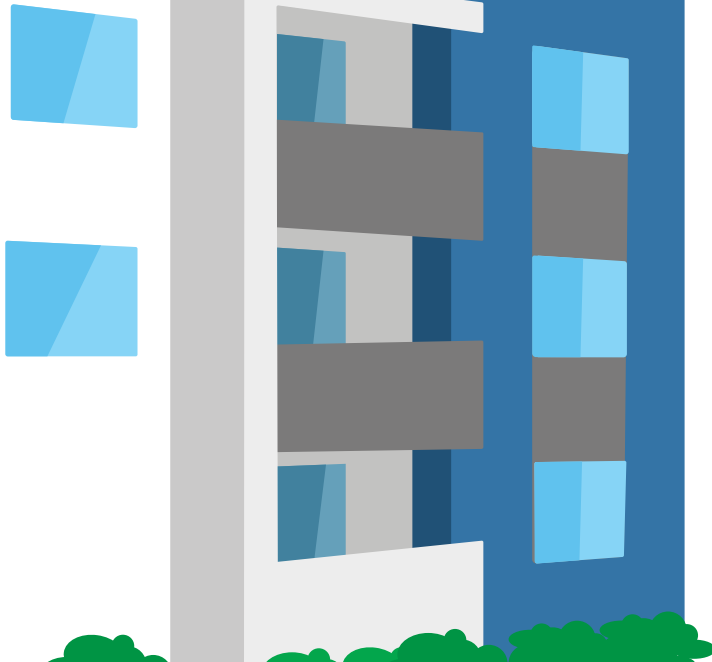




Housing

Community Opportunity to Purchase Act (COPA) Proposal Update

Public Stakeholder Meeting
January 18, 2023



Spanish Interpretation Available



Vietnamese Interpretation Available



Mandarin Interpretation Available



Cantonese Interpretation Available



LAND ACKNOWLEDGEMENT

We, the City of San Jose Housing Department, acknowledge that San Jose sits on the ancestral lands of native people including the Muwekma Ohlone (mah-WEK-mah Oh-loh-nee) people and aboriginal homeland of the Thamien (Thah-mee-en) Nation. We recognize the resilience of native culture and community. Let us acknowledge with respect all indigenous peoples as they have stewarded this land throughout the generations and not forget the painful history of colonization. The Housing Department acknowledges this history as we work towards a more equitable and inclusive future.



Ohlone Dancers at Mission San Jose in 1806 (Langsdorff Expedition)

Agenda

- 🏠 Welcome
- 🏠 Introduction to presenters
- 🏠 Where we are in the process
- 🏠 Revisiting the purpose of COPA
- 🏠 Overview of draft Revised Framework
- 🏠 Q&A
- 🏠 Wrap up/next steps



Where we are in the process

- ◆ Sep 2020: City Council approved the *Citywide Residential Anti-Displacement Strategy*, including direction to explore COPA
- ◆ Apr 2021 to Jan 2022: Extensive stakeholder/community engagement process; over 500 people engaged in 50 meetings
- ◆ Jan – May 2022: *Pause on COPA due to Housing Element work*
- ◆ Jun – Oct 2022: COPA research resumes
- ◆ Nov 2022 – Jan 2023: Public review of draft Revised Framework
- ◆ Spring 2023: Housing & Community Development Commission, City Council Committee (CEDC), then full City Council



Discussion Norms

- 🏠 All participants will exhibit respect for each other and for the speakers
 - Disrespect can include interrupting, swearing, personal attacks
 - Distracting side conversations that are not directed to the presentation content

