

**Progress Report on the Implementation
of the San José 2020 General Plan Housing Element -
July 2006 through December 2007**

February 14, 2008

A. BACKGROUND

California State law provides that most jurisdictions prepare an annual status report on the implementation of the General Plan. In this format, the City of San José has submitted progress reports on the implementation of the Housing Element in order to qualify for State and other funding programs. The progress reports are also intended to provide useful information for review and evaluation during the preparation of subsequent updates to the Housing Element.

This report focuses on meeting the Regional Housing Needs Allocation (RHNA) and other goals and objectives as set forth in the Housing Element of the San José 2020 General Plan. The report covers an 18-month period (from July 2006 to December 2007) to facilitate a transition from the previous fiscal-year reporting cycle to a calendar-year cycle. This transition is intended to align the City's reporting period with the State's *General Plan Annual Progress Report Guidance*, which was updated in July 2007. With this transition, the City will submit this progress report by April 1, 2008, and the next annual progress report will be due on April 1, 2009 covering the 2008 calendar year. Upon City Council acceptance of the report, it will be forwarded to the California Housing and Community Development (HCD) Department and the Governor's Office of Planning and Research.

The Housing Element is one of the mandatory elements of a General Plan, as required by State Law. California State Law required that San José update its General Plan Housing Element by December 31, 2001. The update addressed how the City proposed to meet its regional fair share housing allocation, reviewed the effectiveness of San José's housing policies and programs, and included modifications to several sections of the General Plan, including the Housing Major Strategy, Housing goals and policies, and the Implementation Chapter, which describes San José's housing programs. The City Council adopted General Plan amendments in November 2001 and June 2002 intended to incorporate required revisions to the General Plan to prepare the Housing Element for certification. The City received confirmation of final certification of the General Plan Housing Element by the State Housing and Community Development (HCD) Department in June 2003.

B. PROGRESS IN MEETING REGIONAL HOUSING NEED

The Association of Bay Area Governments (ABAG) is responsible for allocating the regional housing needs among each jurisdiction in the nine-county Bay Area. ABAG has determined that San José's fair share of the regional need for the planning period through 2006 is 26,114 units. San José's allocation accounts for 45% of the total housing allocation for Santa Clara County and 11% of the nine county Bay Area region. These 26,114 units are distributed among the economic segments of the community, as depicted in Table 1.

The City of San José surpassed this goal prior to the end of the timelines set by ABAG. San José has completed 117% of its 1999-2006 RHNA. During calendar year 2006, 1,374 dwelling units began construction or had newly added affordability restrictions to serve Extremely Low, Very Low, Low, and Moderate Income households (see Table 1). This affordable housing consists of those dwelling units whose construction or rehabilitation was either: (a) financed all or in part, with loans or tax-exempt bonds approved by the City Council and Redevelopment Agency Board, or (b) provided by developers in order to meet State-mandated inclusionary housing requirements in Redevelopment Project Areas.

Table 1
Calendar Year 2007 Housing Unit Count and
Unit Count of Housing Produced for the
1999-2006 Regional Housing Needs Allocation (RHNA) Cycle

Affordability Categories	1999-2006 RHNA*	Units Added - By Calendar Year								Total Units Added 1999-2006	% RHNA	2007
		1999	2000	2001	2002	2003	2004	2005	2006			
Very Low	5,337	420	560	928	849	686	277	695	555	4,970	93%	188
Low	2,364	199	707	1,303	383	386	469	439	487	4,373	185%	288
Moderate	7,086	68	163	46	92	271	129	7	332	1,108	16%	100
Above Moderate	11,327	2,919	3,663	2,391	1,254	3,416	1,961	1,982	2,535	20,121	178%	1,925
TOTAL	26,114	3,606	5,093	4,668	2,578	4,759	2,836	3,123	3,909	30,572	117%	2,501

*RHNA goals for the time period beginning January 1999 to June 2006.

**“Units added” refer to units receiving building permits or units with newly added affordability restrictions.

During calendar year 2007, 576 affordable dwelling units began construction or had newly added affordability restrictions to serve Extremely Low, Very Low, Low, and Moderate Income households.

C. LOCALLY IDENTIFIED AFFORDABILITY CATEGORIES

Effective January 1, 2007, the State of California has identified an additional income category, extremely low-income (ELI) households. This income category is defined as individuals or families earning less than 30% of the County median income. For the purposes of meeting the goals set by the Association of Bay Area Governments (ABAG), these units are included in the “Very Low” income category. The City of San José has consistently reported its ELI production to HCD in previous reports and will continue to demonstrate efforts in meeting the needs of ELI households. Attached is the ELI production through 2007:

Table 2
Extremely Low-Income and Very Low-Income Units Added 1999-2007

Affordability Categories	1999-2006 RHNA	Units Added - By Calendar Year								Total Units Added 1999-2006	% RHNA	2007
		1999	2000	2001	2002	2003	2004	2005	2006			
Very Low	5,337	420	548	869	533	316	243	651	478	4,058		121
Extremely Low			12	59	316	370	34	44	77	912		67
TOTAL	5,337	420	560	928	849	686	277	695	555	4,970	93%	188

* "Units added" refer to units receiving building permits or units with newly added affordability restrictions.

