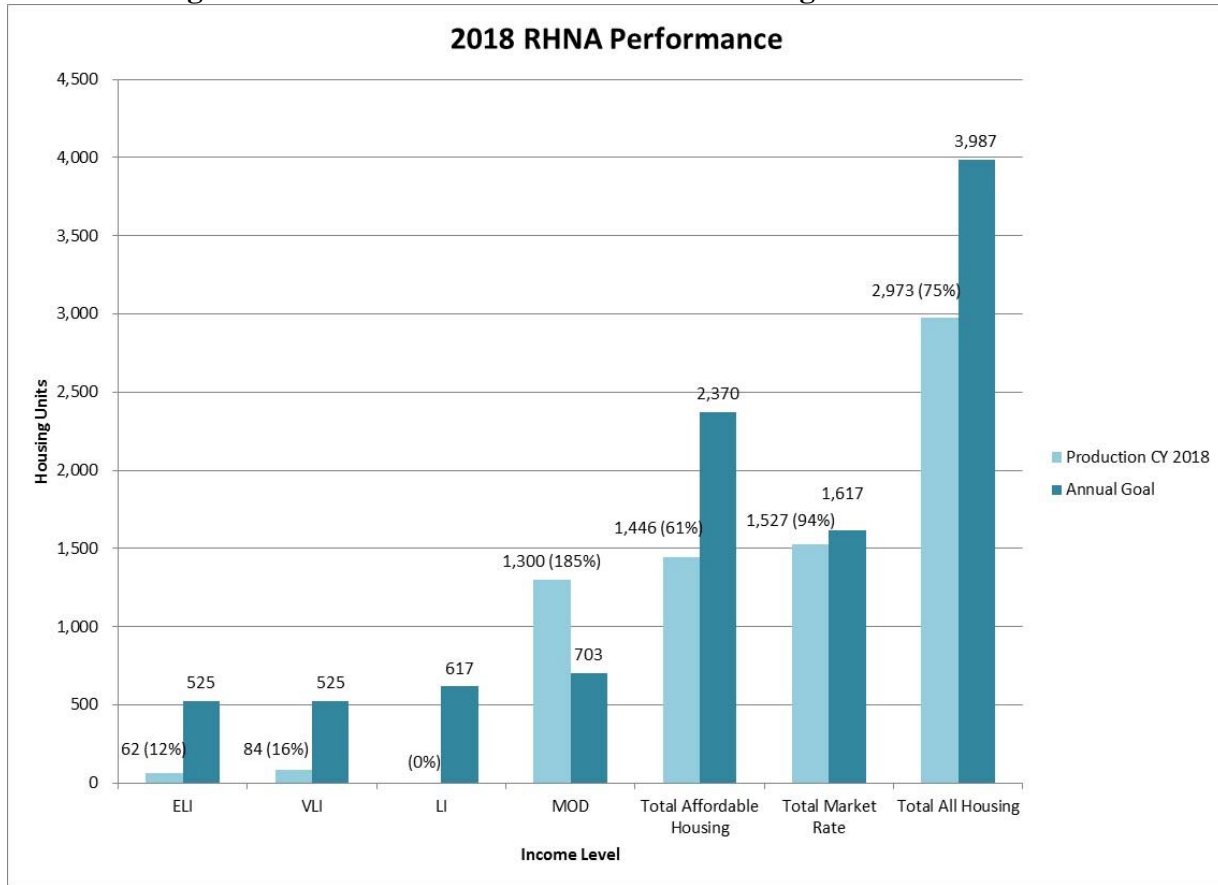
Market-rate housing production in 2018 was just below the annual goal of 1,617 new units; however, it is well ahead in the cumulative goal for the current RHNA cycle.

Affordable units are those offering rents affordable to Extremely-Low, Very-Low, Low- and Moderate-Income households (as detailed in Figure A above). Figure D shows the City's annual production of Extremely Low, Very Low, and Low-Income housing which remained well below the annual goal. The City exceeded the year's moderate-income goal. Of the total affordable homes that received building permits, 146 are deed-restricted for long-term affordability while 1,300 may be counted as affordable to moderate-income households based upon current market conditions.¹¹ Although it should be noted, that it is uncertain how long the units will remain affordable to moderate-income households because of the lack of restrictions that require that the units remain affordable over time. **Attachment C** provides a detailed description of the methodology staff used for the moderate-income analysis, as allowed by HCD. This is the same methodology used for the 2017 Annual Progress Report which was accepted by HCD. The increase is likely due in part to several large developments in downtown.

In 2018, 190 building permits were issued for accessory dwelling units (ADUs). This is nine times higher than the 21 ADU permits issued in 2014, indicating the positive impact from changes to State and local regulations of ADUs. In 2018, ADUs were counted in the "above moderate-income" category because staff did not have data on the rents homeowners intend to charge or whether ADUs would be used for family members. However, it is likely that some ADUs will be affordable to moderate-income households. If initial rents data can be collected in future years, staff will accordingly reflect those ADUs under moderate-income units.

¹¹ HCD guidelines indicate that where actual rent information is unavailable, permitted units can be counted in the moderate-income category based on market conditions.

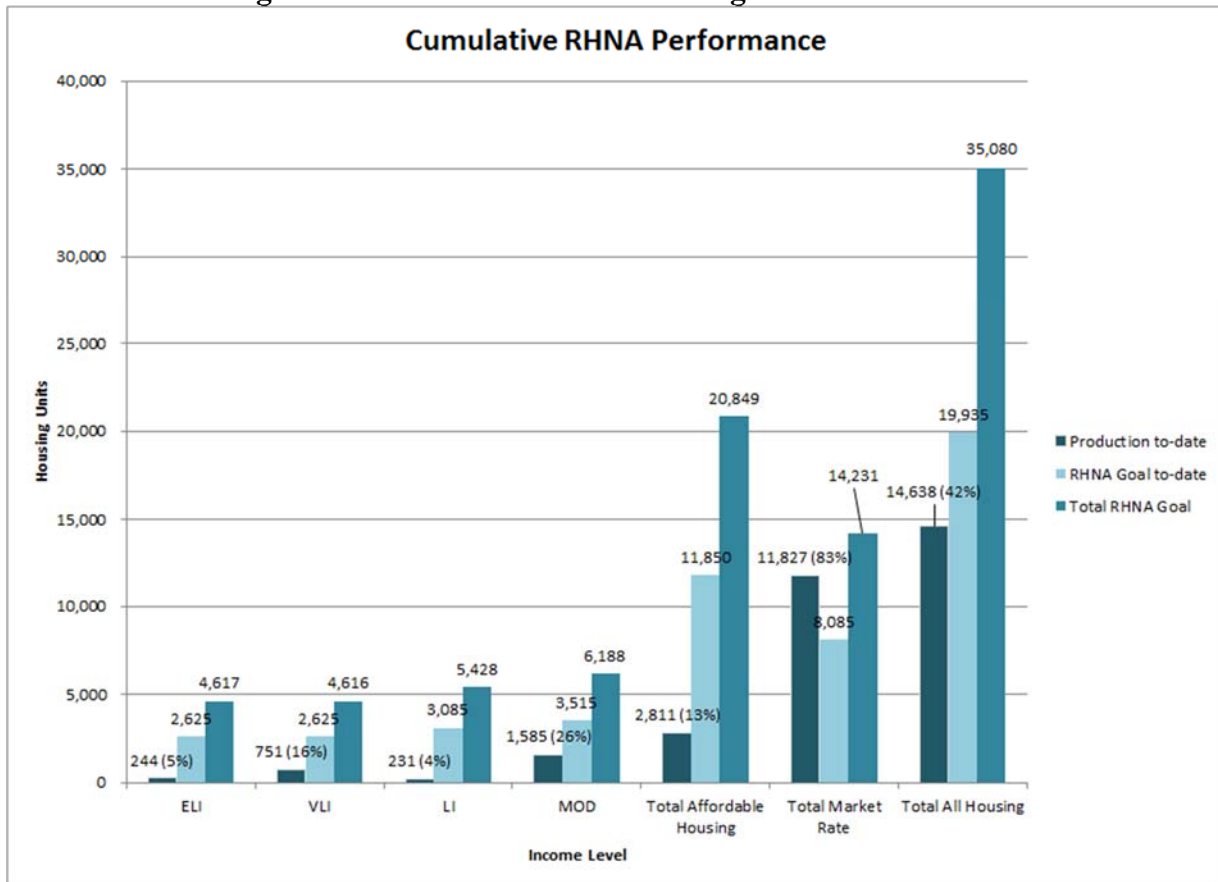
Figure D – Calendar Year 2018 RHNA Building Permit Performance



Summary of Cumulative Building Permits (2014-2018)

Figure E compares the City’s performance to date with the overall goal for the current RHNA cycle (2014 – 2018). During the first five years of the 8.8-year RHNA projection period, the City has met 83% of its market rate housing goal and 13% of its affordable housing goal. The chart indicates that San José is ahead of schedule in delivering market rate housing and behind schedule in delivering all income levels of affordable housing.

Figure E – 2014-2022 RHNA Building Permit Performance



Building Permit Type and Location

Over 80% of the 2018 building permits were for multifamily buildings, 9% were for single family attached, 6.5% were for accessory dwelling units, 3.8% were for single family detached, and 0.3% were for 2- to 4-unit buildings. **Attachment D** is a map that shows where different types of building permits were located. The map shows that multifamily projects were clustered primarily in growth areas in Downtown and south of Downtown (Council Districts 3 and 7). Accessory dwelling units were somewhat scattered throughout the City with higher concentrations in Council Districts 1, 3, and 6.

Certificates of Occupancy

There were 827 units that received certificates of occupancy in 2018. Of these, 827 were market-rate and 30 were affordable. Details on certificates of occupancy can be found in **Attachment C, Table A2**.

Progress on Programs and Policies

In addition to reporting on housing production, HCD requires annual updates on the City's programs and policies that support housing production. **Attachment B, Table D** provides a comprehensive progress update.

Units Rehabilitated, Preserved and Acquired

Attachment B, Table F summarizes the units that were preserved or rehabilitated in 2018. While preservation and rehabilitation does not count toward RHNA production goals, it is important to note that the City took action to extend affordability restrictions on 340 apartment units and helped fund the rehabilitation of 969 income-restricted affordable apartment units.

Units Lost to Expiring Affordability Restrictions

Foxchase Drive Apartments consists of 144 units, of which 29 units were subject to a regulatory agreement and deed restricted for Very-Low-Income households. This affordability restriction expired in November 2017 and the residents were notified of this expiration on March 30, 2018. The property owner voluntarily agreed to give existing residents twelve months' notice before rents increased to market rate. Although rental assistance payments of 3-5 months were offered as assistance to the existing tenants, these 29 deed restricted apartments will cease to be affordable after March 2019.