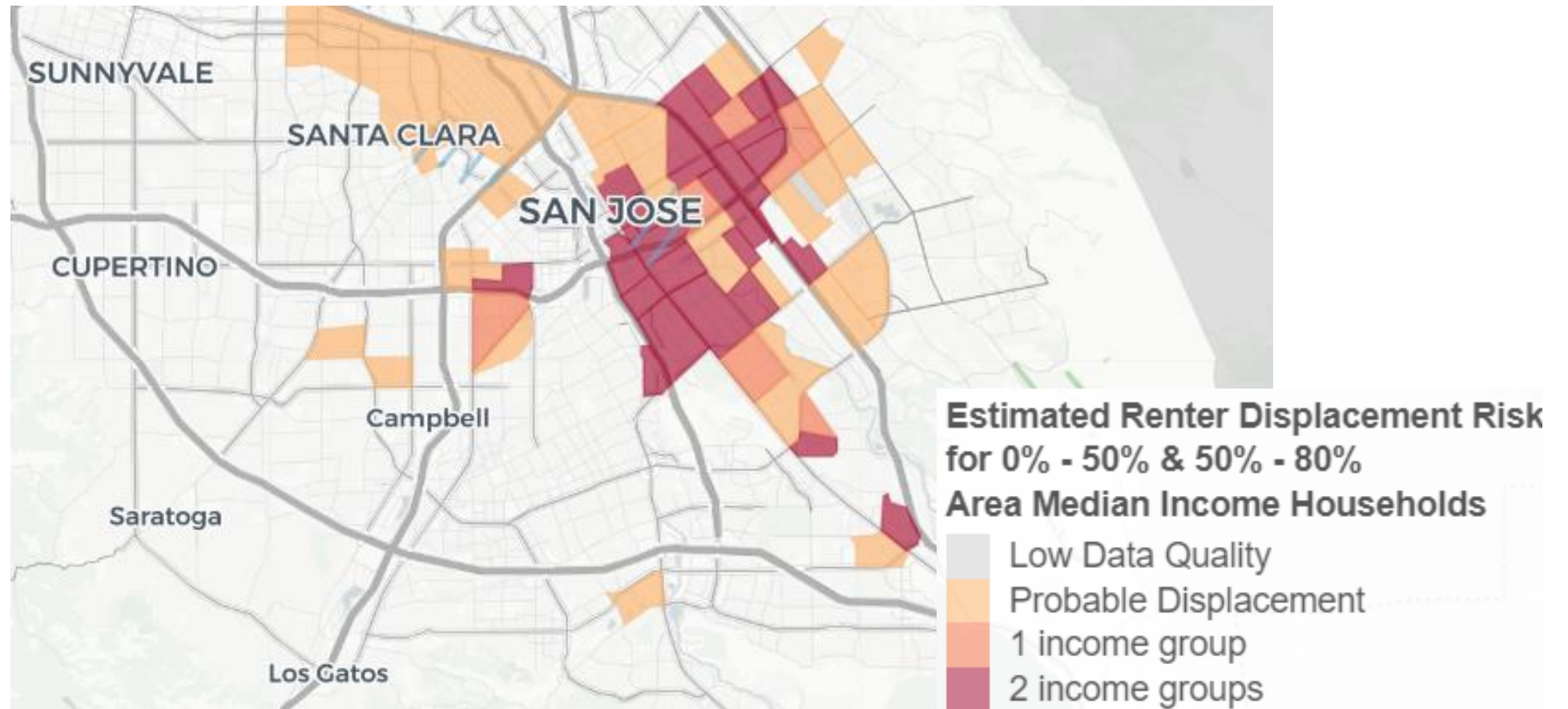
- 🏠 The chat function will be enabled during the Q&A to facilitate greater transparency and so that more questions can be asked.
 - We reserve the right to disable the chat function if the conversation becomes disrespectful



