



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Nanci Klein

SUBJECT: STATUS REPORT ON
DOWNTOWN WEST
COMMUNITY BENEFITS

DATE: January 16, 2023

Approved

Date

01/10/23

RECOMMENDATION

Accept a status report on the community benefits outlined in the Downtown West Development Agreement with Google.

BACKGROUND

On May 25, 2021, City Council approved the Downtown West Mixed-Use Plan, including a Development Agreement with Google. The Development Agreement includes requirements for how the Downtown West project will deliver up to \$200 million in community benefits, defined as investments that go beyond the City's baseline requirements to address the community's top priorities. The Development Agreement addresses City Council's and the community's top priorities, as expressed through the extensive community engagement process conducted in 2018-2021.

As summarized in the following table, the largest community benefit is the contribution of up to \$154.8 million to a new community-driven Community Stabilization and Opportunity Pathways Fund (Fund). Up to \$29.8 million of the community benefits will go directly to the City, including \$7.5 million in early payments and up to \$22.3 million overtime. The contributions to the Fund and the future payments to the City are based on key milestones tied to the construction of Downtown West office buildings. Staff recommended categories for how the City should spend these funds in a [Supplemental Memorandum dated May 17, 2021](#), which the City Council accepted as part of the project approval.

In addition, the Downtown West project enables the development of approximately 1,000 affordable units and supports the goal of 25% affordable housing in the Diridon Station Area. Specifically, the project includes the dedication of land to the City for the development of approximately 800 affordable units and the construction of 200 units for moderate-income households to be integrated with market-rate housing. Of this amount, 30 moderate-income units and the transfer of 0.8 acres along North Autumn Street for the development of approximately

200 affordable units are considered community benefits, as they exceed baseline inclusionary housing requirements.

Community Benefit	Amount
30 additional moderate-income units integrated with market-rate housing	\$7.0M
Land transfer to the City for the development of affordable housing (subject to subsequent approvals)	\$8.4M
Community Stabilization and Opportunity Pathways Fund (to be guided by a new commission)	up to \$154.8M as the office is built
Payments to the City over time for economic opportunity, community stabilization, neighborhood programs, and early childhood education/childcare	up to \$22.3M as the office is built
Early payments to the City for community stabilization, job readiness, neighborhood programs, and fund set-up	\$7.5M
Total	\$200.0M

As described in the following section, Google has already provided the \$7.5 million in early payments and has transferred the land committed to affordable housing.

ANALYSIS

Status of Affordable Housing Requirements

Google completed the land transfer of 0.8 acres along North Autumn Street to the City for affordable housing development. Through a competitive procurement process, the City selected the Santa Clara County Housing Authority (Housing Authority) as the developer. City Council approved entering into an Exclusive Negotiating Agreement with the Housing Authority on September 27, 2022. Following the execution of the agreement, the Housing Authority will work with staff to develop plans and a financing package to complete the design and land use entitlements process by June 2024.

The Development Agreement requires the Downtown West project to integrate restricted affordable moderate-income units as part of any market-rate residential building at a ratio of 5.88% of the total market-rate units. This would result in 30 additional moderate-income units over the baseline inclusionary housing requirement, assuming the buildout of the market-rate

housing entitled for the site. Since the requirement for the additional affordable units is triggered with the development of market-rate units and the City has not received any applications for market-rate housing development, this requirement has not yet been triggered.

Status of Programs Funded by the Early Payments

Consistent with the Development Agreement, Google submitted the required early payments to the City, totaling \$7.5 million. City Council accepted the staff's recommendation on how to spend the first \$3 million on August 31, 2021, and how to spend the second \$4.5 million on March 1, 2022 (see the [August 31, 2021 staff memorandum](#) and the [March 1, 2022 staff memorandum](#) for details). The following table summarizes the programs, amounts, and status of the allocations of the \$7.5 million in early payments.

Program	Amount	Status
Outreach to tenants and landlords on the eviction moratorium and rental relief programs	\$1,250,000	Complete – funds remaining
Capacity building for nonprofit organizations	\$1,000,000	In progress
Preservation Pilot Program	\$500,000	In progress
Land Trust Predevelopment Work	\$250,000	In progress
San José Aspires	\$1,500,000	In progress
Paid work experience and occupational skills training program	\$625,000	In progress
Childcare support for workforce program participants	\$600,000	In progress
College and career pathways coordinator (3-year project position)	\$525,000	In progress
Neighborhood programs at the Gardner Community Center	\$1,000,000	The outreach process is in progress
Community Stabilization and Opportunity Pathways Fund Set-up	\$250,000	In progress
Total	\$7,500,000	

The remainder of this memorandum summarizes the status of each of these programs.

Outreach to Tenants and Landlords on the Eviction Moratorium and Rental Relief Programs

The purpose of this program was to increase outreach to residents and landlords about available rental relief programs related to eviction moratoria and the COVID-19 response and recovery. At the time, the submission of incomplete applications and lack of documentation was causing a delay in the approval process. In response, the City entered into a cost-sharing agreement for

\$1,000,813 with the County of Santa Clara, which distributed grants to several community-based organizations (CBOs) to provide outreach, education, and assistance with completing applications. Landlords were assisted in understanding and implementing the evolving requirements around the moratoriums and relief programs. The focus was on neighborhoods with high COVID-19 rates and/or rental assistance needs.