New Funding and Strategies

In response to the housing crisis, State lawmakers have passed several important pieces of legislation that will assist cities in addressing affordable housing needs. AB 1505 (2017) allows San José to fully implement its Inclusionary Housing Ordinance for both rental and ownership developments and became effective January 1, 2018. SB 2 (2017) will generate on-going funding from real estate transfer taxes, and SB 3 (a.k.a. Proposition 1) was approved by the voters in 2018 and will generate \$4 billion for affordable housing and veterans' loan programs. Santa Clara County's Measure A (2016) is making available \$950 million for affordable housing. In early 2019, Governor Gavin Newsom proposed a State budget that would allocate 1.7 billion dollars in one-time and ongoing funding to build affordable and moderate-income housing and to respond to homelessness.

Several years ago, the Bay Area's Metropolitan Transportation Commission (MTC) created a blue ribbon committee known as CASA to develop a comprehensive strategy to address the region's housing crisis. The strategy was released in late 2018 and calls for a package of State laws that would further protect tenants, remove barriers to housing production, increase funding, and coordinate lending, reporting, and technical assistance in a regional body.

On June 12, 2018, the City Council directed staff to implement a Housing Crisis Response Workplan. The plan is centered around Mayor Liccardo's goal to build 15,000 market-rate units and 10,000 affordable units over five years. The plan also calls for a series of policies and programs to help achieve production goals while minimizing residential displacement. A status

update on the Housing Crisis Response Workplan was provided at the Community and Economic Development Committee on February 25, 2019, and is planned for the Housing and Community Development Commission on March 14, 2019 and the City Council on March 19, 2019.

Finally, in 2018, the City issued a \$100 million Notice of Funding Availability (NOFA). The NOFA will support 11 proposed developments that will add 1,144 new affordable apartments at varying affordability levels including permanent supportive housing for the homeless. The Housing Department intends to provide an update on its Affordable Housing Investment Plan to the Community and Economic Development Committee on March 25, 2019. The Plan includes information about the City's affordable housing pipeline with estimates on the amount of federal, State, regional, and local funding that will be available for the construction of affordable housing in San José.

With the above funding increases, strategies, and policy changes, it is very likely the City will see a boost in affordable housing production for the next several years. However, without additional funding, the City will continue to fall short in meeting both its RHNA and 10,000 affordable unit production goals. At \$125,000 in subsidy per unit, the City would need an additional \$548.1 million in order to fund the balance of 4,385 units needed to meet the 10,000 affordable unit goal.

Housing Successor to Redevelopment Agency Annual Report

The Housing Successor to the Redevelopment Agency Annual Report for Fiscal Year 2017-18 (Housing Successor Report) is included as **Attachment D**. As mentioned previously, the Successor Report is required to be submitted with the Annual Housing Element Progress Report. The City is the Housing Successor for the former Redevelopment Agency. The Housing Successor Report provides information on receipts and expenditures in the Low and Moderate Income Housing Asset Fund (LMIHAF), which contains repayments of loans made with original redevelopment 20% funds.

The Housing Successor Report shows that the City had \$670,377,920 in LMIHAF assets at the end of the fiscal year. The City's major asset is loan repayments from loans originated with 20% redevelopment funds for affordable housing, now known as the Low and Moderate Income Housing Asset Fund (LMIHAF). Besides information on aggregate expenditures, the document includes several expenditures "tests" that the Housing Successor must meet. The "Excess Surplus Test" requires that the Housing Successor cannot have unencumbered funds that exceed the aggregate amount deposited into the fund during the preceding four fiscal years. The Report indicates that the aggregate amount during the four prior years was \$121.2 million. The unencumbered amount is currently \$115.8 million of which \$63 million will be deployed through the City's Notice of Funding Availability issued in August, 2018. Therefore, the Housing Successor meets this test because the balance does not exceed the aggregate amount deposited for the test period. If a Housing Successor fails to meet the excess surplus test, it may be required to transfer excess LMIHAF funds to HCD.

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Redevelopment law places a limit on the amount of funds that can be spent on affordable housing for senior citizens. If this percentage exceeds 50% of units funded over the last ten years, the Housing Successor cannot expend future LMIHAF funds on new senior housing until the Housing Successor or City has reduced this percentage to 50% or below. The Report indicates that only 25% of expenditures over this period went to fund senior affordable housing. Therefore, the Housing Successor meets the “senior housing test” and can continue to fund senior affordable housing developments with LMIHAF funds.

Redevelopment law also requires at least 30% of LMIHAF funds to be expended for the development of rental housing affordable to extremely low-income households earning less than 30% of the area median income and that no more than 20% of LMIHAF can be expended for households earning between 60-80% of area median income. This information is not required to be reported until 2019 for the 2014-2019 period.

EVALUATION AND FOLLOW-UP

After the City Council accepts the Annual Progress Report and the Housing Successor Report, staff will submit the approved document to HCD and the Governor’s Office of Planning and Research by the State-mandated April 1, 2019 deadline.

PUBLIC OUTREACH

The individual City programs and projects described in the attachments have had appropriate public outreach pursuant to City Council policy.

COORDINATION

This memorandum was coordinated with the City Attorney’s Office and the City Manager’s Budget Office.

COMMISSION RECOMMENDATION/INPUT

This report will be presented to the Housing and Community Development Commission on March 14, 2019.

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FISCAL/POLICY ALIGNMENT

The current certified Housing Element aligns with the City's federal Consolidated Plan. In addition, it aligns with the Housing Department's Affordable Housing Investment Plan which prioritizes funding commitments towards the production of affordable housing. The construction of ELI housing aligns with the regional "All The Way Home" campaign to end veterans' homelessness in Santa Clara County, as well as the Community Plan to End Homelessness.

Additionally, as one of the central elements of the City's General Plan, the Housing Element is consistent with the General Plan's Major Strategies, goals, policies, and action items to increase, preserve, and improve San José's affordable housing stock.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/

ROSALYNN HUGHEY, DIRECTOR

Planning, Building and Code Enforcement Department

/s/

JACKY MORALES-FERRAND, DIRECTOR

Department of Housing

For planning-related questions, please contact Jared Hart, Division Manager at (408) 535-7896. For housing-related questions, please contact Adam Marcus, Manager of Policy and Planning at (408) 975-4451.

Attachment A: CoStar Building Class Definitions

Attachment B: San José Housing Element Annual Progress Report for CY 2018 (Tables A-F)

Attachment C: Methodology for Moderate Income Unit Analysis CY 2018

Attachment D: Map of Building Permits Issued CY 2018

Attachment E: Housing Successor Annual Report FY 2017-2018

Attachment A

Costar definitions for Building Class:

Class A: In general, a class A building is an extremely desirable investment-grade property with the highest quality construction and workmanship, materials and systems, significant architectural features, the highest quality/expensive finish and trim, abundant amenities, first rate maintenance and management; usually occupied by prestigious tenants with above average rental rates and in an excellent location with exceptional accessibility. It may have been built within the last 5-10 years, but if it is older, it has been renovated to maintain its status and provide it many amenities.

Class B: In general, a class B building offers more utilitarian space without special attractions. It will typically have ordinary architectural design and structural features, with average interior finish, systems, and floor plans, adequate systems and overall condition. It will typically not have the abundant amenities and location that a class A building will have.

Class C: In general, a class C building is a no-frills, older building that offers basic space. The property has below-average maintenance and management, a mixed or low tenant prestige, and inferior elevators and mechanical/electrical systems.

Class C: In general, a class C building is a no-frills, older building that offers basic space. The property has below-average maintenance and management, a mixed or low tenant prestige, and inferior elevators and mechanical/electrical systems.

Class F: A functionally or economically obsolete building is one that does not offer a viable alternative for space and does not "compete" with others of similar type for occupancy by businesses seeking a location for operations. These buildings will usually have externally visible physical or structural features as well as internal ones that render it undesirable to be leased and therefore not competitive with any other properties in the market. The property may even be tagged as "Condemned" by the local authorities.

Source: CoStar, February 26, 2019

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

(CCR Title 25 §6202)

Jurisdiction	San Jose	
Reporting Year	2018	(Jan. 1 - Dec. 31)

Note: + Optional field

Cells in grey contain auto-calculation formulas

Table A

Housing Development Applications Submitted

Project Identifier				Unit Types		Date Application Submitted	Proposed Units - Affordability by Household Incomes							Total Approved Units by Project	Total Disapproved Units by Project	Streamlining	Notes		
1				2	3	4	5							6	7	8	9	10	
Prior APN*	Current APN	Street Address	Project Name*	Local Jurisdiction Tracking ID*	Unit Category (SFA,SFD,2 to 4,5+,ADU,MH)	Tenure R=Renter O=Owner	Date Application Submitted	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Total PROPOSED Units by Project	Total APPROVED Units by project	Total DISAPPROVED Units by Project (Auto-calculated Can Be Overwritten)	Was APPLICATION SUBMITTED Pursuant to GC 65913.4(b)? (SB 35 Streamlining)	Notes*
Summary Row: Start Data Entry Below							538		140					4881	5559		1		
	47226090	600 S 1ST ST	SP18-001 - Garden Gate Tower		5+	R	Jan 09, 2018							290	290				
	61230013	1360 FLEMING AV	CP18-003		SF	O	Jan 30, 2018							1	1				
	30502001	1495 S WINCHESTER	PD18-003		5+	R	Jan 30, 2018							46	46				
	25931071	255 W JULIAN ST	SP18-009 - Davidson Plaza Towers		5+	R	Feb 07, 2018							653	653				
	29920032	1118 STARBIRD C	H18-013		5+	R	Mar 22, 2018							1	1				
	25940043	27 S 1ST ST	SP18-016_27 WEST		5+	R	Mar 29, 2018							374	374				
	58351007	7289 VIA BREZZO	PDA84-126-34		SF	O	Apr 16, 2018							1	1				
	26431109	0 BALBACH ST	SP18-024: Balbach Affordable Housing		5+	R	May 03, 2018	18		68				1	87				
	26138004	0 MCEVOY ST	SP18-059		5+	R	May 10, 2018	286		72					358				
	46730046	49 S 20TH ST	H18-022		5+	O	May 21, 2018							8	8				
	27740017	358 HATTON ST	PDA15-066-01		5+	R	Jun 05, 2018							42	42				
	25935033	51 NOTRE DAME	H18-025		5+	R	Jun 05, 2018							220	220				
	26430034	477 S MARKET ST	H18-026		5+	R	Jun 07, 2018							130	130				
	45526007	829 HILLSDALE AV	CP18-019		5+	O	Jun 13, 2018							6	6				
	27724002	1605 PARKMOOR	SP18-031		5+	R	Jun 18, 2018							29	29				
	28226007	1330 S BASCOM AV	PD18-015 Bascom Gateway Station		5+	R	Jun 19, 2018							590	590				
	69025021	397 BLOSSOM HIL	CP18-022: Blossom Hill Affordable Senior Housing		5+	R	Jun 26, 2018	147							147				
	29916001	4146 MITZI DR	SP18-033 - Mitzi Place		5+	R	Jun 28, 2018							50	50				
	48112069	1663 ALUM ROCK	PD18-016		5+	R	Jun 29, 2018							121	121				
	48107016	0 JOSE FIGUERES	CP18-026 SiliconSage		5+	R	Jun 29, 2018							738	738				
	25928028	292 STOCKTON A	PD18-035_292 Stockton Hotel		5+	O	Aug 07, 2018							19	19				
	68015026	5611 ALGONQUIN	PD18-036		SF	O	Aug 27, 2018							1	1				
	26127094	1384 MARIPOSA A	SF18-034		ADU	R	Aug 28, 2018							1	1				
	27734051	2881 HEMLOCK A	PD18-037		5+	R	Sep 12, 2018							48	48				

