

2022 Housing Element Annual Progress Report

City Council

March 21, 2023

Item 8.2

Presenters: Kristen Clements, Division Manager, Housing

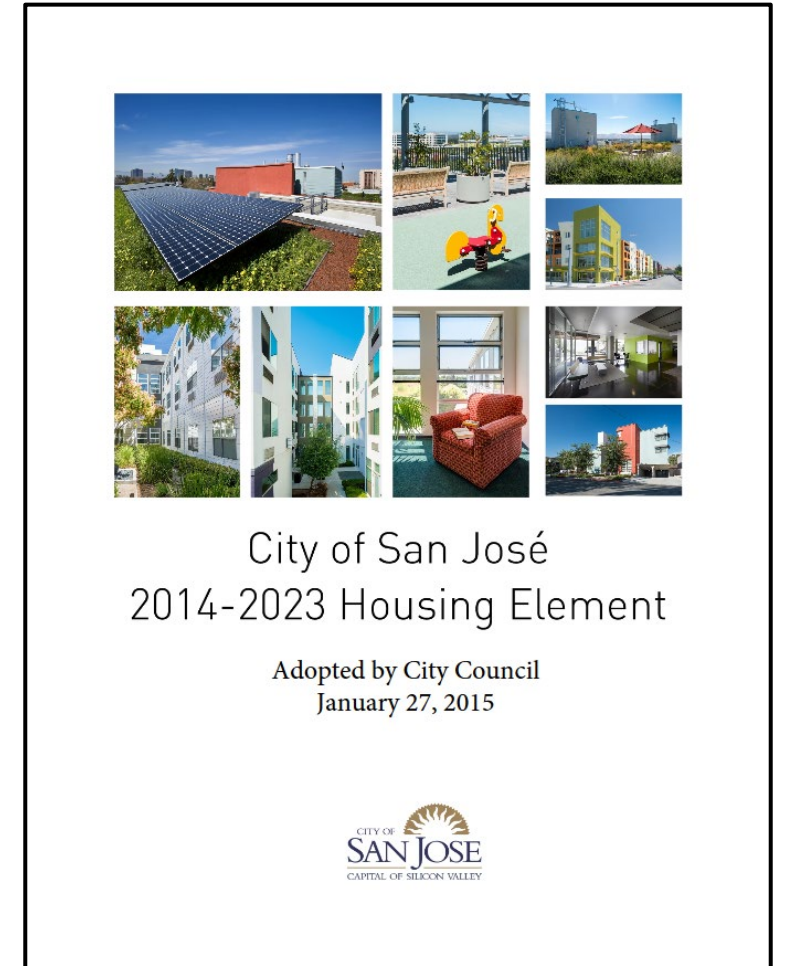
Ruth Cueto, Supervising Planner, PBCE



*Planning, Building and
Code Enforcement*

Housing Element

- Annual Progress Report required to submit to HCD and OPR by April 1st
- Contents of Housing Element
 - Housing needs assessment
 - Site inventory
 - Constraints
 - Programs
- New reporting requirements
- Higher RHNA numbers next cycle, planning underway



San José's Housing Needs (RHNA)

