



Housing

Draft Community Opportunity to Purchase Program (COPA)

**Housing & Community
Development Commission**

March 16, 2023
Item VI-A

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Agenda

- 🏠 Outreach process
- 🏠 Rationale for COPA
- 🏠 Overview of draft program
 - Applicability
 - Timeline
 - Qualified Nonprofit criteria
 - Affordability
 - Homeownership
 - Tenant empowerment
 - Education, enforcement, and incentives
 - Implementation



Public Engagement on COPA by the Numbers

16

Technical Advisory
Committee (TAC)
meetings and
Stakeholder
Advisory
Committee (SAC)
meetings

37

1-on-1 meetings
between Housing
Department staff
and stakeholders

1,200

Approximate combined
total attendance at
TAC/SAC meetings, general
public meetings, and
stakeholder meetings

12

General
Public
Meetings

480

Approximate number
of different people
who participated in
any kind of meeting
on COPA

50

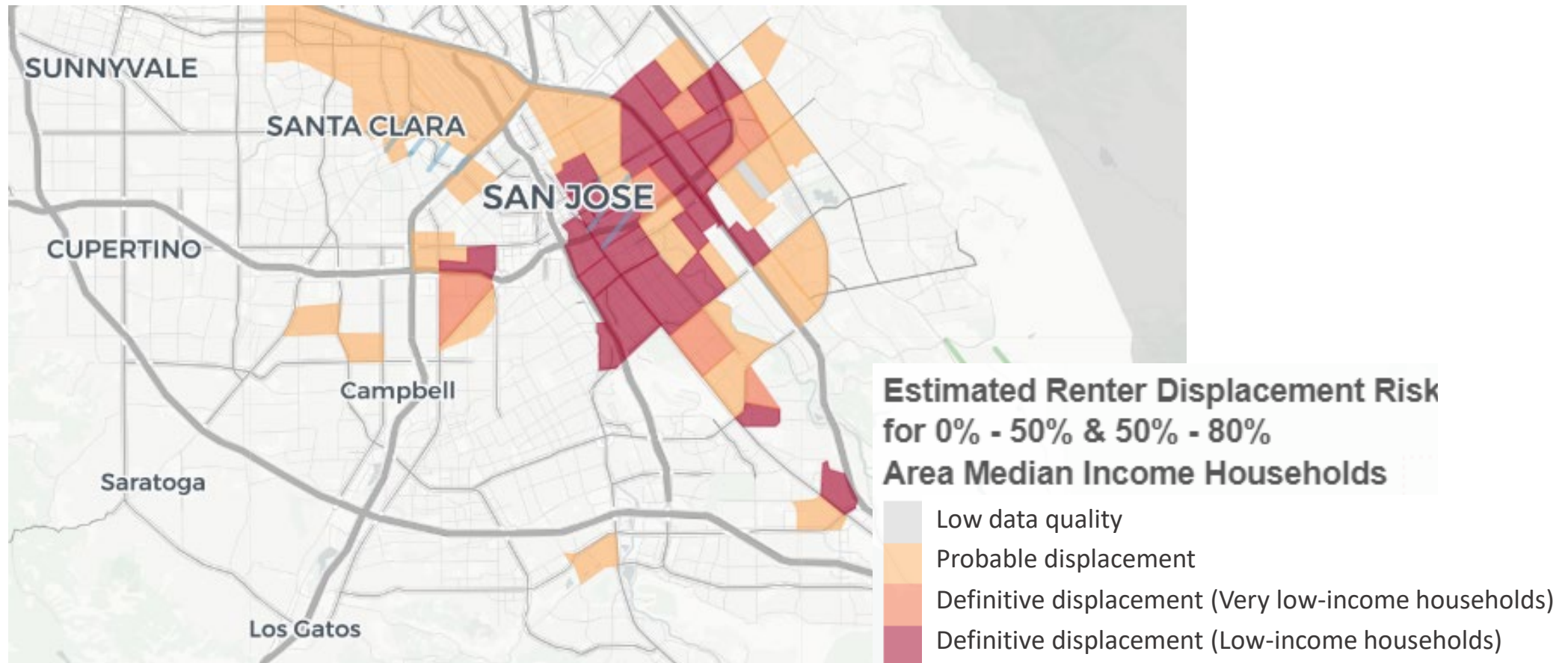
Approx. # of
orgs that
participated in
meetings