ANNUAL ELEMENT PROGRESS REPORT Housing Element Implementation

(CCR Title 25 §6202)

This table is auto-populated once you enter your jurisdiction name and current year data. Past year information comes from previous APRs.
Please contact HCD if your data is different than the material supplied here

Jurisdiction	San Jose	
Reporting Year	2018	(Jan. 1 - Dec. 31)

Table B													
Regional Housing Needs Allocation Progress													
Permitted Units Issued by Affordability													
		1	2									3	4
Income Level		RHNA Allocation by Income Level	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total Units to Date (all years)	Total Remaining RHNA by Income Level
Very Low	Deed Restricted	9233	345	314	190	146						995	8238
	Non-Deed Restricted												
Low	Deed Restricted	5428	231									231	5197
	Non-Deed Restricted												
Moderate	Deed Restricted	6188			285	1300						1585	4603
	Non-Deed Restricted												
Above Moderate		14231	5904	1774	2622	1527						11827	2404
Total RHNA		35080											
Total Units 44			6480	2088	3097	2973						14638	20442

Note: units serving extremely low-income households are included in the very low-income permitted units totals
Cells in grey contain auto-calculation formulas

ANNUAL ELEMENT PROGRESS REPORT
Housing Element Implementation
 (CCR Title 25 §6202)

Jurisdiction	San Jose
Reporting Year	2018 (Jan. 1 - Dec. 31)

Note: + Optional field
 Cells in grey contain auto-calculation formulas

Table C																	
Sites Identified or Rezoned to Accommodate Shortfall Housing Need																	
Project Identifier				Date of Rezone	Affordability by Household Income				Type of Shortfall	Sites Description							
1				2	3				4	5	6	7	8		9	10	11
APN	Street Address	Project Name*	Local Jurisdiction Tracking ID*	Date of Rezone	Very-Low Income	Low-Income	Moderate Income	Above Moderate - Income	Type of Shortfall	Parcel Size (Acres)	General Plan Designation	Zoning	Minimum Density Allowed	Maximum Density Allowed	Realistic Capacity	Vacant/Nonvacant	Description of Existing Uses
Summary Row: Start Data Entry Below																	

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

(CCR Title 25 §6202)

Jurisdiction	San Jose	
Reporting Year	2018	(Jan. 1 - Dec. 31)

Table D			
Program Implementation Status pursuant to GC Section 65583			
Housing Programs Progress Report			
Describe progress of all programs including local efforts to remove governmental constraints to the maintenance, improvement, and development of housing as identified in the housing element.			
1	2	3	4
Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
Increase, Preserve, and Improve the Supply of Affordable Housing			
<i>Programs & Funding</i>			
1. Continue Predevelopment Loan and Project Development Loan Programs.			
	Review City's existing Income Allocation Policy and update as necessary to provide a funding framework for income categories.	2015-16	In mid 2018, the City Council approved the Housing Department's new Affordable Housing Investment Plan which defined uses for its funds. Priorities include both creation of new permanent supportive apartments for the homeless, non-homeless units in mixed-population projects, and traditional tax credit projects. The Department issued a \$100 million Notice of Funding Availability which defined target affordability levels. Given that the vast majority of the Department's funding is governed by specific State law on the restrictions associated with the reuse of program income from former 20% redevelopment funds, a new Income Allocation Policy is not anticipated. Rather, periodic Housing Investment Plans will define Council-approved priorities for expenditures.
	Continue to provide predevelopment loans to	Annual, ongoing	The Housing Department is encouraging affordable housing developers seeking predevelopment

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Continue to provide land acquisition, construction, and permanent financing for the development of new affordable homes and the acquisition/rehabilitation of existing rental housing for affordable homes pending availability of funds.	Annual, ongoing	In 2018, staff obtained City Council approval to fund approximately \$12M for acquisition, construction, and permanent loans and grants to support the creation of 80 new affordable homes. In 2018, the City also issued \$350M in tax-exempt bonds to support rehabilitation and refinancing of existing rental complexes totaling 700 affordable apartments.
2. Maximize revenues from the City's loan portfolio.			
	Maximize City revenues and residual receipts	Ongoing	Residual receipts increased by 26% from 2017 to 2018 for a total of \$15.8MM. Organizational
3. Facilitate affordable housing deals that require no City subsidies.			
	Facilitate mixed income deals. Facilitate 9% and 4% tax credit/bond developments.	Ongoing	It is the Housing Department's goal to review and modify the City's multifamily revenue bonds policy before or during the Fall of 2019. The Housing Department will engage with affordable housing developers, financial institutions, and other stakeholders with the goal of updating the bonds policy to increase the supply of affordable housing in San Jose.
4. Implement the City's Housing Impact Fee Program.			

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Develop and implement the Housing Impact Fee Program by the effective date.	2016	<p>Following the passing of State legislation (AB 1505) in 2017, the San Jose City Council took specific actions to clarify the transition from the Affordable Housing Impact Fee (AHIF) to the Inclusionary Housing Ordinance (IHO) on May 8, 2018. As a result rental development projects with 20 or more units that are submitted after June 30, 2018 will be considered under the IHO. The AHIF Program is still applicable to rental developments with 3-19 units. AHIF implementation is currently underway with:</p> <ul style="list-style-type: none"> - 2 projects (3-19 rental units) also known as small rental projects, have submitted their Affordable Housing Compliance Plans and plan to pay AHIF prior to issuance of their building permits. - 19 projects (20 or more units) also known as Transition projects, have submitted their Affordable Housing Compliance Plans and plan to pay AHIF prior to issuance of their building permits. These projects must obtain building permits by June 30, 2020 in order to remain under the AHIF, otherwise they will become subject to the IHO. - 8 projects (with 20 or more units) that are planning to be Downtown High-Rises and thus are eligible for a term limited exemption, have submitted their Affordable Housing Compliance Plans. They plan to record an Affordable Housing agreement to defer payment of their AHIF to Certificate of Occupancy. If these Downtown High-Rises receive 100% of their Certificates of Occupancy by June 30, 2021, they will be exempt from paying AHIF. - 5 projects (with 20 or more units) that are planning to be 100% affordable, have submitted their Affordable Housing Compliance Plans and plan to provide an Affordability Restriction that will fulfill their AHIF requirement prior to issuance of their building permits.

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Utilize the fees generated to finance the development of housing that is affordable to the workforce.		<p>To date, approximately \$1.6 million in Affordable Housing Impact Fees have been paid. The AHIF resolution provided a grandfathering provision (Pipeline Exemption) open to projects with approvals completed before June 30, 2016. A development will be exempted from the fee if the development receives its Certificate of Occupancy for buildings containing at least 50% of the declared units prior to January 31, 2020.</p> <ul style="list-style-type: none"> - 17 developments remain eligible for the pipeline exemption as of 2018, revising the estimated value of the exempted fee revenue for these developments to total: \$62 million. - Staff will check in with the remaining Pipeline Exempted projects again during their Annual Monitoring Fee process (scheduled for August 2019). - Staff issued a Notice of Funding Availability (NOFA) at the end of 2018 for affordable development projects and plans to conclude the selection process in 2019.
5. Acquire land for residential development, especially near transit for the development of low- and moderate- income housing.			
	Utilize resources to acquire land	Annual, ongoing	In 2018, the City issued a Notice of Funding Availability for \$100M in City funds for the development of new affordable housing including transit oriented development. The NOFA will create over 1,100 new affordable apartments.
	Partner with transit agencies such as VTA and BART to explore and facilitate transit-oriented development (See workplan item #15)	Annual, ongoing	VTA selected a developer team to build up to 440 housing units and commercial at the Tamien Light Rail and Caltrain Station. 20% of the apartments will be affordable per VTA's joint development policy. VTA continues to engage with the community and the City on several other TOD projects on the Santa Teresa light rail line.
	Explore the creation of a land bank to ensure the creation of affordable housing within Urban Villages.	2016-17	Examining a potential land acquisition loan fund is in the Housing Department's direction from the City Council as part of its Housing Crisis Response workplan. Given the very high land costs present in the market at this time, this does not appear to be a advisable strategy. Staff will report back to City Council in the coming year on this analysis. Staff will also continue to explore Community Land Trusts feasibility as another way to acquire and hold sites for affordable housing.
	Explore partnerships such as Community Land Trusts to facilitate acquisition of land.	2016-17	The City continues to explore CLT through participation in the PolicyLink anti-displacement network. The City's advisory group on the Diridon Station Area development also identified CLTs as a potential strategy. In addition, the Silicon Valley Community Foundation identified this as a priority and began exploring it in 2018 with regional partners including the City of San Jose Housing Department.
6. Advance Inclusionary Housing Programs			

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Continue to defend the Citywide inclusionary housing ordinance in court. Continue to implement the City's existing inclusionary housing policy on for-sale projects in former redevelopment areas.	Ongoing	<p>In 2018, staff continued to implement the City's Inclusionary Housing Ordinance (IHO). Staff implemented requirements for newly-filed for-sale projects after the "Grace Period" ended for developments obtaining all needed Planning Permits prior to June 30, 2016.</p> <ul style="list-style-type: none"> - 4 developments were deemed eligible for the IHO Grace Period. These 385 units would have generated \$12.8 million in in-lieu fees. - 3 projects are subject to the Inclusionary Housing Policy and are expected to generate \$24.1 million in in-lieu revenue. \$1.36 million was paid 2018. - As a result of the passing of AB 1505 (2017), the IHO will automatically cover new first approvals for residential rental projects for which applications for first approval are submitted after June 30, 2018. New rental developments will transition from being subject to the City's AHIF Program to the IHO. - Housing staff plans to return to City Council in 2019 to potentially look at lowering the threshold unit requirement of the IHO and incorporating the AHIF program so that San Jose has one IHO program applicable to both rentals and for-sale projects.
7. Increase supply of permanent supportive housing for homeless individuals.			
	Explore all opportunities to create homeless apartments with supportive services within the City.	Annual, ongoing - D3	Since the start of 2016, the City has committed funding for 532 units of housing for homeless individuals; the City, County and Housing Authority meet regularly to coordinate investments and progress.
8. Preserve existing deed-restricted multifamily rental homes.			
	Develop a funding framework to guide the allocation of resources between the production of new affordable homes or the preservation of existing affordable homes.	2015-16	As local Measure V, which would have provided \$450 million in resources for affordable housing, did not pass on the November 2018 ballot, the City has continued to prioritize available funds for the creation of new or newly-affordable homes. This aligns with the City Council's direction in 2018 to create 10,000 new affordable homes over a five-year period. To support production, the Department has developed new underwriting guidelines for the funding of new projects as well the refinancing of existing properties. The Department has drafted and will finalize guidelines for transactions on existing portfolio assets.
	Fund the extension of the affordability restrictions for existing multifamily affordable homes pending funding availability.	Ongoing	Staff has extended and strengthened affordability restrictions for 10 developments with 1,332 units without additional City funding.

