



*Housing*

# Community Opportunity to Purchase Act (COPA) Proposal Update

**Public Stakeholder Meeting**  
January 25, 2022

# 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

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- 🏠 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]
- Nov 2022 – Jan 2023: Public review of draft Revised Framework
- Mar 2023: Housing & Community Development Commission, City Council Committee (CEDC)
- Apr. 2023 (est.): City Council consideration



# Discussion norms

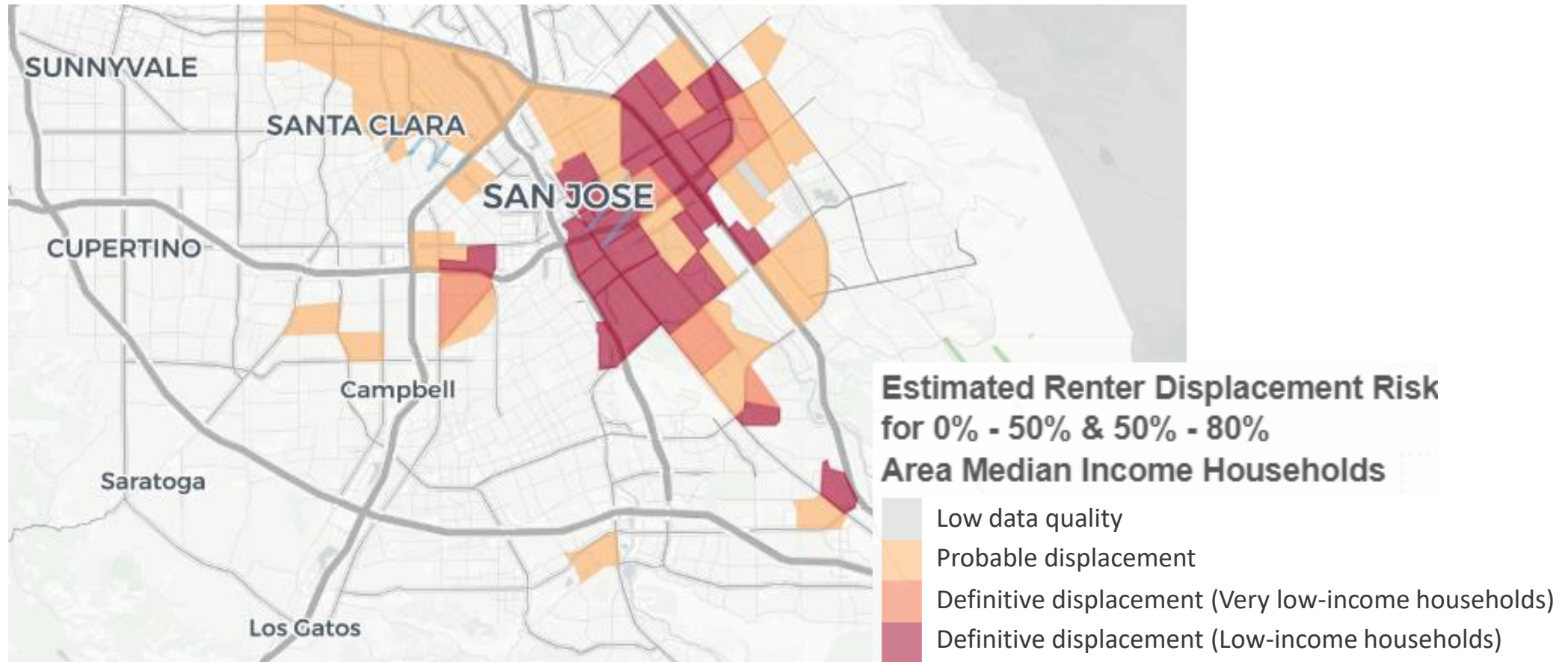
- 🏠 All participants will exhibit respect for each other and for the speakers
  - Disrespect can include interrupting, swearing, personal attacks
  - Distracting side conversations not directed to the presentation content
- 🏠 Index cards are available for participants to submit questions on the COPA program – staff will answer as many questions as possible after the presentation
- 🏠 After questions are answered, we will invite live questions and comments