Rationale for COPA



San José neighborhoods undergoing displacement

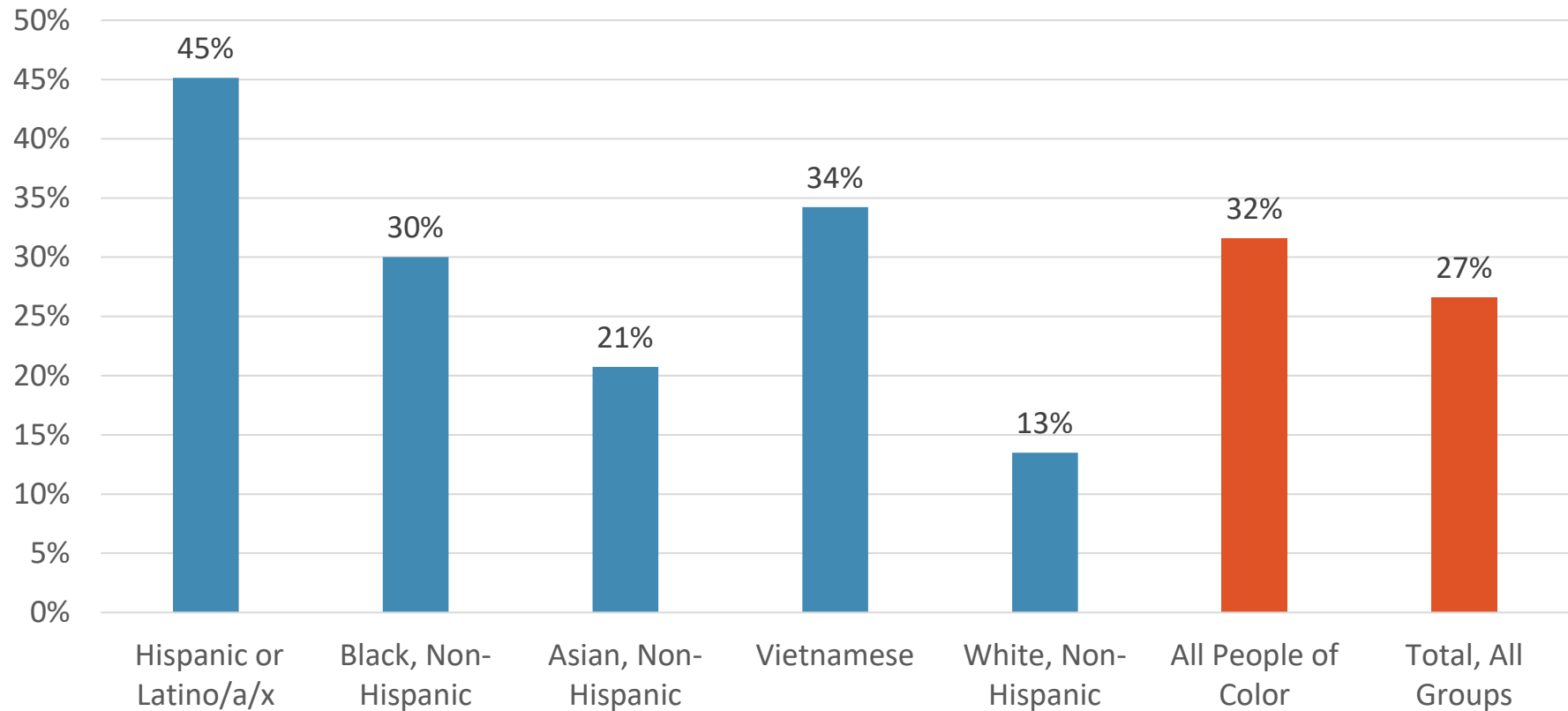


Source: Urban Displacement Project, 2022



Displacement risk is higher for people of color

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

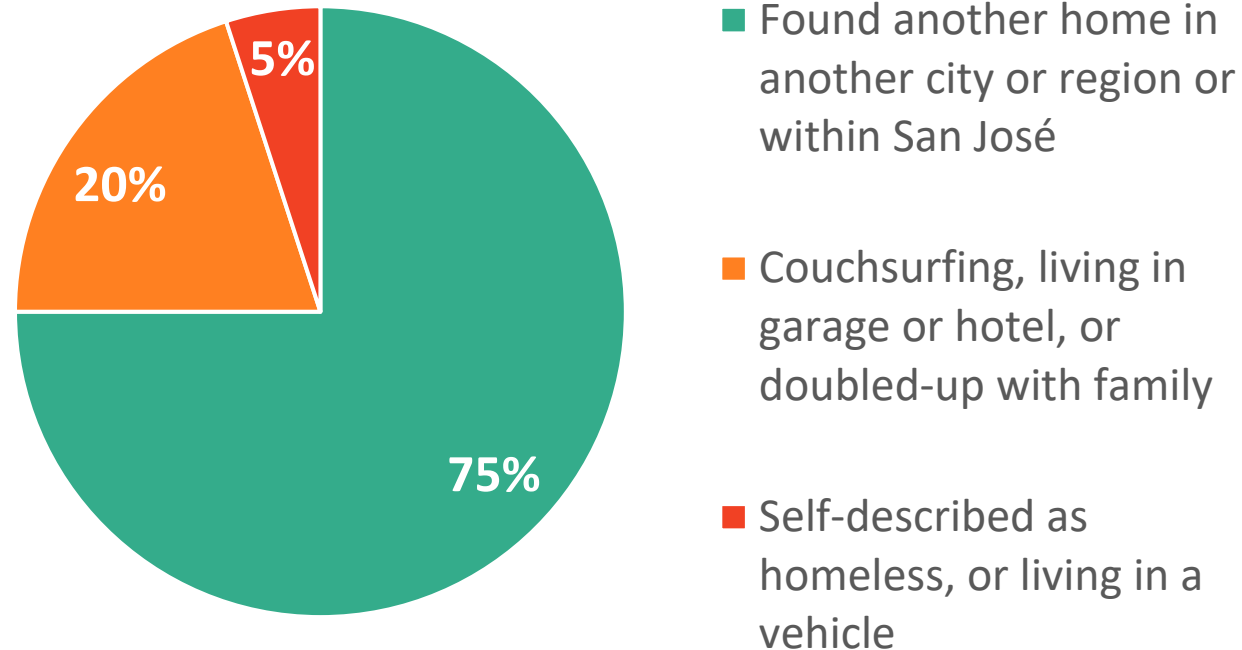


Source: City of San José analysis of Urban Displacement Project data



25% of displaced families became homeless

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



COPA goals

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



COPA overview

1. Affordable housing providers get the opportunity to **make the first offer** to buy 2⁺-unit properties covered by the program **before listing** on the open market
2. If an owner **rejects** an initial offer from affordable housing provider, and then gets an offer from a third-party buyer, that affordable housing provider can make a **final offer** before selling to third party

COPA would not require sellers to accept any offer or sell to any specific buyer



COPA is key component of a housing preservation system San José needs to build

- 🏠 Preserving low-cost housing **prevents displacement**
- 🏠 Preserving low-cost housing delivers affordable housing **4-5 years faster** than building new affordable housing
- 🏠 Preserving low-cost housing is **30-50% less expensive** than building new affordable housing



Overview of draft program elements

- 🏠 Applicability
- 🏠 Timeline
- 🏠 Qualified Nonprofit (QNP) criteria
- 🏠 Affordability
- 🏠 Homeownership
- 🏠 Tenant empowerment
- 🏠 Education, enforcement and incentives
- 🏠 Implementation



Applicability

Which properties are covered? What kinds of exemptions are granted?