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Monitor at-risk units and upon notification outreach with landlord, tenants, and qualified entities to assist with funding preservation of existing homes.	Ongoing	The City currently monitors its portfolio to identify at-risk projects and evaluates alternatives for extending affordability restrictions through negotiations with the borrower. This is pursued on a case by case basis.
	Explore and establish an outreach and tenant education program.	2015-16	For projects in the portfolio for which an extension of affordability restrictions cannot be negotiated, the City will work with borrowers to ensure that a satisfactory transition plan for existing residents is implemented. This is pursued on a case by case basis.
9. Continue parkland fee reduction for new affordable housing development.			
	Continue to charge affordable housing developers a lower rate under the Parkland Dedication Ordinance (PDO) and Park Impact Fee (PIO) for new affordable housing developments.	Ongoing	The Housing Department regularly works with affordable housing developers to ensure that they receive the PDO-PIO fee reduction on their developments. No changes have been proposed to this program.
10. Shape national, state, regional and local programs, policies and regulations to facilitate affordable housing development.			
	Help shape the National Housing Trust Fund, GSE reform, tax reform and other Federal policies that create funding for affordable housing development.	Ongoing	In January, 2019 the White House announced plans to reform Fannie Mae and Freddie Mac and the nation's housing finance system. City staff will continue to monitor this. City staff have also been closely following the rollout of the Federal IRS Opportunity Zone program. San Jose has 11 Opportunity Zones. It is not yet clear if this program will provide meaningful incentives for the production of affordable housing. Finally, staff has accommodated the effects of tax reform into its tax credit financed transactions, and incorporated this into analysis for potential programs.
	Shape cap and trade implementation.	Ongoing	Completed. In 2017 and 2018 Housing staff attended AHSC information workshops and provided feedback on the program. The City has partnered with affordable housing developers on three applications, of which two have been awarded. The City intends to submit an additional three applications in early 2019 to build affordable housing, bike and pedestrian infrastructure, and urban greening improvements.
	Shape permanent source to replace lost State bond funding that was depleted.	Ongoing	Completed. Staff provided input to industry advocates that informed the formula for SB 2 (The Building Homes and Jobs Act) that was successfully passed as part of the Housing Legislation package in 2017. The new law uses a CDBG-based funding formula for the funding that will be directed to local governments starting in 2019. This is consistent with the City's input.

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Support new tools that replace Redevelopment Agency Low/Moderate Income Housing Funds including Infrastructure Financing Districts.	Ongoing	In 2018, several tax increment bills for affordable housing were introduced. The City will track these bills as they move through the legislative process. The new Governor has deemphasized the likelihood of a new redevelopment program for 2019.
11. Advance collaborative solutions to address housing needs.			
	Work collaboratively with other City departments, local jurisdictions and working groups such as the Santa Clara CDBG Grants Management Group, Regional Housing Working Group, ABAG/MTC's One Bay Area Plan, Regional Prosperity Plan, Santa Clara Association of Planning Officials, and other initiatives.	Ongoing	San Jose's Housing Director served on the MTC Committee to House the Bay Area (CASA) technical advisory committee which completed its work in December, 2018. CASA seeks to build an actionable political consensus around increasing housing production, preserving existing affordable housing and protecting vulnerable populations from housing instability and displacement. The Mayor of San Jose also served as a key member of the CASA board. City staff and selected Council members worked on potential subregional Regional Housing Needs Allocation strategy together with the Cities Association of Santa Clara County. The Department's Homelessness Response and Grants teams regularly coordinate homeless funding strategies with the County of Santa Clara staff and other members of the local CoC. The City's Housing Director meets quarterly with Housing Directors from Oakland and San Francisco. Staff also continue to interface with many regionally-focused housing organizations including Destination Home, VTA Land Use and Transportation Initiatives Working Group, NPH Legislative Committee, Santa Clara CDBG Grants Management Group, SV @ Home, Santa Clara County Office of Supportive Housing, Santa Clara County Housing Authority, the Cities Association of Santa Clara County, the League of California Cities, Working Partnerships, and the Law Foundation of Silicon Valley.
Potential Actions			
12. Advance regional solutions to address housing needs.			
	Explore creation of regional body or formal collaboration to make more efficient use of limited resources, maximize the delivery of affordable housing, or respond to homelessness.	Ongoing	At the end of 2018, MTC released the Committee to House the Bay Area (CASA) Compact, a package of policies to confront the housing crisis in the Bay Area and Statewide. Element #10 calls for the establishment of a Regional Housing Enterprise to implement CASA, track displacement and development, provide incentives and technical assistance. The state legislature is expected to introduce bills that implement the CASA Compact.

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Explore strategies to facilitate a more balanced regional distribution of affordable housing production.		The City of San Jose agreed to participate in Regional Housing Needs Allocation (RHNA) Sub region with other Cities in Santa Clara County. This will provide opportunities for communication and could lay the groundwork for future cooperation on the location of new housing development. In addition, Mayor Liccardo continues to advocate for a regional commercial linkage fee.
13. Coordinate and implement housing policies and goals contained in the City's housing plans.			
	Develop a Housing Element, Consolidated Plan and 5-Year Investment Plan with goals and measurable actions that are consistent with each other.	2015	The State-mandated Housing Element was certified by HCD in April 2015, and federal Consolidated Plan was submitted in May 2015. The City's 2017/2018 - 2021/2022 Affordable Housing Investment Plan was approved by the City Council on June 6, 2018.
14. Coordinate with Valley Transportation Authority (VTA) on transit- oriented development activities.			
	Explore ways to facilitate transit-oriented affordable housing development near BART, Light Rail, and Bus Rapid Transit (BRT) stations, including identification of opportunities to develop parcels owned by either agency with affordable housing.	Ongoing	VTA is moving forward with over 100 affordable apartments near its Tamien Light Rail Station and is conducting due diligence on 8 additional station areas. City staff worked actively with VTA and the identified developer for Tamien on potential collaboration and implementation of the City's forthcoming tenant preference policies. VTA has also released RFPs for development of Alder Station, Blossom Hill Station, Curtner Station, and Milpitas Transit Station. In addition, RCD is developing Quetzal Gardens, a 100% affordable housing development adjacent to the 522 Bus Rapid Transit stop. City staff are funding the affordable units at Quetzal and considering ways to fund a portion of its commercial space buildout.
<i>Housing Planning Tools</i>			
15. Develop and Implement Urban Village Plans			
	Explore various funding mechanisms and programs to help finance infrastructure and amenities for Urban Villages.	Annual, ongoing	The City Council accepted an Urban Village Implementation Framework in December 2017. Updates to Implementation Chapters for Little Portugal, Roosevelt Park, Five Wounds, and 24th & William Urban Village Plans were approved by Council in December 2018 to include financing and implementation tools to construct identified improvements.

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Complete and/or implement Urban Village plans for The Alameda, West San Carlos, South Bascom, and Diridon Station.	2015-16	The Alameda Urban Village Plan was adopted by the City Council in December 2016. The West San Carlos and the South Bascom Urban Village plans were adopted on May 8, 2018. The City recently kicked off work on the Diridon Integrated Station Concept Plan and is working with Google on a master plan for housing and commercial space in that area, including updates to the Diridon Station Area Urban Village Plan.
	Develop and implement additional Horizon 1 and other Horizon Urban Village Plans as appropriate.	2016-23	In 2018, the City Council adopted Urban Village Plans for South Bascom, West San Carlos, and East Santa Clara Urban Villages. The City Council also approved shifting North 1st St., Race St. Light Rail, Southwest Expressway, Alum Rock Ave., Stevens Creek Blvd., Santana Row/Valley Fair, Winchester Blvd., and South Bascom Ave. (North) Urban Villages from Horizons 2 and 3 into Horizon I.
	Annually and as part of the Four Year Major Review of the General Plan evaluate the Urban Village Strategy and modify the Strategy as appropriate and needed, to facilitate its successful implementation, and to evaluate and address constraints.	Annual, 2015-16 & 2019-20 (4 Year Major Review)	In late 2016, the City completed its first Four-Year Major Review of the General Plan. Changes included a goal that 25% of new housing in Urban Villages be affordable, allowing affordable housing to move forward ahead of market rate housing in Urban Villages, and allowing selected 1.5 acre commercial sites outside of Urban Villages to convert to mixed use affordable housing. In 2018, the City updated the criteria for affordable housing projects on selected 1.5 acre commercial sites outside of Urban Villages to be less restrictive. The City will begin the second Four-Year Major Review of the General Plan in fall 2019.
16. Maximize the City's competitiveness for external infrastructure funding to create complete, high quality living environments.			
	Continue to explore new funding sources for parks, transportation, and other types of infrastructure that favor cities with a demonstrated commitment to building affordable housing. Such programs include OBAG, Cap and Trade and other regional, state, and Federal programs.	Ongoing	Since 2011, the City has been awarded over \$106 M in State loans and grants to plan and build parks, transportation infrastructure, affordable housing and more. Ongoing eligibility for these grants would not be possible had the City not had a certified Housing Element and regularly submitted Annual Reports to HCD. In 2017, City staff partnered with a developer on San Jose's third Affordable Housing and Sustainable Communities (AHSC) funding application and the City intends to partner on three AHSC applications in 2018. In 2018 San Jose is partnering on three AHSC funding applications. San Jose also applied to Cal OES for nearly \$5M to retrofit soft story multifamily buildings.
17. Work with the private sector to help facilitate the development of affordable homes.			