Overall, San José has been very effective in meeting its Regional Housing Needs Allocation. Much of this success is concentrated in the Very-Low and Low-Income categories, where the City's programs are aligned to the greatest housing need. The City Council intentionally prioritizes development of affordable housing at the lower income levels over Moderate-Income housing. Due to the difficulty in tracking market-delivered housing, the data in the above tables illustrate that the City conservatively assumes that all market rate housing is developed in the Above-Moderate Income category.

To assist Low- and Moderate-Income residents, the City offers a number of homeowner and homebuyer programs. These programs are discussed below. In addition, the City also uses its Redevelopment Area Inclusionary Zoning program as a way to create more Moderate-Income units in the City.

Presently, the City is exploring different strategies to increase the development of Moderate-Income housing, including the possibility of adopting a citywide inclusionary zoning ordinance. If adopted, the citywide ordinance would create additional opportunities for more Moderate-Income housing in San José. The City is also preparing an update to the General Plan Housing Element for the period from 2007-2014 that will include strategies to increase housing supply at all income levels. Additional information about the City's upcoming Housing Element update for 2007-2014 is discussed under the City's long range planning efforts below.

D. THE EFFECTIVENESS OF THE HOUSING ELEMENT IN ATTAINMENT OF THE COMMUNITY'S HOUSING GOALS AND OBJECTIVES

The City of San José's Housing Department offers a comprehensive affordable housing program. The Department assists in financing both new construction and the rehabilitation of single-family and multi-family units for Low- and Moderate-Income residents in San José. Updates on each of the affordable housing programs administered by the Housing Department are included in this section of the report. The programs are primarily used to develop or conserve housing for lower income households during the 1999-2006 planning period of the Housing Element.

Specific programs are funded from the Redevelopment Agency's property tax increments; the federal Community Development Block Grant (CDBG) program; the federal HOME program; federal Emergency Shelter Grant (ESG) funds; tax-allocation bond proceeds; tax-exempt private activity bonds (CDLAC); Low-Income Housing Tax Credits; the California State Department of Housing and Community Development (HCD) Multifamily Housing Program funds (MHP); private sector investors; and commercial lending institutions. The City's overall strategy is to use available public funds to leverage financing from private sources to support a variety of housing construction and rehabilitation programs.

1. Homeowner Programs

- a. **Housing Preservation Program (HPP)** – Homeowners earning up to 80% of the County median income level may apply for loans up to \$100,000 to rehabilitate their homes. Owners living within the City's Strong Neighborhoods Initiative (SNI) Areas qualify for a 0% interest loan. All other City Areas receive 3% loans. By City Council policy, 75% of Rehabilitation Program funds are targeted toward the Strong Neighborhoods Initiative areas of the City, which are characterized by higher concentrations of lower-income households and older housing stock in greatest need of rehabilitation. This program is successful in providing funding to preserve the City's aging housing stock.

Home Owner Grant Program (HGP) – Homeowners earning up to 80% of the County median income level may apply for one-time repair grants of up to \$15,000. This program is administered on a "Needs Basis" and primarily serves single-family owner occupied homes. The grant is offered to owners with eligible repairs that are minor in nature providing all health and safety issues can be addressed with the grant. If more repairs are required to address health and safety needs, the applicant will be referred to the Housing Preservation Program.

7/1/06 – 12/31/06 Performance: 38 homes rehabilitated through the HPP and HGP grants.

2007 Performance: 83 homes rehabilitated through the HPP and HGP grants

- b. **Mobilehome Repair Grant Program (MRGP) and Mobilehome Repair Loan Program (MRLP)** – Owner occupants of mobilehomes earning up to 80% of the County median-income may apply for one-time repair grants up to \$12,000. Additionally, the Housing Department offers 3% loans up to \$20,000 for low-income mobilehome owners. The MRLP has been successful in providing options to mobilehome households with very limited options to finance repair needs.

7/1/06 – 12/31/06 Performance: 38 homes rehabilitated through the HPP and HGP grants.

2007 Performance: 188 mobile homes rehabilitated

2. Homebuyer Programs

- a. **First-Time Homebuyers Mortgage Credit Certificates (MCC)** – In cooperation with the County, the City offers Mortgage Credit Certificates (MCC) to qualified buyers. An

MCC enables qualified first-time buyers to reduce the amount of their federal income tax liability by a specified percentage of the interest rate they pay on their first mortgage loan. This amount is currently set at 15%. This reduction may be applied to a new or existing loan. By reducing the tax liability, an MCC effectively increases the homebuyer's income level. The program has proven to be an effective means for enabling Low and Moderate-Income households to purchase homes that they might not otherwise afford. The program has been effectively combined with other City homebuyer assistance programs to further enhance home purchasing power in one of the nation's highest housing cost areas. The City will continue its cooperation with the County on this program.