Revisiting the Purpose of COPA



Many households are at risk of displacement in San José

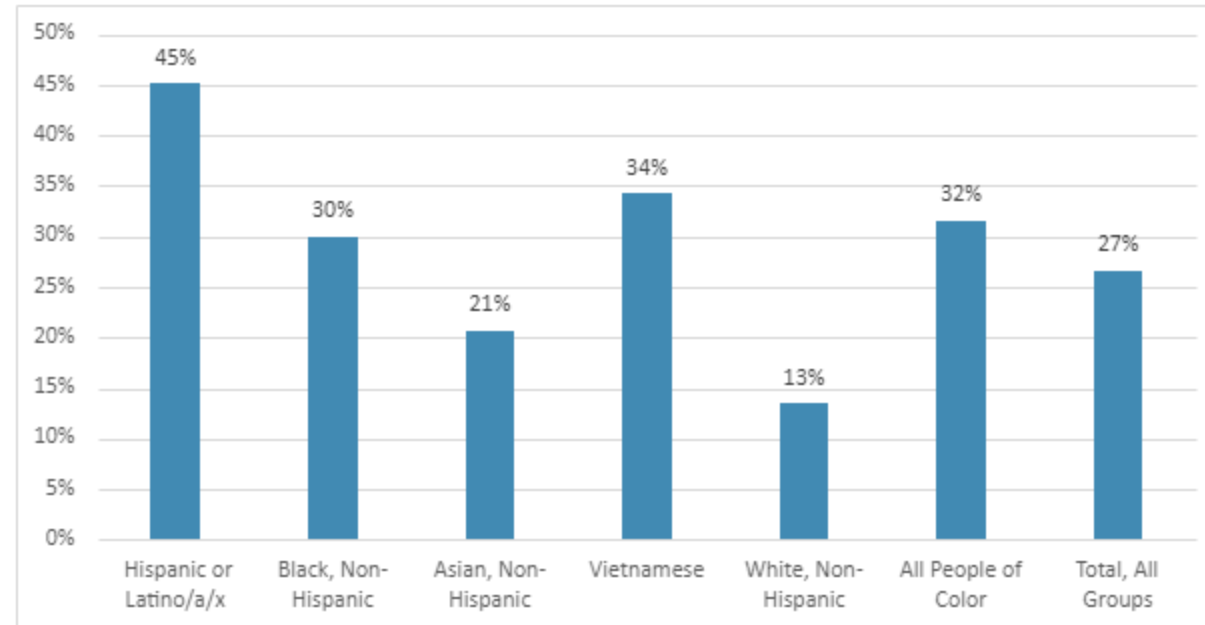


Source: Urban Displacement Project, 2022



But displacement risk in San José is higher for people of color

Share of San José Residents Living in Neighborhoods Undergoing Displacement or Probable Displacement by Race/Ethnicity, 2019



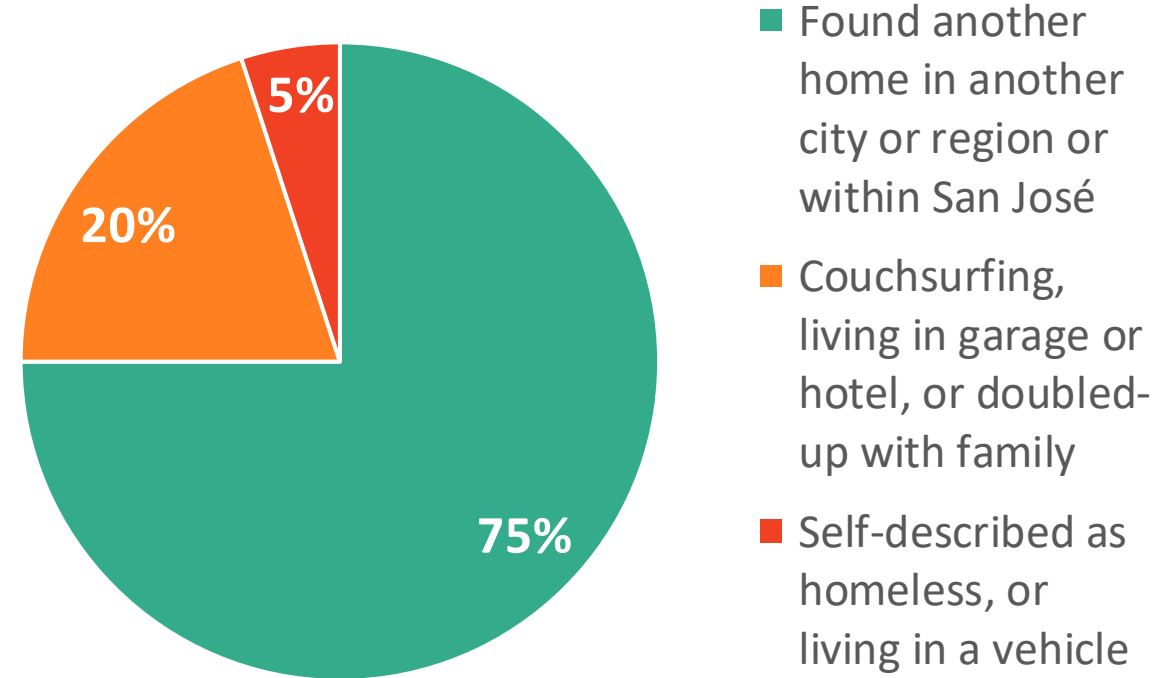
Source: City of San José analysis of Urban Displacement Project data