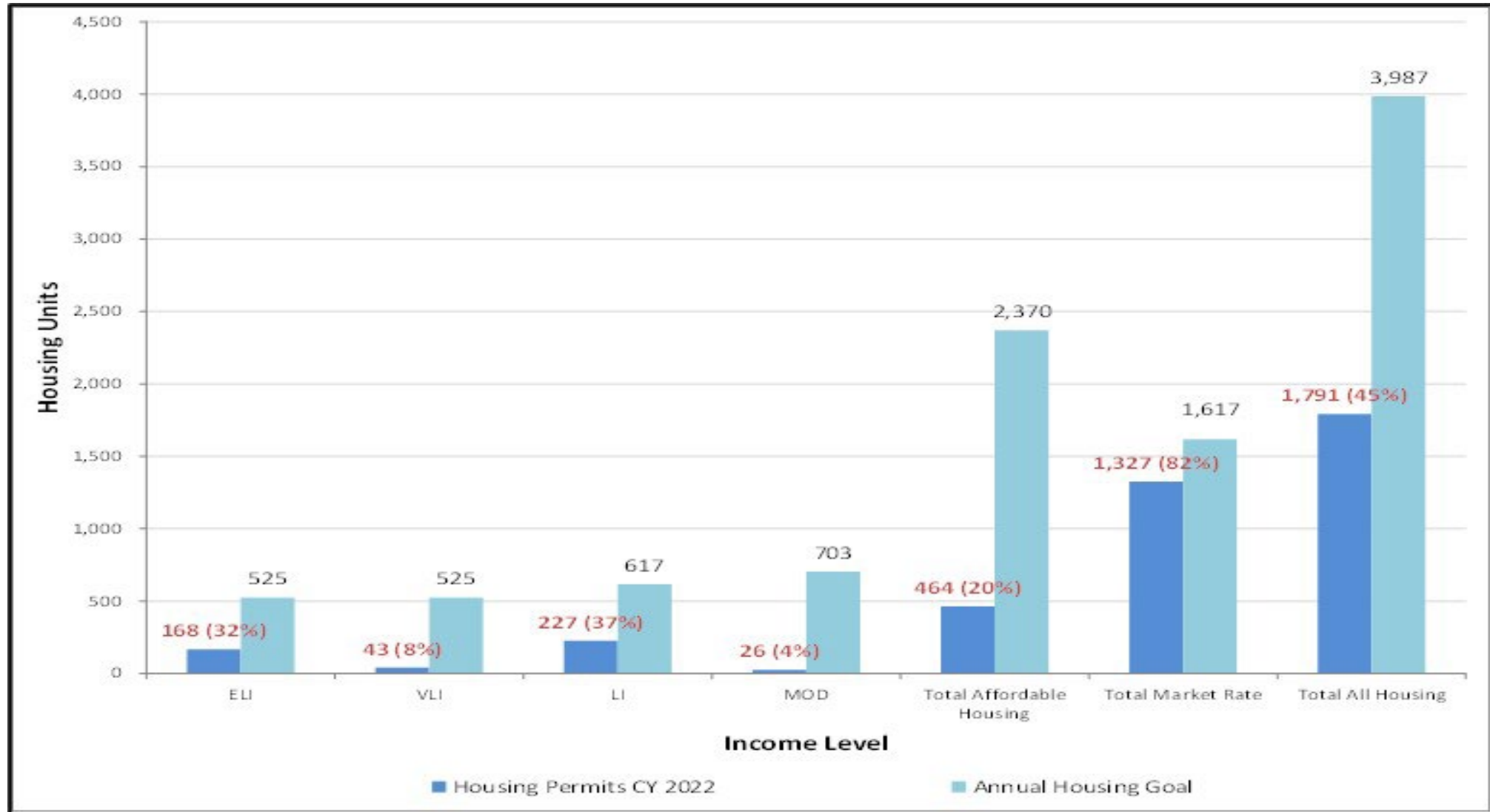
Income Category	2022 HCD Income Range		2014-2022 RHNA (Units)	Annual Goal (Units)
	1-person	4-person		
Extremely Low Up to 30% AMI	≤ \$35,400	≤ \$50,550	4,617	525
Very Low 31%-50% AMI	\$59,000	\$84,250	4,616	525
Low 51%-80% AMI	\$92,250	\$131,750	5,428	617
Moderate 81%-120% AMI	\$141,550	\$202,200	6,188	703
Above Moderate	\$141,551+	\$202,201+	14,231	1,617
	Totals		35,080	3,987