# Revisiting the Purpose of COPA



# Many San José households are at risk of displacement

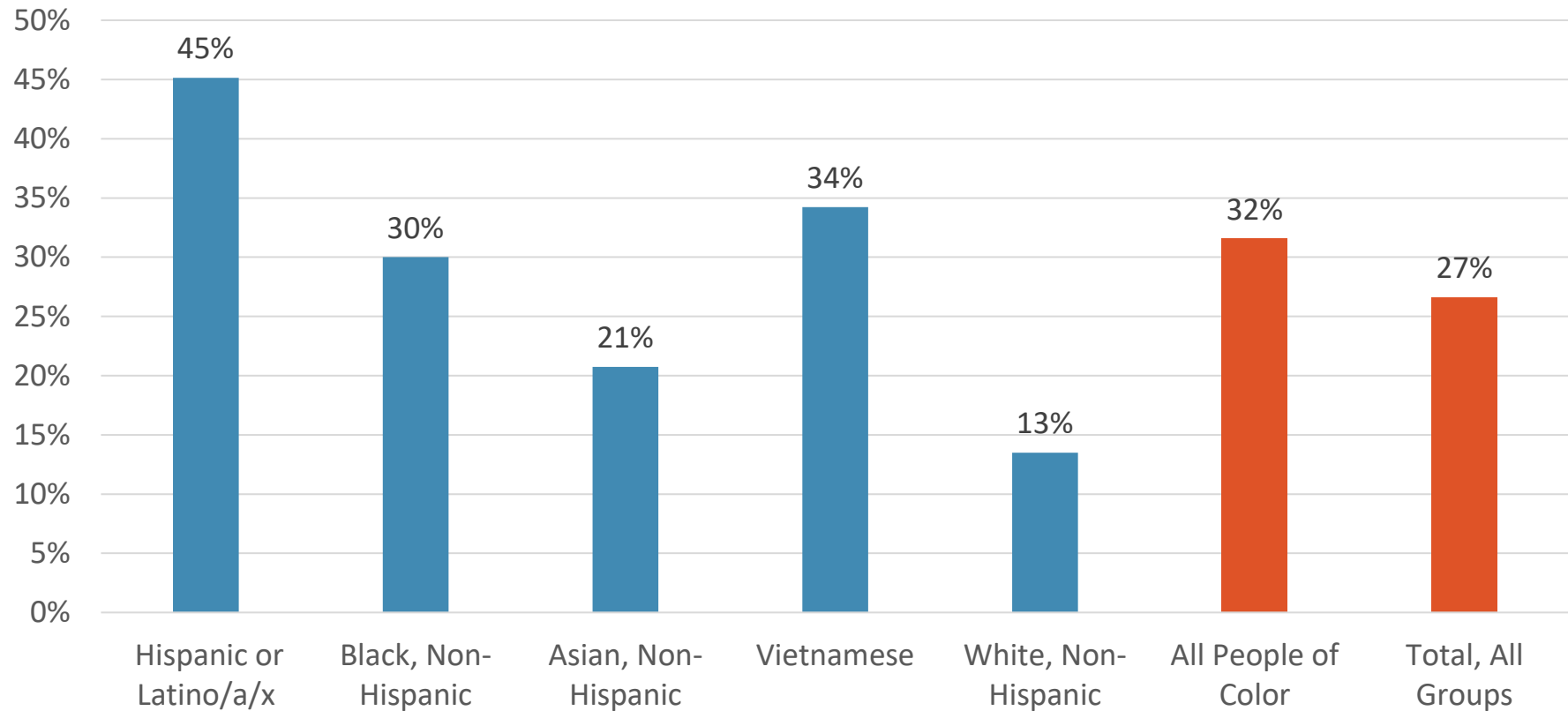


Source: Urban Displacement Project, 2022



# 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

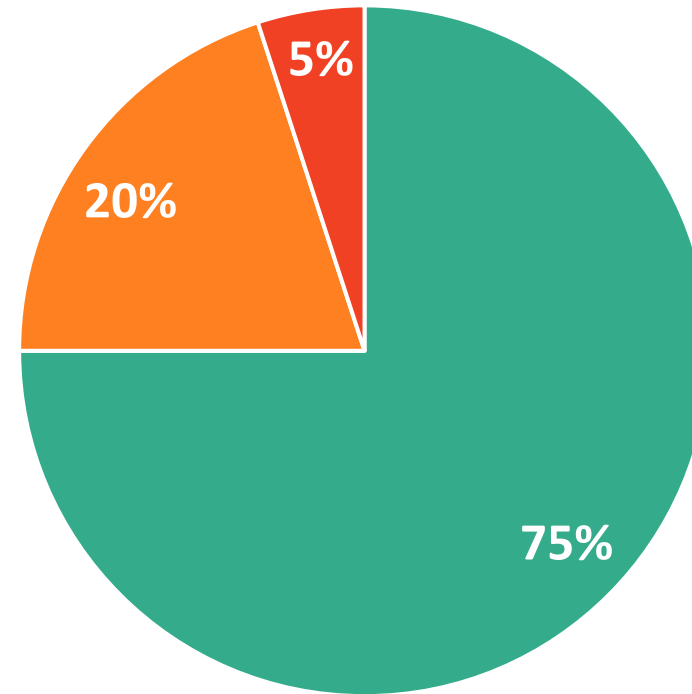




# Displaced families are among those who become homeless in San José

🏠 25% of displaced renter households became homeless in a 2018 study

## Outcomes for displaced renter families in Santa Clara County, 2018



- Found another home in another city or region or within San José
- Couchsurfing, living in garage or hotel, or doubled-up with family
- Self-described as homeless, or living in a vehicle

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
<b>Preservation</b>	<b>Acquiring existing apartments at fair value and making them affordable</b>	<b>Takes 1-2 years; costs 30-50% less than new affordable housing construction; funding and policy ecosystem (e.g., COPA) in progress</b>
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, make 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
- Properties built within the last 15 years
- **New: Single-family homes with one ADU**



# Timeline





# Timeline – revised framework

Timeline	Days	Applicable to
Letter of Intent Period	15	Owners of 2+ unit properties (unless property exempted)
Offer period	25	Owners who receive an offer from a Qualified Nonprofit (QNP)
Closing period	120 <i>(was 100)</i>	Owners who <b>accept</b> an offer from a QNP
Counter-offer period	7	Owners who receive an offer from a QNP and a third-party

Total waiting period for most property owners

Max. required waiting period before listing

Applies only to property owners who **choose to accept a QNP offer**



# 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

- No changes proposed to this element of the framework
- COPA to target renter families earning 31% to 80% AMI
  - 1-person household income ~ \$35K-94K
- Staff continues to actively research how COPA can support affordable homeownership for lower-income families
  - Current proposal focuses on ownership options for 61-120% AMI
  - Focusing on alternative models of ownership 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 successfully acquired by QNPs, if/when QNP owner decides to resell, they must first offer tenants an opportunity to purchase



# Homeownership options under COPA (continued)

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





# Tenant Empowerment



# Tenant empowerment

- 🏠 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, 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

- 🏠 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 intends to 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 are interested in receiving notifications



# Feedback and Q&A



# Feedback and Q&A norms

- 🏠 Please raise your hand to receive a card with a number (this is for clarifying speaking order).
- 🏠 We request that speakers limit their comment or question to approximately **two minutes**
- 🏠 Please prioritize your most important comment or question to ensure that all who wish to provide public comment have an opportunity to speak
  - If you have additional comments or questions, we ask that you rejoin the speaking queue after others have had an opportunity to comment





# Upcoming timeline

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- Additional public meeting on Zoom
- Spring 2023
  - Housing & Community Development Commission (Mar)
  - City Council Committee review (CEDC) (Mar)
  - City Council (estimated Apr)



# 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](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!***