Applicability

- 🏠 All properties with 2+ units built at least 15 years ago
- 🏠 Exceptions:
 - Owner-occupied 2- to 4-unit properties
 - Family transactions
 - Properties in foreclosure or bankruptcy
 - Partial ownership transfers
 - Single-family homes with one ADU
 - 2- to 4-unit properties where owner needs to sell property due to significant, documented medical expenses for self or family



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?



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 accept 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

Which types of organizations can become QNPs? How will non-local QNPs partner with community groups?



Qualified Nonprofit (QNP) criteria

- Nonprofit 501(c)(3) organizations
- Successful track record in acquiring, rehabilitating, and managing at least one similar property
- Housing Department Staff will recertify QNPs on a regular basis



Affordability

To whom will properties acquired through COPA be affordable?

Will renter families with incomes outside of the affordability ranges be able to stay?



Affordability

- 🏠 COPA to target renter families earning 31% to 80% Area Median Income (AMI)
 - 1-person household: 31-80% of AMI ≈ \$35K - 92K
 - 4-person household: 31-80% of AMI ≈ \$51K - \$132K
- 🏠 For properties converted to ownership models, COPA to target households earning 61% to 120% AMI
 - Alternative models of ownership like limited equity cooperatives and community land trusts may be able to reach lower AMI levels



Homeownership

How can COPA be used to support conversions of rental properties to ownership opportunities for renter families?

What other City action is needed?



Homeownership options under COPA

- QNPs can operate properties acquired through COPA as rentals or convert to ownership model
 - Conversions from rentals ownership most likely 2-6 years after acquisition
- If QNP owner eventually decides to resell, they must offer tenants an opportunity to purchase



Homeownership options under COPA (cont'd)

- 🏠 City support for ownership 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

How will COPA support tenant education and empowerment?



Tenant empowerment

- 🏠 Tenants must be notified of property owner's intent to sell at the same time as QNPs
- 🏠 Notification letter should:
 - Reduce tenant uncertainty about ownership change
 - Inform tenants of their rights
 - Provide tenants information about role, ways of contacting QNPs with questions



Education, Enforcement, and Incentives

How would the City **educate** renter families about COPA?

How would the City **enforce** property owners' observation of the new rules under COPA?

What **incentives** can the City provide to make COPA more effective?



Education, enforcement, and incentives

- 🏠 Administrative enforcement:
 - Gradual process, from letter to fines
 - Fines connected to other City fee schedules
- 🏠 Extensive outreach to property owners and tenants
- 🏠 For joint partnerships, ensure program funding sources can cover costs associated with affordable housing developer knowledge transfer



Implementation

How can technology be leveraged to make the QNP notifying process easier?

How will the City track the effectiveness of COPA?



Implementation clarifications

- 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 select property types of interest and get notifications (locations, size, etc.)
- One staff member anticipated to administer COPA



Effective Date

When would COPA take effect?



Effective Date of COPA

- 🏠 One year, or
- 🏠 When all of the following actions are completed:
 - Program regulations drafted, outreach conducted, regs approved
 - Qualified Nonprofits qualified
 - Technology tool operational
 - Financing identified
- 🏠 City to issue notice six months in advance of when COPA will go into full effect



Next steps

🏠 Spring 2023

- City Council Committee review (CEDC) (Mar 27)
- City Council (estimated May)

🏠 Effective date

- Summer/fall 2024



Behind these statistics are real stories

“As a single mother of with 3 sons, it is difficult to give them the stability that they deserve. We live in a 2-bedroom duplex [in San José], we can't afford to go anywhere else with more space because it is too expensive. I worry about what would happen if the owner were to sell. We deserve to be able to have stability.”

- Family in Mayfair



Recommendation

Review the staff report on the draft Community Opportunity to Purchase Program (COPA), which would give the right of first and final offer to qualified nonprofits to purchase properties covered by the program in order to increase the stock of preserved and permanently affordable homes, and make possible recommendations.



Questions for Commissioners

- 🏠 Any clarifying questions?
- 🏠 Any **incentives** City should explore to encourage owner sales to QNPs?
- 🏠 Best ways to **educate** about rights / responsibilities under COPA?
 - Renters
 - Property owners
 - Real estate professionals





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