59%
of
total

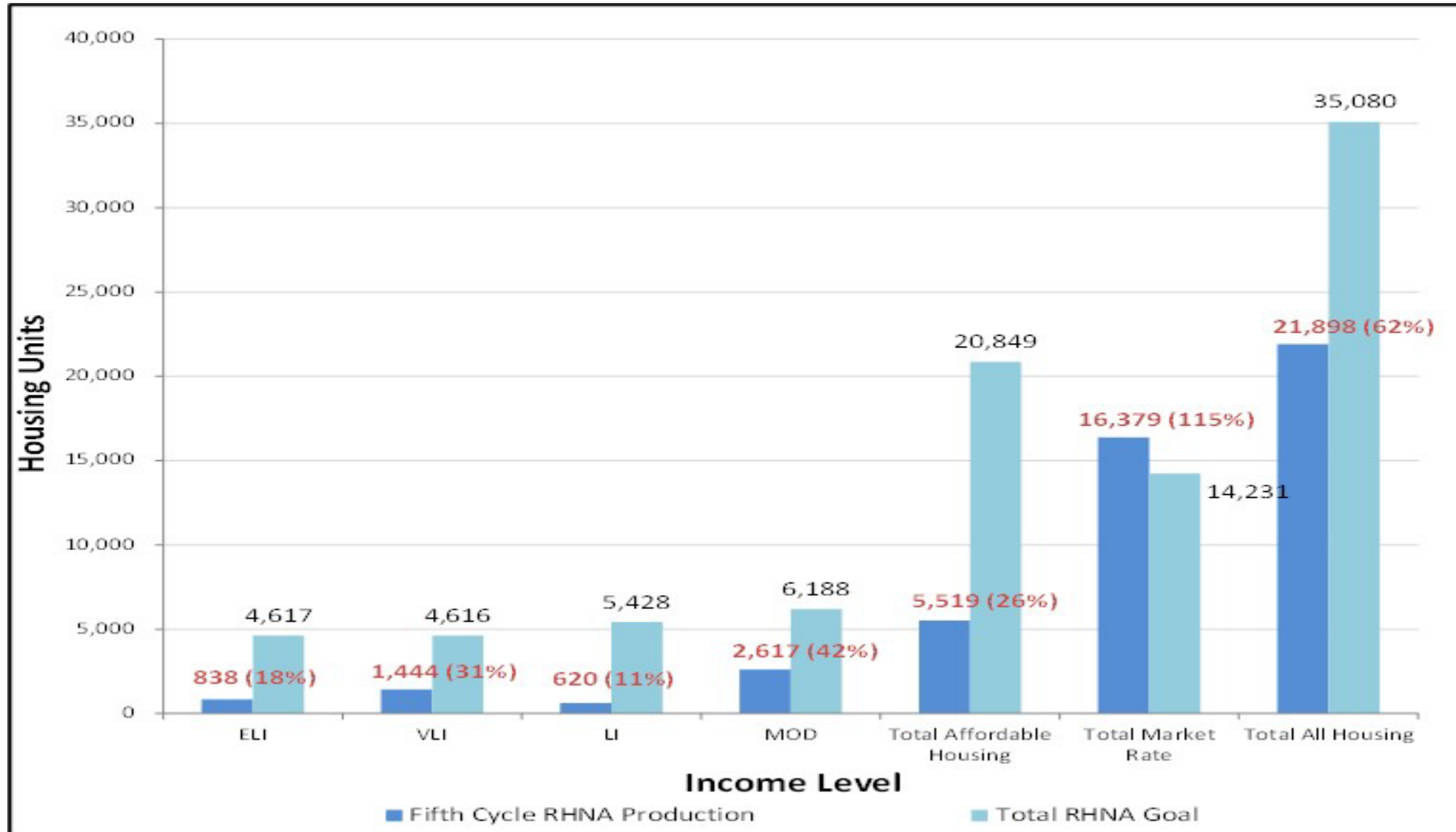
Fifth Cycle Housing Element Highlights

- Met 62% of total housing production goals
 - Met 115% of market-rate goal
 - Met only 26% of affordable housing goal
- Affordable housing production achieved despite limited funding resources
 - Ex. LIHTC is 14% of total statewide need
 - San José exceeded local, regional, and statewide fifth cycle RHNA averages
- Completed almost all (83 of 85 items, or 98%) of the planned fifth cycle programs, policies, or activities

CY 2022 Residential Building Permit Performance



Cumulative RHNA Performance



Housing Market and Activity

- Rental market as of Q4 2022 - strengthening
 - Rents down 3% QoQ but up 5% YoY
 - Vacancies 5.5% overall (7.6% Class A but only 4.2% Class C)
- For-sale market as of Q4 2022 - cooling
 - Median SF price down 10% QoQ & 12% YoY
 - High interest rates (6.42% 30-yr) make homes less affordable
- Slight increase in building permit activity in 2022
 - 1,791 units permitted (7% increase from 2021)
 - 53% of permitted units in Urban Villages (up from 42% in 2021)
 - 449 building permits increased for ADUs (up from 421 in 2021)

Housing Strategies: Production

- Housing Crisis Workplan
 - Final status report submitted to Council in Nov. 2022
 - Transition to Housing Catalyst Team Workplan starting Jan. 2023
 - Eventually integrate with 6th Cycle Housing Element Work Plan
 - Explore Temporary Suspension of Construction Taxes for Affordable Housing
- 100% affordable developments exempt from commercial space requirements
- Advocated (w/other local cities) for changes to CDLAC tiebreaker
- Most recent NOFAs (since 2018) awarded \$242M for development of 2,130 affordable homes

Housing Strategies: Other Updates

- Project Homekey Update
 - Continue to operate existing Homekey site from first round of State funding – shelter for those vulnerable to COVID-19
 - In the process of acquiring two hotels using second round of State funding
- Create Preservation loan program for developers to acquire and rehab existing apartments to create newly-affordable homes

2021-2022 Housing Successor Annual Report Highlights

1. Assets of \$715.9 million
2. Four required tests met
 - *Excess Surplus* test: Loan repayments being spent timely
 - *Senior Housing* test: $\leq 50\%$ of LMIHAF funds spent on senior affordable housing over past 10 years
 - *60%-80% AMI* test: $\leq 20\%$ of the LMIHAF funds on housing affordable to 60% to 80% AMI over the past 5 years
 - *Extremely Low-Income* test: $\geq 30\%$ of the LMIHAF on housing affordable to $\leq 30\%$ AMI over the past 5 years

Staff Recommendation

1. Accept the Calendar Year 2022 Annual and Final Progress Report on the Implementation of the San José 2014-2023 Housing Element
2. Accept the Fiscal Year 2021-2022 Housing Successor to the Redevelopment Agency Annual Report

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