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Adopt City-wide density bonus ordinance in compliance with updated State law offering specific incentives and concessions to encourage the construction of affordable homes while remaining sufficiently flexible to respond to market conditions across the City.	2015	City Council approved a citywide density bonus ordinance in May 2018 to implement State housing density bonuses and incentives law and provide affordable housing incentives consistent with the San José General Plan.
	Continue to negotiate developer agreements in exchange for "extraordinary benefits" including affordable housing.	Ongoing	The City is currently working with stakeholders on a development agreement with Google for the Diridon station area which is expected to incorporate strategies for affordable housing development and preservation.
18. Protect mobile home parks as a source of naturally affordable housing.			
	a. Explore the efficacy of the existing mobilehome conversion requirements and potential updates/responses in order to protect an appropriate supply of mobilehomes.	2015-16	Zoning Code amendments, and a new City Council Policy to enhance protection of existing mobilehome park residents were approved by Council in February 2016. In 2017, City Council approved General Plan text amendments to enhance goals and policies to protect mobilehome parks. In 2018, City Council approved additional General Plan text amendments related to housing preservation and rehabilitation and directed staff to begin work in 2019 on General Plan land use amendments on two mobilehome parks at risk of conversion.
19. Facilitate the increase of the supply of legal secondary units.			
	Consider amending the existing secondary unit ordinance to facilitate a larger supply of compact "naturally affordable" homes.	2015	In 2016 the City Council approved a secondary unit ordinance to loosen Zoning Code regulations and incorporate 2016 changes made to state law. City Council approved further changes to the Zoning Code in 2018 to enable more properties to qualify for secondary units and to ease requirements. These changes contributed to a spike in activity as the City issued 38 ADU building permits in 2016 and 190 in 2018.
	Develop and provide informational materials to inform homeowners of the development standards and the process for secondary unit approval and construction.	2015-16	Existing materials have been updated or replaced with new informational materials to reflect changes to inform homeowners of the development standards and the process for secondary unit approval and construction. A new webpage has been posted with the following URL: www.sanjoseca.gov/ADUs
20. Continue to ensure that existing redevelopment-assisted housing remains in compliance with long-term restrictions on rents and tenant incomes.			

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Continue to monitor redevelopment assisted homes for compliance with restrictions and other regulations.	Ongoing	The City currently monitors approximately 18,511 units of affordable housing for compliance with affordability restrictions. System capacity to measure non-compliance corrections has been developed and implemented to allow more effective and efficient compliance monitoring.
21. Continue to update the City's Zoning Code to facilitate housing at urban densities.			
	Evaluate and revise as appropriate Zoning Code to reduce parking ratios for Emergency Shelters, such as from 1 space for every 4 residents to 1 space for every 10 residents.	2015-16	Revisions to the Zoning Code were made in 2016 for parking ratios for Emergency Shelters to allow up to 100% reduction with approval of a Development Permit.
	Evaluate and modify existing or develop new Zoning Code to set appropriate parking ratios for developments in transit-rich or in urban/infill locations.	2015-17	Revisions to the Zoning Code were made in 2016 for Secondary Dwelling/Accessory Dwelling unit requirements to allow up to 100% reduction in proximity to transit or car-sharing in urban/infill locations. Additional changes to the Zoning Code were approved by City Council in 2018 to ease and clarify parking requirements for Secondary/Accessory Dwelling Units.
22. Assess development application and review process. Consider improvements as needed			
	Conduct an annual Customer Satisfaction Survey Study to measure satisfaction and to provide insight into how services can be improved.	Annual, ongoing	Based on customer feedback, staff has revised the Department's webpage, simplified applications, and expanded public information hours to make services more user-friendly.
Potential Actions			
23. Facilitate the development of Single Room Occupancy (SRO) buildings.			
	Modernize development standards for Single Room Occupancy (SRO) housing.	2015	Work on this item is in progress.
24. Minimize the impacts of condo-conversions on households.			

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Assess the rate of apartment to condominium conversions and impacts on the rental housing stock to determine if displacement is an issue.	2016-17	Work on this goal has not yet commenced due to higher priorities, as few condo conversions are occurring in our market.
	If displacement is identified as an issue, explore and establish policies and programs as appropriate to mitigate the potential impact on renters in the event of a condo-conversion.	2017-18	Work on this goal has not yet commenced due to higher priorities, as few condo conversions are occurring in our market.
Invest in Activities to End Homelessness			
25. Design, fund, and evaluate outreach, rapid rehousing, and supportive service programs for homeless individuals and families.			
	Continue to fund various nonprofit agencies that provide services to people who are homeless or at risk of becoming homeless. Funding includes but is not limited to programs geared toward preventing and ending homelessness, programs that permanently house homeless households with case management, one-time purchase of capital needs and equipment.	2017, Ongoing, Assess Annually	In 2018, the City dedicated over \$19M to support housing based solutions, including prevention, rental subsidies, supportive services, as well as crisis response interventions, including outreach and mobile case management, emergency shelter and mobile hygiene, to serve over 4,350 people experiencing homelessness in San Jose.
26. Implement master-lease program to provide transitional housing for homeless people in existing under-occupied hotels.			
	Revise Zoning Code to allow Hotel Supportive Housing as an incidental use to commercial hotels in non-residential zoning districts.	2014	Completed in 2014.
	Seek funding to begin implementation.		Completed in 2016.
27. Engage in regional homeless coordination, planning efforts, and other initiatives with external partner agencies.			

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	In cooperation with the County Destination: Home, and other community partners prepare and implement the new Community Plan to End Homelessness in Santa Clara County that focuses both on chronic homelessness as well as family and youth homelessness.	Ongoing	In February 2015, City Council endorsed the Community Plan to End Homelessness. The City continues to provide direct support and funding to the County Office of Supportive Housing as it assumed the role of Collaborative Applicant for the COC and centralized the operations of HMIS. In 2018, the City provided over \$1M to the County for services to support 180 chronically homeless individuals to maintain permanent housing. The City also partnered with Destination: Home with over \$1M to launch new systems for employment and preventing homelessness, with a focus on families.
	Continue work with the County - as the COC applicant - to develop and implement new community-wide standards to ensure compliance for funding associated with the Federal HEARTH Act.	Ongoing	All service contracts from the City included community-wide standards and metrics as adopted by the COC and tracked in the Countywide HMIS system. Additionally, the Housing Director serves on the COC Board and staff participates in all COC work groups, including a strong partnership with the County on the planning and implementation of the biennial Homeless Census and Survey.
28. Provide an encampment response to abate, prevent, or deter significant encampments that impact the health and safety of the community and homeless individuals.			
	Partner with the Water District and other interested parties to implement a plan to consistently clean up encampments, prevent re-encampments, and responsibly address with the housing needs and belongings of homeless residents.	Ongoing	In 2018, the City completed 628 clean-up activities removing approximately 955 tons of debris and hazardous waste from the waterways.
29. Research and explore potential alternative homeless housing and services options.			

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Examine an array of alternative housing options, including: tiny homes and other best practice or new housing and service models.	Ongoing	In 2018, the City implemented its first interim housing program at a rehabilitated hotel in downtown San Jose; the program at the Plaza Hotel is designed to assist individuals enrolled in a Rapid Rehousing Program with a temporary place to stay while they search for permanent housing. By the end of 2018, the program was 94% leased up and saw 11 participants exit to permanent housing. In December 2018, City Council directed the Housing Department to begin developing Bridge housing communities at two sites, each with 40 tiny homes for individuals with support services and shared common areas. A full scale prototype tiny home was displayed at City Hall on December 10, 2018. The City continued to support places of assembly, primarily faith-based organizations, to open their doors to provide emergency shelter through the Temporary and Incidental Shelter Program; the program provided over 50 additional beds in 2018. Lastly, the City continued to fund the Overnight Warming Locations, which allows four City-owned buildings to open their doors to homeless persons during periods of inclement weather. When the sites were open, they provided 120 additional emergency shelter beds in San Jose.
	Implement overnight safe parking program.	2018	In November 2018, the City implemented its first Safe Parking Pilot Program for families with a goal of moving them to permanent housing. Additionally, the City began developing an ordinance to allow those residing in their vehicles to park overnight in designated areas throughout San Jose.
	Implement hotel/motel master leasing and conversion - see goal #26 also	2017	In early 2018, the City began leasing up the Plaza Hotel as an interim housing program for those searching for permanent housing with a rental subsidy coupon.
30. Inform and engage the community around the issue of homelessness and how it impacts the City and its residents.			
	Develop ongoing community outreach through social and print media to provide comprehensive and consistent messaging on current services, outcomes, challenges, and long-term goals.	Ongoing	Staff made presentations at community groups, boards, neighborhood associations, and a variety of other public and private entities on the issues of homelessness, programming and affordable housing.
Promote Equitable Development			
31. Facilitate equal access to housing.			

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Update the Assessment of Impediments to Fair Housing.	2015	The Analysis of Impediments update was completed in April 2017. A robust process per federal and State law on an Assessment of Fair Housing will be performed in 2019-20 for the 2020-2025 Consolidated Plan.
	Continue to partner with nonprofit organizations to affirmatively further Fair Housing throughout the City.	Ongoing	The City provides CDBG funding to support the Fair Housing Consortium, a collaborative of five nonprofit agencies. In 2018, the Fair Housing Consortium provided services to 328 individuals, made 38 fair housing presentations to tenants and landlords, and conducted 43 fair housing investigations. Measured by pre and post-training surveys, 96% of participants reported an increase in familiarity with laws governing fair housing.
	Explore opportunities to increase public awareness of and access to fair housing information and resources.	2015-16	The Housing Department continues to attend community meetings to provide information and housing resources and will begin work in 2019 on a new Fair Housing plan using the Assessment of Fair Housing format as directed by California Assembly Bill 686 (Santiago).
	Review and revise as appropriate Zoning Code definition of Supportive Housing to clarify that Supportive Housing is a residential use subject only to those restrictions that apply to other residential dwellings of the same type in the same zone.	2015	Completed. The definition of Supportive Housing in the Zoning Code was revised in 2014.
32. Update the City's dispersion policy to align with the Envision 2040 General Plan.			
	Update the City's existing dispersion policy: 1) to align the location of future affordable housing with residential growth areas identified in the Envision 2040 General Plan; 2) to maximize the access of transit, retail, services, and amenities to affordable housing developments; and 3) to facilitate the development of diverse and complete communities.	2016	The Department's last NOFAs in 2016 and 2018 for new affordable housing defined siting requirements for projects that took the place of the City's previous dispersion policy and built on the federal housing vouchers' framework. The Housing Department plans to work on a revised policy in 2019 and will build on these criteria and the Department's anti-displacement analysis.
33. Protect the affordability of rental homes.			