Displaced families are among those who become homeless in San José

🏠 25% of renter households who underwent displacement became homeless in a 2018 study

Outcomes for displaced renter families in Santa Clara County, 2018



Source: Urban Displacement Project study of households at risk of displacement in Santa Clara County, 2018



Anti-Displacement Policies in San José: The 3 P's

Type of policy	Strategy/policy	Notes
Production	New affordable housing construction	Takes 3-6 years; long-standing funding and policy ecosystem in place
Preservation	Acquiring existing apartments at fair value and making them affordable	Takes 1-2 years; costs 30-50% less than new affordable housing construction; funding and policy ecosystem (e.g. COPA) in progress
Protection	Apartment rent ordinance (ARO)	Only applies to 3+ unit buildings constructed after 1979 in San José
	Tenant Protection Ordinance (TPO)	Requires landlords to only evict tenants in event of just cause



COPA goals

- 🏠 **Prevent displacement** of lower-income renters
- 🏠 Grow the amount of **permanently affordable housing in the city**
- 🏠 **Empower tenants** with knowledge to participate in the acquisition process
- 🏠 Provide tools to support **community ownership opportunities** and other asset building opportunities



COPA overview

- **Affordable housing providers** would get the opportunity to make the **first offer** to buy **2+ unit** properties covered by the program before they are listed on the open market.
- If an owner **rejects** an initial offer from affordable housing provider and then gets an offer from a third-party buyer, COPA provides the right for the affordable housing provider to make **a final counter-offer**.
- COPA would **NOT** require sellers to accept the counter-offer.
 - COPA only includes a right to make an offer and counter-offer.



COPA is an anti-displacement policy that would support renter families in our dynamic market

- 🏠 When building sells, new owners frequently want to do building rehabilitation to increase rents
- 🏠 Renter families may struggle to afford rent these increases
 - In contrast, purchase by a nonprofit developer that can access public subsidies would stabilize existing residents and ensure permanent affordability
- 🏠 While San José's Apartment Rent Ordinance limits rent increases to 5% for some properties, property owners are permitted to pass through some rehabilitation costs > 5%.



COPA addresses challenges that other solutions do not

- 🏠 COPA addresses **two major challenges** that affordable housing developers encounter in preservation of lower-cost housing
 - **Market timelines**
 - **Market transparency**
- 🏠 These issues cannot be resolved through additional technical assistance to affordable developers
- 🏠 These issues also can't be resolved through funding alone



COPA is key component of a housing preservation ecosystem

- Preserving low-cost housing **prevents residents from experiencing an undesirable move out of their homes**
- Preserving low-cost housing **allows residents to stay in the neighborhoods where they already have community ties**
- Preserving low-cost housing delivers **significantly faster results** than building new affordable housing (1-2 years versus 3-6 years)
- Preserving low-cost housing is **30-50% less expensive** than building new affordable housing