The following data summarizes activities from January 6, 2022, through September 30, 2022:

- 175 community health workers/employees deployed
- 3,041 individual residential engagements (number of people spoken to at each door or yard or house/dwelling visited)
- 3,122 individual community engagements (pop-up testing sites, community events, etc.)
- 7,709 individual engagements referred to the County or City for rental assistance
- 5,053 conversations had regarding tenants' rights
- 1,131 applicants assisted with an application to the State CA COVID-19 rental assistance program

The City extended the cost-sharing agreement with Santa Clara County through December 2022. The balance of unspent funds will be redirected to other prevention efforts. Specifically, the unspent funds can be used towards the Eviction Diversion and Settlement Program, which intervenes in active eviction lawsuits to pay back rent of low-income households who can pay rent going forward and remain stably housed.¹

Capacity Building for Nonprofit Organizations

The purpose of this program is to build capacity among three to four existing CBOs to be more active players in community development – building upon their service provision functions, knowledge of neighborhood needs, and strong relationships with communities. The goal is to strengthen the network of high-capacity CBOs to maximize the benefits of investment for disadvantaged communities, to support healthy, inclusive neighborhoods, and to achieve long-term goals for community stabilization throughout San José. This is part of an overall movement for the City's work to be more needs-driven, neighborhood-specific, and equitable (i.e., focused on improvements for the most vulnerable while improving outcomes for all).

To implement this program, Housing Department staff have been researching current needs and various options for partners, training programs, and models, considering other recent grant programs run by the County and others. Staff is designing the program to meet specific needs and work in conjunction with other local programs aimed at capacity building and community stabilization. The goal is to release applications for this program in spring 2023, following an update to the Community and Economic Development (CED) and Neighborhood Services and Education (NSE) Council committees in March.

¹ On December 13, 2022 City Council approved a grant agreement and appropriation amendments with Sacred Heart Community Service to continue the Eviction Diversion and Settlement Program which was established in Spring 2022 in response to the end of State eviction protections and the State CA COVID-19 rent relief program.
<https://sanjose.legistar.com/View.ashx?M=F&ID=11496095&GUID=878316B3-31EE-4489-9154-053A0A1B37D9>

Preservation Pilot Program

City Council approved the Diridon Affordable Housing Implementation Plan (AHIP) on May 25, 2021, following the approval of the Downtown West project. The AHIP includes a range of strategies for affordable housing production and preservation and renter protection. The production strategies focus on the area covered by the Diridon Station Area Plan (DSAP) which supports increased development capacity and integration of market-rate and restricted affordable homes near the Station. The AHIP's preservation and protection strategies focus on the Neighborhood Stabilization Area, defined as the half-mile buffer around the DSAP. The purpose of the Preservation Pilot program will be to fund nonprofit developers' acquisition and rehabilitation of duplex and multifamily properties in the Neighborhood Stabilization Area to preserve these units where physically appropriate and to implement restricted affordability for the long term.

Staff plans to bring forward an implementation plan for the Diridon Affordable Housing Implementation Strategy, including the Preservation Pilot, for Council consideration later this year (targeting June).

Land Trust Predevelopment Work

The original purpose of this program was to fund an organization to study the formation of a Community Land Trust and other community ownership models and lay the foundation for implementing one or more models. Since the approval of this concept, the South Bay Community Land Trust has been formed, and the program has shifted to a capacity-building grant to support the development of an acquisition and rehabilitation program. The grant will help position the South Bay Community Land Trust to respond to funding opportunities and to acquire existing buildings and rehabilitate them for low-income housing.

The Housing Department is currently executing a contract with the South Bay Community Land Trust to begin this work.

San José Aspires

The San José Public Library (Library) Department manages the San José Aspires (SJ Aspires) program to promote post-secondary readiness among high-school-aged students in San José. Participants receive financial awards as they complete the curriculum and activities that contribute to college and career readiness. Priority is given to students who qualify for free-and-reduced lunch programs, are non-native English speakers, or whose parents either did not graduate high school or did graduate high school but did not attend a post-secondary institution. Each enrolled student may earn up to \$5,000 through their projected high school graduation date.

The funds were transferred to the SJ Aspires program for use during the 2022-2023 academic year. The additional investment of \$1,500,000 is projected to allow the program to serve approximately 375 more students through, at a minimum, four years of high school.

Since City Council's action in May 2022, the SJ Aspires program has:

- Distributed an additional 1,264 awards, totaling \$123,450, to 729 current program students;
- Identified and coordinated with educational partners; and
- Onboarded a total of 330 new first-generation students from the Class of 2026, including 130 students from San José High School and 200 students from William C. Overfelt Class.

To continue student engagement with students throughout four years of school, City staff welcomed five student peer ambassadors and held six events, connecting students with corporate partners and community organizations ranging from IBM's AI Tech Camp to virtual Mentor Meetups to attending the 49ers Summer Training.