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Assess the efficacy of the existing rent control ordinance as a tool for preserving the affordability of rental homes and the feasibility of strengthening the program.	2015-16	Complete. On November 14, 2017, the City Council approved a modified Apartment Rent Ordinance providing additional protections to tenants in San Jose. Additionally, in May 2017, an Ellis Act and Tenant Protection Ordinance were approved providing additional stability to tenants in San Jose. In November 2017, two additional phases of a staffing plan were also approved providing enhanced services to tenants and landlords.
	Review Rent Stabilization Program to determine opportunities for improvement.	2015-16	Complete
	Secure voluntary agreements for at least 75% of petitions within ordinance-required 30 day period.	Ongoing	In 2018, the City secured voluntary mutual agreements for 71% of the petitions filed.
	Explore and establish other preservation policies, programs, or tools as appropriate.	Annual, ongoing	Staff has initiated a preliminary research into potential preservation policies and programs through its Anti-Displacement research. The Housing Department intends to share a Citywide Anti-Displacement strategy in late 2019.
Potential Actions			
34. Consider proposed policies or ordinances to protect low and moderate income residents in market-rate and deed-restricted affordable housing from displacement.			
	Explore policy requiring tenant relocation benefits so displaced low and moderate income tenants in market-rate housing can find comparable and affordable housing in San Jose.	2017-18 - 2 current Ellis Act Ordinance Projects - Ongoing	In May 2017, the City Council approved an Ellis Act Ordinances. This ordinance requires extended noticing, relocation benefits, and recontrol requirements to owners who remove apartments from the rental market. This ordinance provides significant benefits to tenants facing displacement in San Jose.
	Explore other anti-displacement policies or programs, including financing, land use, and acquisition strategies.	Ongoing	San Jose was invited to join the PolicyLink Anti-Displacement Network to learn about additional tools and strategies to help prevent and mitigate the effects of residential displacement. Staff from Housing, PBCE, Council District 5 along with external partners have attended two conferences and monthly video conferences to learn about best practices in other Cities. Housing staff began outreach in late 2018 and will work with stakeholders to develop a comprehensive anti-displacement strategy by late 2019.
4. Create Healthy, Sustainable, Communities and Neighborhoods			
35. Increase the health and resilience of communities.			

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Develop partnerships, policies, and programs to increase access to healthy foods and health care resources, especially for lower-income and at-risk communities.	2015-17	In 2016-17, the Housing Department released an RFP to fund programs with CDBG funding to increase access to healthy foods for lower-income and at-risk communities. The Health Trust and the Portuguese Organization for Social Services & Opportunities (POSSO) were selected to provide meal access to seniors. In 2018, POSSO served 130 unduplicated clients and provided 5,823 meals to seniors. The Health trust served 131 unduplicated participants and provided 23,723 meals to seniors.
	Explore and establish as appropriate strategies to increase economic opportunities, self-sufficiency, and asset-building for households and communities.	Ongoing	The City released a new Request for Proposals for job training and job creation for homeless and youth. The Housing Department partnered with other City Departments, non-profits and community leaders to provide a variety of programs to link lower income residents to job opportunities. In 2018, Downtown Streets Team assisted 68 participants with job experience.
	Explore a "soft story" rehabilitation program to facilitate seismic retrofits of at-risk buildings.	2015-16	On June 28, 2018 staff received direction from the City Council to develop a mandatory multifamily soft story retrofit program. Staff expects to bring forward this framework in 2019. Staff applied for a Cal OES HMPG Project Grant in 2018 to assist with developing the program and potentially offset the cost of future retrofit projects. The application is still under review by FEMA. Staff expects to find out whether the grant is awarded in Winter 2019.

36. Enhance San Jose's place-based neighborhood strategies.

	Develop a strategic framework for neighborhood strategies that establishes investment criteria, priorities, goals, and metrics.	2015-16	In Process - The Department established guiding principles for neighborhood investment including 1)increase social capital 2)create economic resilience and 3)promote healthy communities. Goals and metrics are forthcoming.
	Implement the Community Improvement Program to provide enhanced inspection services to multi-family rental properties to arrest the decline and deterioration of aging housing stock and reduce blighted conditions within lower income neighborhoods within CDBG areas.	Ongoing	The Department Continues to fund enhanced code enforcement inspections in all multi-family apartments in the three current Place-based neighborhoods. The Housing Department has funded Somos Mayfair to provide services in place-based neighborhoods to increase social capital, create economic resilience, and promote healthy communities. Somos Mayfair has trained 266 individuals in leadership development, 10 individuals in a urban agriculture entrepreneur program, 55 individuals in non-profit & community leadership, and 29 individuals in child care provider business ownership.

37. Educate rental property owners on ways to better manage tenants and prevent crime.

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	Multiple Housing Inspection Program: this program issues permits of occupancy for all apartments, hotels/motels, guesthouses, residential care facilities, and fraternity/sorority houses. Code Enforcement Inspectors investigate complaints about substandard housing and conduct inspections.	Ongoing	In November 2015, Code Enforcement initiated a Code Connection Newsletter which offers building safety and code compliance tips to owners and managers. Printed newsletters are included in the twice-a-year Residential Occupancy Permit notifications. An electronic version of the newsletter is sent quarterly to subscribers.
	Vacant Neglected Building Program: this program monitors all identified vacant or neglected buildings so that they remain safe and secure until such time as they are rehabilitated and reoccupied. This proactive program reduces the risk of loitering, illegal occupancy, and fire hazards.	Ongoing	Code Enforcement offers classes to assist multi-family rental property owners and managers in improving housing conditions using best management practices. Classes are offered in February, March, April, May, September, October and November.
38. Continue robust code enforcement.			
	Multiple Housing Inspection Program: this program issues permits of occupancy for all apartments, hotels/motels, guesthouses, residential care facilities, and fraternity/sorority houses. Code Enforcement Inspectors investigate complaints about substandard housing and conduct inspections.	Ongoing	In January 2015, Code Enforcement implemented a 3-tier service delivery model providing more frequent proactive inspections of buildings with higher risk profiles. Inspections are conducted on a 3-year, 5-year or 6-year inspection cycle. Code Enforcement Inspectors also investigate complaints and ensure that violations are corrected.
	Vacant Neglected Building Program: this program monitors all identified vacant or neglected buildings so that they remain safe and secure until such time as they are rehabilitated and reoccupied. This proactive program reduces the risk of loitering, illegal occupancy, and fire hazards.	Ongoing	The Vacant Neglected Building Program registers buildings that meet the standards of SJMC 17.38. Staff prepares summary abatements as needed to secure vacant buildings, conducts monthly monitoring site visits and investigates complaints.

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
39. Continue to partner with the Responsible Landlord Engagement Initiative (RLEI).			
	Continue to support the collaboration of landlords, tenants, community leaders, elected officials, service providers and social justice advocates to identify solutions for longstanding issues with crime, safety, nuisance, gang activities, graffiti, abandoned cars, trash and more at residential properties.	Ongoing	In 2015, the nonprofit Housing agency NHSSV ceased operations. The City Housing Department provided financial assistance to the organization to facilitate a smooth dissolution and transfer of assets, including a City funded loans, loan pools and the RLEI program. In addition to facilitating the program transfer, the Housing Department provided a \$150,000 operating grant to Catholic Charities to administer the RLEI program for one year. The Housing Department is working with Catholic Charities to identify a long-term funding source. The City is currently funding RLEI through the 2018-2019 Fiscal Year.
	Staff from the Housing Department's Rent Stabilization Program will continue to attend RLEI meetings.	Ongoing - Meet on Thurs.	Rent Stabilization Program staff will attend RLEI meetings once they are reconvened.
40. Facilitate residential development that minimizes environmental impacts and operating costs.			
	Monitor availability of funding sources for energy and water efficiency measures.	Ongoing	The City's Environmental Services Department created an energy benchmarking program that was approved by City Council in late 2018. This requires medium and large commercial and residential building owners to obtain and provide data about energy usage. The program enables the City to track the data, identify high energy consumers, and provide information on available programs to help fund energy improvements. A high percentage of the City's stock of restricted affordable and rent stabilized apartments will be subject to these requirements in the future.
	Explore alternate bulk energy procurement mechanisms	Ongoing	In May 2017, the City Council voted to create a Community Energy Department to deliver locally controlled clean carbon-free electricity options to residents and businesses.
41. Maintain the stock of existing owner-occupied homes.			
	Continue to work with nonprofit partners to provide low cost loans for emergency home repairs.	Ongoing	The City continues to close out its pipeline of existing City-administered single-family housing rehab applications. The City funds nonprofit partners to perform repairs, as explained below.
	Continue to provide minor grants and low cost loans for urgent repair needs as funds remain available.	Ongoing	In 2018, the Housing Department funded Rebuilding Together Silicon Valley to implement a Minor Repair Grant Program that assisted 196 homeowners, as well as Habitat for Humanity Silicon Valley that assisted 49 homeowners for urgent repairs.

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
42. Continue to support financial literacy programs for potential homebuyers as funds remain available.			
	Continue to work with nonprofit organizations to educate homebuyers.	Ongoing	Financial literacy classes for first time homebuyers are offered through Project Sentinel. In CY 2018, 526 residents attended the classes through June 2018. Due to a scarcity of funds that can serve services to moderate-income households, the Housing Department's ability to continue this work is not expected.
43. Continue to assist low- and moderate-income first-time homebuyers as funds remain available.			
	Originate 5 BEGIN second mortgages per year pending funding availability.	Ongoing	In CY 2018, the City assisted 1 homebuyer with \$105,000 in loans through the BEGIN and Inclusionary programs.
Potential Actions			
44. Explore providing design guidance for convenient site accessibility for residents, workers, and visitors.			
	Explore utilization of existing accessible homes.	Ongoing	Staff has not yet begun work on this item
	Explore partnership with organizations that provide outreach to disabled persons.	Ongoing	Staff has participated in multiple workshops on housing solutions for disabled populations. The Housing Department has reached out to its various development partners, and helped make connections to nonprofit partners that focus on providing housing to disabled populations.
	Explore ways to encourage site accessibility design in residential development.	Annual, ongoing	In the Fall of 2018, the Housing Department issued a Notice of Funding Availability for affordable housing. One respondent submitted a project that is under consideration for our managed pipeline. That project proposes to integrate affordable housing for disabled individuals within a market rate building.
General Comments:			

ANNUAL ELEMENT PROGRESS REPORT
Housing Element Implementation
 (CCR Title 25 §6202)

Jurisdiction	San Jose	
Reporting Period	2018	(Jan. 1 - Dec. 31)

Note: + Optional field
 Cells in grey contain auto-calculation formulas

Table E									
Commercial Development Bonus Approved pursuant to GC Section 65915.7									
Project Identifier				Units Constructed as Part of Agreement				Description of Commercial Development Bonus	Commercial Development Bonus Date Approved
1				2				3	4
APN	Street Address	Project Name ⁺	Local Jurisdiction Tracking ID ⁺	Very Low Income	Low Income	Moderate Income	Above Moderate Income	Description of Commercial Development Bonus	Commercial Development Bonus Date Approved
Summary Row: Start Data Entry Below									

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

(CCR Title 25 §6202)

Jurisdiction	San Jose	
Reporting Period	2018	(Jan. 1 - Dec. 31)

Note: + Optional field
Cells in grey contain auto-calculation formulas

Table F

Units Rehabilitated, Preserved and Acquired for Alternative Adequate Sites pursuant to Government Code section 65583.1(c)(2)

This table is optional. Jurisdictions may list (for informational purposes only) units that do not count toward RHNA, but were substantially rehabilitated, acquired or preserved. To enter units in this table as progress toward RHNA, please contact HCD at APR@hcd.ca.gov. HCD will provide a password to unlock the grey fields. Units may only be credited to the table below when a jurisdiction has included a program in its housing element to rehabilitate, preserve or acquire units to accommodate a portion of its RHNA which meet the specific criteria as outlined in Government Code section 65583.1(c)(2).