Affordable housing preservation funding is growing

- ▲ **Significant state and regional funding** is anticipated for **affordable housing preservation** in the coming years
- ▲ **Annual program impact will scale with amount of funding allocated** from local, regional, and state funding sources
 - Immediate impact (\$5M local allocation only): 10 - 15 units/year
 - Mid-term impact (\$25-50M allocation): 80-160 units/year
 - Impact in mid-/long-term (all proposed regional/state funding sources become available): 380 units/year



COPA/TOPA policies in other cities are successful when funding and strong program design are in place

🏠 Washington D.C. (TOPA):

- Over 2,000 units preserved via TOPA between 2015 and 2018
- Provides clear evidence that impact scales with funding
- Supports development of many Limited Equity Cooperatives

🏠 San Francisco (COPA):

- Preserved **234** units since 2019, but units typically cost 30-50% less than new affordable housing construction
- City staff and advocates report that a longer letter of intent timeline would increase number of COPA acquisitions in SF



Overview of Revised COPA Framework



Roadmap for this Section

We will now present revisions to COPA draft framework. These revisions are based on:

- Synthesis of comments made in public stakeholder meetings at November 2022 public meetings
- Review of findings from interviews with expert stakeholders
- Staff research and data analysis



Elements of COPA Framework

- **Applicability:** Which properties are covered? What kinds of exemptions are granted?
- **Timeline:** How long do Qualified Nonprofits have to submit a Letter of Intent to Make an Offer and, if interested, an offer on a property? How long do they have to close on the sale?
- **Qualified Nonprofit (QNP) Qualifications:** Which types of organizations can become QNPs? How will non-local QNPs partner with community groups?



Elements of COPA Framework (cont'd)

- 🏠 **Tenant Engagement:** How will COPA support tenant education and empowerment?
- 🏠 **Implementation:** How can technology be leveraged to make the QNP notifying process easier? How will the City track the effectiveness of COPA?
- 🏠 **Homeownership:** What can COPA do to support access to homeownership for lower-income residents? What other City action is needed?



Applicability



Applicability – Revised Framework

- 🏠 All properties with 2+ units, with the following exceptions:
 - Owner-occupied 2- to 4-unit properties
 - Family transactions
 - Properties in foreclosure or bankruptcy
 - Partial ownership transfers
 - **New: Properties built within the last 15 years**



Timeline



Timeline – Revised Framework

<u>Timeline Element</u>	<u>Number of days</u>	<u>Applicable to:</u>
Letter of Intent Period	15	Property owners of 2+ unit buildings (unless property is exempt)
Offer period	25	Property owners who receive an offer from a Qualified Nonprofit
Closing period	120 (prev., 100 days)	Property owners who accept an offer from a Qualified Nonprofit
Counter-offer period	7	Property owners who receive an offer from a QNP and a third-party

Maximum time property owners are required to wait before advertising (40 days total)

Time property owners must provide **only if accepting a QNP offer**



Timeline – Revised Framework

<u>Timeline Element</u>	<u>Number of days</u>	<u>QNP Activities During this Phase</u>
Letter of Intent Period	15	<ul style="list-style-type: none"> Initial financial feasibility analysis Research recent sales comps Determine if project aligns with organization's mission Contact key lenders
Offer period	25	<ul style="list-style-type: none"> Broker drafts offer Seek approval from Board of Directors Select vendors for due diligence Engage in negotiations, as necessary
Closing period	120 (prev., 100 days)	<ul style="list-style-type: none"> Complete property needs assessment Verify tenant income (when possible) Submit loan application, wait for approval Meet with tenants (when possible)
Counter-offer period	7	<ul style="list-style-type: none"> Testing of financial scenarios Securing approval from Board of Directors