Paid Work Experience and Occupational Skills Training Program

This new program will use an "Earn and Learn" approach to occupational skills training and paid work experience. The focus will be on high-growth, high-wage careers in; 1) heating, ventilation, and air conditioning (HVAC) to prepare students to qualify for entry-level HVAC installation jobs with a career pathway, and 2) computer numerical control (CNC) Machine Operator to prepare an individual for advanced manufacturing careers.

This program is currently in development, with the goal to launch in January 2023 with the program serving 40 participants in multiple cohorts. To qualify for the program, participants must reside in San José's low-resource census tracts or be low-income individuals. An initial metric of program success would be at least 70% of clients successfully completing training and being placed into subsidized employment in a high-growth sector, or initiating or continuing a postsecondary education.

Childcare Support for Workforce Program Participants

This program will provide subsidies for participants of any of the City's workforce development programs to cover childcare costs required for their participation in the program. The allotment of \$600,000 is estimated to provide an average of 100 hours of childcare support for 375 program participants.² This support would enable participants to improve their education and employment opportunities by participating in training programs while ensuring their children have childcare by a licensed provider.

Staff is currently working on a contract with the Santa Clara County Office of Education to implement the program, to launch in early 2023.

College and Career Pathways Coordinator (three-year project position)

² This estimate was extrapolated from the 2018 Regional Market Rate Study. The data for Santa Clara County showed that childcare costs range from a high of approximately \$17/hour for infants to \$10/hour for preschool and young school-aged children. For the purposes of this program, a blended rate of \$13.50 per hour is used in calculations. Some adjustments may be made for adults with more than one child.

The hiring process for the College and Career Pathways Coordinator position was completed in July 2022. The position is housed within the Education and Digital Literacy Division of the Library Department and works collaboratively with staff throughout multiple City departments who operate programs providing college and career support.

Since initiating this project position in August 2022, the Coordinator has focused on building connections and relationships with key City staff and external partners. Key projects include co-convening the Youth Forum (involving data collection for landscape mapping and community outreach/listening efforts), engaging with and developing new communities of practice, planning for the assessment of City College and Career Readiness (CCR) programs using the City Council adopted CCR Quality Standards, and supporting programs to articulate their metrics of success aligned with the CCR Logic Model. An initial update on this work was presented to the Neighborhood Services and Education Committee on November 3, 2022.

Neighborhood Programs at the Gardner Community Center

The purpose of this program is to increase the programming offered at the Gardner Community Center and for the programming to be driven by the community. A community engagement process is underway to generate the specific program types to be funded through this program. Staff hosted a community event in August 2022 to gather feedback and ran a paper/online survey. Staff advertised the event and survey through mailers sent to the Gardner neighborhood, as well as flyers and emails. The survey received 139 responses, including 10 in Spanish and 13 in Vietnamese.

Staff is also working with the Diridon Area Neighborhood Group (DANG), a coalition of neighborhood leaders who were active in the process of reaching out and involving residents in the Downtown West/Diridon Station Area engagement process of 2018-21. DANG conducted focus groups in September 2023 in English and Spanish, with about 50 participants. DANG is also conducting an online survey with a goal of getting to get 400 responses. The next step will be for DANG to summarize the community's recommendations in a report in early 2023, followed by the staff's preparation of an action plan to implement the recommendations.

Community Stabilization and Opportunity Pathways Fund Set-Up

The Community Stabilization and Opportunity Pathways Fund is intended to uplift under-resourced communities in San José by preventing the involuntary displacement of residents, communities, and small businesses through affordable housing preservation, rental assistance, and similar programs as well as increasing economic security and educational attainment through training programs, support services, entrepreneurial assistance. [The City's website](#) includes current and additional background information on the Commission.

Staff has made significant progress to implement the Community Stabilization and Opportunity Pathways Fund. On August 16, 2022, the City Council adopted an ordinance to establish the Community Stabilization and Opportunity Pathways Fund Commission (Commission) as part of Chapter 2.08 of the Municipal Code (see details [here](#)). On December 13, 2022, City Council appointed the initial members to the Commission (see details [here](#)).

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The next step is to onboard the Commission members and begin meetings. The goal is to select a third-party Fund Manager in 2023 and prepare the first Five-Year Strategic Plan in 2024. Google has committed to contributing \$15 million within 120 days of beginning construction on the first Downtown West office building – in advance of the trigger in the Development Agreement. Grant-making can occur following City Council’s adoption of the Strategic Plan and receipt of the first contribution to the Fund. Staff has spent approximately \$15,000 of the \$250,000 allocated from the early payments for Fund set-up purposes. This mainly included costs associated with translation and interpretation, in addition to the use of the PrimeGov platform for the application and outreach on the application opportunity. The balance of this allocation will be used to implement the next steps for the Fund and associated Commission, such as the administration of the Commission meetings and preparation of the Strategic Plan.

COORDINATION

This memorandum has been coordinated with the Parks, Recreation and Neighborhood Services, Library Department, Housing Department, and the City Attorney's Office.

/s/

NANCI KLEIN

Director of Economic Development
and Cultural Affairs

For questions, please contact Lori Severino, Assistant to the City Manager, at (408) 535-3537.