Activity Type	Units that Do Not Count Towards RHNA ⁺ Listed for Informational Purposes Only				Units that Count Towards RHNA ⁺ Note - Because the statutory requirements severely limit what can be counted, please contact HCD to receive the password that will enable you to populate these fields.				The description should adequately document how each unit complies with subsection (c)(7) of Government Code Section 65583.1 ⁺
	Extremely Low-Income ⁺	Very Low-Income ⁺	Low-Income ⁺	TOTAL UNITS ⁺	Extremely Low-Income ⁺	Very Low-Income ⁺	Low-Income ⁺	TOTAL UNITS ⁺	
Rehabilitation Activity	7	753	209	969					
Preservation of Units At-Risk	10	236	94	340					Not sure what at-risk includes; all the units included here had their affordability restrictions extended, as a result of city assisted refinancing or resyndication
Acquisition of Units									
Total Units by Income	17	989	303	1309					

Jurisdiction	San Jose	
Reporting Year	2018	(Jan. 1 - Dec. 31)

Permitted Units Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	81
	Non-Deed Restricted	0
Low	Deed Restricted	0
	Non-Deed Restricted	0
Moderate	Deed Restricted	0
	Non-Deed Restricted	0
Above Moderate		112
Total Units 44		193

Note: units serving extremely low-income households are included in the very low-income permitted units totals

Entitlement Summary	
Total Housing Applications Submitted:	34
Number of Proposed Units in All Applications Received:	5,559
Total Housing Units Approved:	0
Total Housing Units Disapproved:	0

Use of SB 35 Streamlining Provisions	
Number of Applications for Streamlining	1
Number of Streamlining Applications Approved	0
Total Developments Approved with Streamlining	0
Total Units Constructed with Streamlining	0

Units Constructed - SB 35 Streamlining Permits			
Income	Rental	Ownership	Total
Very Low	0	0	0
Low	0	0	0
Moderate	0	0	0
Above Moderate	0	0	0
Total	0	0	0

Cells in grey contain auto-calculation formulas

Attachment C

Methodology for Moderate Income Unit Analysis – 2018 Housing Element Annual Report

The purpose of this analysis is to determine if market rate apartments can reasonably be categorized as moderate income for RHNA reporting purposes. It is assumed that some class A rental units that were permitted in 2018 will be affordable to moderate income households in 2020 when they are occupied. Generally, these would tend to be studio and one-bedroom apartments in zip codes with lower average effective rents. Note that RHNA Table B counts building permits issued not constructed so this analysis uses current CoStar rents and HCD income limits to project future rents and income limits. The analysis consists of the following steps:

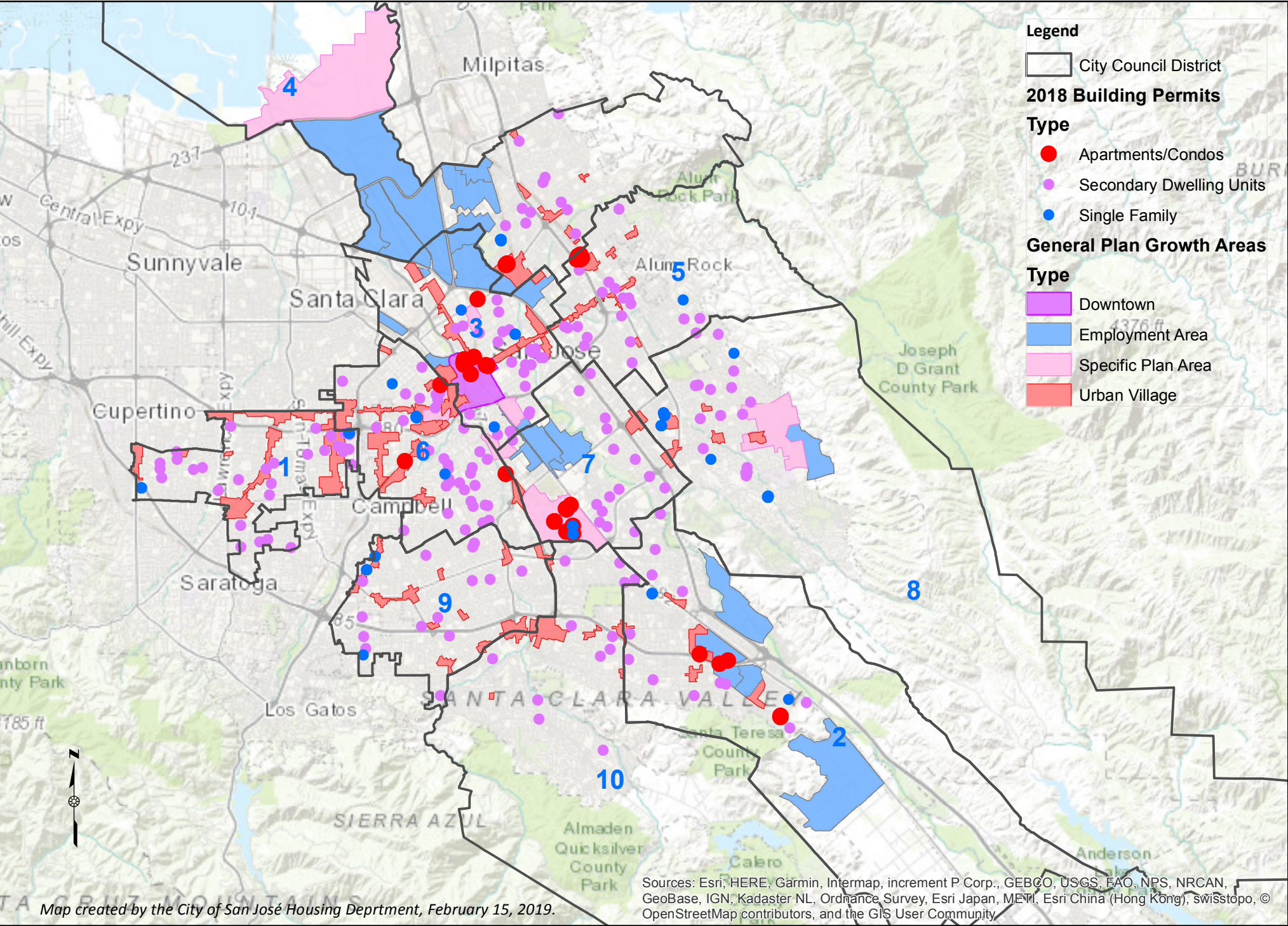
- 1. Determine rent ranges affordable to 110% AMI households:**
 - a. Calculate affordable rent ranges that would be affordable to moderate income households using 2018 HCD Income Limits and assuming a rent of no more than 30% of 110% of Area Median Income as the affordability standard following the California Health and Safety Code.
 - b. Convert rent range from household size to rents by # bedrooms, using HCD Occupancy Guidelines. Assign rent maximum by unit type (studio, 1BR, 2 BR etc.)
 - c. Adjust these rent ranges to approximate what they will be in two years when these units are occupied. (In 2020 we assume incomes will be higher). Apply the average % change that HCD Income limits have had over the last 5 years.

- 2. Identify 2018 Permitted Housing Projects > = 10 units:**
 - a. Obtain CY2018 Residential Building Permits for projects with 10 or more units. Exclude potential ownership projects and affordable projects.
 - b. Identify Zip Codes of the projects.

- 3. Identify Zip Codes where average effective rents (by unit size) are at/below the moderate income rent range:**
 - a. Use Costar to identify Q4 2018 Class A average effective rents (by bedroom size) for market-rate projects in SJ, for the zip codes identified in #2 above.
 - b. Adjust average effective rents to approximate what they will be in two years when these units are occupied. (In 2020 we assume average effective rents will be higher). Apply the % change in average effective rent observed in each zip code over the last 5 years.
 - c. Identify target zip codes where adjusted average effective rents, by bedroom count, are at or below the rent ranges calculated in step 1.

- 4. Collect unit mix data and identify the units affordable to moderate income households:**
 - a. Identify the # of units by bedroom size, in each of the qualifying projects in the qualifying zip codes, per 3 above.
 - b. Count only those units, by bedroom size, that are equal to or less than the HCD rent ranges calculated and extrapolated in step 1.

New Residential Building Permits Issued in San José (CY 2018)



Map created by the City of San José Housing Department, February 15, 2019.

Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), swisstopo, © OpenStreetMap contributors, and the GIS User Community.

HOUSING SUCCESSOR TO THE REDEVELOPMENT AGENCY ANNUAL REPORT
REGARDING THE
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2017-18
PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)
FOR THE
CITY OF SAN JOSE

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to California Health and Safety Code Section 34176.1(f) and is dated as of February 25, 2019. This Report sets forth certain details of the housing activities of the City of San José, which is the Housing Successor Agency to the former Redevelopment Agency of the City of San José, during Fiscal Year 2017-18. The purpose of this Report is to provide the governing body of the Housing Successor an annual report on the housing assets and activities of the Housing Successor under Part 1.85, Division 24 of the California Health and Safety Code, in particular sections 34176 and 34176.1 (Dissolution Law).

The following Report is based upon information prepared by Housing Successor staff and information contained within the independent financial audit of the Low and Moderate Income Housing Asset Fund CITY OF SAN JOSE COMPREHENSIVE ANNUAL FINANCIAL AUDIT for Fiscal Year 2017-18 as prepared by GRANT THORTON LLP, which Audit is separate from this annual summary Report; further, this Report conforms with and is organized into sections I. through XI., inclusive, pursuant to Section 34176.1(f) of the Dissolution Law:

I. Loan Repayments: The amount the city, county or city and county received pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.

II. Amount Deposited into LMIHAF: This section provides the total amount of funds deposited into the LMIHAF during the Fiscal Year. Any amounts deposited for items listed on the Recognized Obligation Payment Schedule (ROPS) must be distinguished from the other amounts deposited.

III. Ending Balance of LMIHAF: This section provides a statement of the balance in the LMIHAF as of the close of the Fiscal Year. Any amounts deposited for items listed on the ROPS must be distinguished from the other amounts deposited.

IV. Description of Expenditures from LMIHAF: This section provides a description of the expenditures made from the LMIHAF during the Fiscal Year. The expenditures are to be categorized.

V. Statutory Value of Assets Owned by Housing Successor: This section provides the statutory value of real property owned by the Housing Successor, the value of loans and grants receivables, and the sum of these two amounts.

VI. Description of Transfers: This section describes transfers, if any, to another housing successor agency made in previous Fiscal Year(s), including whether the funds are unencumbered and the status of projects, if any, for which the transferred LMIHAF will be used. The sole purpose of the transfers must be for the development of transit priority projects, permanent supportive housing, housing for agricultural employees or special needs housing.

VII. Project Descriptions: This section describes any project for which the Housing Successor receives or holds property tax revenue pursuant to the ROPS and the status of that project.