Qualified Nonprofit Criteria



Qualified Nonprofit (QNP) criteria – Revised Framework

1. Housing Department Staff will recertify QNPs on a regular basis
2. QNPs must be nonprofit, 501(c)(3) organizations that have successfully acquired and managed a minimum of 1 (previously: 3) properties
3. Since November 2022, Housing Department has eliminated proposal for “Emerging QNPs” category



Affordability



Affordability: Revised Framework

- No changes proposed to this element of the framework
- COPA to target renter families earning between 30-80% of AMI (for 1-person household, this is around \$35K-94K)
- Staff continues to actively research how COPA can support affordable homeownership for lower-income families
 - Current proposal focuses on ownership options for 60-120% AMI
 - Focusing on alternative models of homeownership like limited equity cooperatives and community land trusts



Homeownership



Homeownership Options Under COPA

- 🏠 COPA can be used by a QNP either to allow for conversion to condos/co-ops or to continue as a rental property
 - Conversions from rental model to condos/co-ops most likely 2-6 years after acquisition, based on consultant feedback
- 🏠 For properties that are successfully acquired by QNPs, if/when the QNP eventually decides to resell they must first offer the property for tenant purchase



Homeownership Options Under COPA (continued)

- 🏠 Housing Department support for co-op/condo conversions to be guided by consultant feedback and broader Housing Department strategy on homeownership
 - Will be further defined in City's Notice of Funding Availability (NOFA)
- 🏠 More information and research on homeownership under COPA will be available in a memo posted on the Housing Department's COPA webpage



Tenant Empowerment



Tenant Empowerment – Revised Framework

- 🏠 Tenants must be notified of property owner's intent to sell at the same time as QNPs
- 🏠 Notification letter is intended to:
 - Reduce tenant uncertainty and dispel fears about property sales
 - Provide information regarding tenant rights
 - Clarify that deed-restricted affordable housing would result from COPA purchase
 - Provide information about role and ways of contacting QNPs with questions
- 🏠 Notification would be consistent with laws and programs that inform tenants of conditions



Education, Enforcement, and Incentives



Education, Enforcement, and Incentives – Revised Framework

- 🏠 Administrative enforcement:
 - Gradual process, from letter to fines connected to other city fee schedules
- 🏠 Education: Extensive outreach to property owners and tenants
- 🏠 For joint partnerships, ensure program funding sources can cover costs associated with affordable housing developer knowledge transfer
- 🏠 Property owners who sell to QNPs will receive fee waivers for San José property transfer tax



Implementation



Implementation – Framework Clarifications

- 🏠 Housing Department should create a technology tool for property owners to give notice to QNPs
 - City-operated website portal for property owners to enter in information about their property and automatically notify QNPs
 - May be able to create opt-in for QNPs to indicate for which property types they're interested in receiving notifications



Feedback and Q&A



Feedback and Q&A Norms

- 🏠 Using the “raise hand” function on Zoom, please raise your “hand” to speak
- 🏠 The order in which participants raise their hands will be monitored and participants will be called on in the order they raise their hands.
- 🏠 Individuals who have not asked questions will be prioritized over those who have already asked one or more questions



Upcoming timeline

🏠 Next COPA Public Meeting:

Wednesday, January 25th

6:00 to 8:00 pm

In-person meeting

Mayfair Community Center

2039 Kammerer Avenue, San José, 95116

[Registration](#)

- 🏠 Spring 2023: Housing Commission and City Council Committee review (CEDC), then City Council



For more information or to submit comments

How was this meeting for you? Please take a survey and let us know how we can improve:

https://docs.google.com/forms/d/e/1FAIpQLSfvjmoA81Ug6n-ZAapkNOYCOMISM911rrAtIHvX-6-4YMCyxA/viewform?usp=sf_link

Email the Policy Team via the COPA webpage
(link at the bottom):

<https://www.sanjoseca.gov/your-government/departments-offices/housing/resource-library/housing-policy-plans-and-reports/copa>

Thank you!