VIII. Status of Compliance with Section 33334.16: This section provides a status update on compliance with Section 33334.16 for interests in real property acquired by the former redevelopment agency prior to February 1, 2012. For interests in real property acquired on or after February 1, 2012, provide a status update on the project.

IX. Description of Outstanding Obligations under Section 33413: This section describes the outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the former redevelopment agency as of February 1, 2012 along with the Housing Successor's progress in meeting those prior obligations, if any, of the former redevelopment agency and how the Housing Successor's plans to meet unmet obligations, if any.

X. Income Test: This section provides the information required by Section 34176.1(a)(3)(B), or a description of expenditures by income restriction for five year period, with the time period beginning January 1, 2014 and whether the statutory thresholds have been met. However, reporting of the Income Test is not required until 2019.

XI. Senior Housing Test: This section provides the percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the Housing Successor, its former redevelopment Agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the Housing Successor, its former Redevelopment Agency and its host jurisdiction within the same time period. For this Report the ten-year period reviewed is January 1, 2009 to January 1, 2019.

XII. Excess Surplus Test: This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the Housing Successor has had excess surplus, and the Housing Successor's plan for eliminating the excess surplus.

XIII. Homeownership Units:

An inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency’s investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3. This inventory shall include all of the following information:

- (A) The number of those units.
- (B) The number of the units lost to the portfolio in the last fiscal year and the reason for those losses.
- (C) Any funds returned to the housing successor as part of an adopted program that protects the former redevelopment agency’s investment of moneys from the Low and Moderate Income Housing Fund.
- (D) Whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.

This Report is to be provided to the Housing Successor’s governing body by April 1, 2017. In addition, this Report and the former redevelopment agency’s pre-dissolution Implementation Plans are to be made available to the public on the City’s website <http://www.sanjoseca.gov/index.aspx?nid=1302>.

I. LOAN REPAYMENT

The City did not receive any amount pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.

II. AMOUNT DEPOSITED INTO LMIHAF

A total of \$44,336,728 of program income from loan repayments was deposited into the LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, zero dollars were held for items listed on the ROPS.

III. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$121,103,223 of which zero dollars are held for items listed on the ROPS.

IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

The following is a description of expenditures from the LMIHAF by category:

Expenditure Category	Spent in Fiscal Year
Monitoring & Administration Expenditures	\$11,798,971
Homeless Prevention and Rapid Rehousing Services Expenditures	\$100,000
Housing Development Expenditures	
- Expenditures on Extremely-Low Income Units (0-30% AMI)	\$1,962,751
- Expenditures on Very-Low Income Units (31-50% AMI)	\$3,081,372
- Expenditures on Low Income Units (51-60% AMI)	\$823,791
- Expenditures on Unrestricted Units (Manager's unit)	\$130,883
- Expenditures on Acquisition and Predevelopment	<u>\$0</u>
Total Housing Development Expenditures	\$5,998,797
Total LMIHAF Expenditures in Fiscal Year	\$17,897,768

California Health and Safety Code Section 34176.1 allows for 5% of the total \$670,377,920 gross value of Housing Successor assets, or \$33,518,896, to be used on monitoring and administrative expenditures. The Housing Successor continues to monitor expenditures from the LMIHAF.

In Fall 2018, the Housing Department released a Notice of Funding Availability seeking proposals for commitments to affordable housing developments from the LMIHAF. Eleven developments were selected and will be brought forward to City Council for funding commitments totaling over \$98 million in funding from the Housing Department, with approximately \$60 million from the LMIHAF. The first commitments were approved by the City Council in February 2019.

V. STATUTORY VALUE OF ASSETS OWNED BY HOUSING SUCCESSOR IN LMIHAF

Under the Dissolution Law and for purposes of this Report, the "statutory value of real property" means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer schedule approved by the Department of Finance as listed in such schedule under Section 34176(a)(2), the value of the properties transferred to the Housing Successor pursuant to Section 34181(f), and the purchase price of property(ies) purchased by the Housing Successor. Further, the value of loans and grants receivable is included in these reported assets held in the LMIHAF.

The following provides the statutory book value of assets owned by the Housing Successor.

Category	As of End of Fiscal Year
Statutory Value of Real Property Owned by Housing Successor	\$40,171,263
Value of Loans and Grants Receivable	\$509,103,434
Cash Balance	\$121,103,223
Total Value of Housing Successor Assets	\$670,377,920

VI. DESCRIPTION OF TRANSFERS

The Housing Successor did not make any LMIHAF transfers to other Housing Successor(s) under Section 34176.1(c)(2) during the Fiscal Year.

VII. PROJECT DESCRIPTIONS

The Housing Successor does not receive or hold property tax revenue pursuant to the ROPS.

VIII. STATUS OF COMPLIANCE WITH SECTION 33334.16

Section 34176.1 provides that Section 33334.16 does not apply to interests in real property acquired by the Housing Successor on or after February 1, 2012; however, this Report presents a status update on the projects related to such real property.

With respect to interests in real property acquired by the former redevelopment agency prior to February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the Finance Department approved the property as a housing asset in the LMIHAF; thus, as to real property acquired by the former redevelopment agency now held by the Housing Successor in the LMIHAF, the Housing Successor must initiate activities consistent with the development of the real property for the purpose for which it was acquired within five years of the date the DOF approved such property as a housing asset. For San José, the date of Finance’s approval was March 14, 2013.

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
Evans VTA (aka Willow Glen Woods)	12/31/02	3/13/2018	On January 8, 2019 the City Council approved entitlements to move forward with the development of 61 apartments on the Evans Lane site. The selected developer, Abode Services, is seeking financing and plans to begin construction in Winter 2019.
E side Evans Lane (aka Willow Glen Woods)	06/30/05	3/13/2018	See Evans Lane VTA description.

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
Vermont House	06/30/09	3/13/2018	In June 2016, City staff closed a Conditional Grant for rehabilitation and a Lease of this City-owned property to Abode Services, an owner and developer of supportive housing. Construction was completed in November 2018 providing permanent supportive housing for 16 homeless veterans pursuant to its award of VASH vouchers from the Housing Authority of the County of Santa Clara.
COMPLETED:			
The Haven	06/30/08	3/13/2018	This property includes an affordable apartment building and a building which is currently being managed by a nonprofit agency (LifeMoves, f.k.a. InnVision) as a shelter for fire victims. Income-eligible residents occupy the adjacent apartment.
Brookwood Terrace	03/01/09	3/13/2018	Construction on this 84-unit family development started in March 2010 and completed in January 2012. The City Financing Authority holds the site fee simple and has a

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
			groundlease to the development. The development is in its permanent financing phase and units are occupied by income-eligible residents.
Orvieto Family	03/01/09	3/13/2018	Construction on this 92-unit family development started in September 2010 and completed in August 2012. The City Financing Authority owns the site fee simple and has a groundlease to the development. The development is in its permanent financing phase and its units are occupied by income-eligible residents.
Japantown Seniors	05/03/10	3/13/2018	Construction on this 75-unit seniors' development completed in late 2015, and it converted to its permanent financing phase in August 2016. All apartments are occupied by income-eligible residents. The City holds the site fee simple and has a groundlease to the development.
North Fourth Street	05/21/10	3/13/2018	Construction on this 100-unit development started in July 2010 and completed in June 2012. The development includes 35 apartments for developmentally disabled residents. The City owns the site fee simple and has a groundlease to the development. It is in its permanent financing phase and units are occupied by income-eligible residents.
Playa Almaden (aka Sycamore Terrace)	02/16/96	3/13/2018	The Housing Department obtained City Council approval to sell the property to the City's Parks Department; in May 2018 the City Council passed resolution authorizing the sale and the property was sold.

IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing. No Section 33413(a) replacement housing obligations were transferred to the Housing Successor fiscal year.

Inclusionary/Production Housing. No Section 33413(b) inclusionary/production housing obligations were transferred to the Housing Successor in the fiscal year.

X. EXTREMELY-LOW INCOME TEST

Section 34176.1(a)(3)(B) requires that the Housing Successor must require at least 30% of the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30% or less of AMI. In addition, this Section requires that no more than 20% of the LMIHAF be expended for creation of rental housing affordable to and occupied by households earning 60% to 80% of AMI.

If the Housing Successor fails to comply with the Extremely Low-Income requirement in any five-year report, then the Housing Successor must ensure that at least 50% of the funds remaining in the LMIHAF be expended in each fiscal year following the latest fiscal year following the report on households earning 30% or less of the AMI until the Housing Successor demonstrates compliance with the Extremely-Low Income requirement.

This information is not required to be reported until 2019 for the 2014- 2019 period.

XI. SENIOR HOUSING TEST

The Housing Successor is to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the Housing Successor, the former redevelopment agency and/or the City within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted by the Housing Successor, the former redevelopment agency and/or City within the same time period. If this percentage exceeds 50%, then the Housing Successor cannot expend future funds in the LMIHAF to assist additional senior housing units until the Housing Successor or City assists and construction has commenced on a number of restricted rental units that is equal to 50% of the total amount of deed-restricted rental units.

The following provides the Housing Successor’s Senior Housing Test for the 10-year period of 2008-09 through 2017-18:

Senior Housing Test	2008-09 THROUGH 2017-18
# of Assisted Senior Rental Units	983
# of Total Assisted Rental Units	3,875
Senior Housing Percentage	25%

XII. EXCESS SURPLUS TEST

Excess Surplus is defined in Section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the account during the Housing Successor’s preceding four Fiscal Years, whichever is greater.

The following provides the Excess Surplus test for the preceding four Fiscal Years (in millions):

	FY13-14	FY14-15	FY 15-16	FY 16-17	FY17-18	Total deposited in preceding 4 years (FY13/14 – 16/17)
Beginning Balance	\$21.7	\$31.1	\$54.6	\$91.7	\$92.8	
Add: Deposits	15.8	34.3	52.9	18.2	44.3	121.2
(Less) Expenditures	(6.4)	(10.8)	(15.8)	(17.1)	(16.0)	
(Less) Encumbrances					(5.3)	
Unencumbered Balance	\$31.1	\$54.6	\$91.7	\$92.8	\$115.8	

The LMIHAF does not have an Excess Surplus. The aggregate amount deposited into the account during the four Fiscal Years is \$121.2 million. The current fiscal year cash balance is \$121.1 million with \$5.3 million in encumbrances. The unencumbered amount of \$115.8 million does not exceed the aggregate amount deposited in the preceding four fiscal years.

XIII. HOMEOWNERSHIP UNITS

The Housing Successor is to provide an inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency’s investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3.

A. Number of Homeownership Units as of 6/30/18

Number of Homeownership Units	628
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B. Homeownership Units Lost in Fiscal Year

Units Lost	Reason for Loss
40	Loans paid off
0	Loans written off due to foreclosure or short sale

C. \$2,479,766 in single family loan funds were returned to the Housing Successor in the past fiscal year as part of an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.

D. The Housing Successor has contracted with an outside entity for the management of the single family homeownership loans. The name of the entity is AmeriNat Loan Servicing.