7/1/06 – 12/31/06 Performance: 25 MCCs issued in San José and 9 MCCs in other cities in Santa Clara County

2007 Performance: 59 MCCs issued in San José and 14 MCCs issued in other cities in Santa Clara County.

- b. **Teacher Housing Program (THP)** – This program provides a deferred equity-share loan of up to \$65,000 to low- and moderate-income San José public school teachers. The THP program has proven to be an effective means for attracting and retaining public school teachers in one of the nation's highest housing cost areas. The City continuously markets and evaluates the program to ensure that program goals and maximum leveraging of City funds are achieved.

7/1/06 – 12/31/06 Performance: 24 THP loans

2007 Performance: 35 THP loans

- c. **Project-Based Second Mortgages** – The City provides 30-year second mortgages in varied amounts for Low and Moderate-Income homebuyers in ownership housing projects for which the City has previously provided financial assistance for development.

2007 Performance: \$1,459,997 to seven low-and moderate-income first-time homebuyers in Hennessey Place and \$633,000 to five lower-income first-time homebuyers through Silicon Valley's Habitat for Humanity Murphy/Ringwood projects.

- d. **Building Equity and Growth in Neighborhoods (BEGIN)** – To date, the City has been awarded \$7.5 million in grant funds made available through Proposition 46 and Proposition 1C. The grant funds are used to provide second mortgage assistance in loan amounts up to \$30,000, for Low- and Moderate-income first-time homebuyers in specific new for-sale developments that have received regulatory relief from the City.

7/1/06 – 12/31/06 Performance: The City assisted nine homebuyers with \$270,000 in low interest loans in two new developments: San Antonio Place and The Works.

2007 Performance: The City assisted 20 first-time homebuyers with \$600,000 in four developments: Murphy/Ringwood Habitat Project, Hennessey Place, San Antonio Place and The Works

- e. **American Dream Down-Payment Initiative** – As part of the Federal Home Investment Partnership (HOME) sub-program, the City of San José has received over \$600,000 since 2002 to be used for down-payment assistance for low-income first time homebuyers.

7/1/06 - 12/31/06 Performance: The City assisted one low-income household with low-interest deferred loans up to 6% of sales price.
2007 Performance: The City assisted six low-income households during 2007. Each ADDI loan was made in conjunction with the City's Teacher Homebuyer Program.

- f. **Redevelopment Area Inclusionary Housing Program** – Through the City's Redevelopment Area Inclusionary Housing Program, housing developers in City redevelopment areas are required to provide a discount to low-and/or moderate-income homebuyers to make units affordable.

7/1/06 – 12/31/06 Performance: A total of \$6,657,860 was loaned to 37 low-and moderate-income homebuyers in six new developments – Autumn Terrace at Bonita (ATB), Autumn Terrace at Williams (ATW), Marburg Place, San Antonio Place (SAP), The Lofts and The Works.

2007 Performance: A total of \$8,166,760 was loaned to 44 low- and moderate-income homebuyers in seven developments – ATB, ATW, Keystone Place, Marburg Place, SAP and The Works.

- g. **The Home Venture Fund (formerly Vernal Fund)** – Private lenders entered into an agreement with Neighborhood Housing Services Silicon Valley, a nonprofit organization, to provide down-payment assistance loans to both low- and moderate-income homebuyers. Loans amounts range from \$4,000 to over \$100,000 per household. Interest derived from \$4.5 million in City grants is used to make interest payments on behalf of the borrower during the five-year loan deferral period.

7/1/06 – 12/31/06 Performance: 17 Home Venture loans, 59% were made to low-income homebuyers.

2007 Performance: Four Home Venture loans funded with Federal HOME funds and seven other loans to the City of San José homebuyers. The total amount of HOME Venture loans made was \$415,900 and 75% of the loans were made to low-income households.

- h. **The San José State University (SJSU) Faculty and Staff Homebuyer Program** – In 2006, the City entered into an agreement with San José State University to jointly-fund and administer a homeownership program for University faculty. The program was later broadened to include all SJSU full-time permanent employees. The program offers up to \$60,000 to income eligible employees in the form of a deferred repayment loan.

2007 Performance: The pilot SJSU program assisted seven low- and moderate-income SJSU employees towards the purchase a home in San José. The City assisted two employees for \$120,000 and San José State University assisted five employees for \$300,000.

3. Housing Developers/Investment Property Owners

- a. **Predevelopment Loan Program** – This program is designed to assist nonprofit housing developers with funds necessary to explore the feasibility of a proposed housing project. Under this revolving-loan program, nonprofits may apply for option fees and preliminary

environmental or design studies. Loans are currently set at 4% interest and range from \$15,000 to \$100,000 with repayment due at the close of escrow on construction loans or within two years.

7/1/06 – 12/31/06 Performance: 2 loans closed for \$137,000

2007 Performance: 1 loan closed for \$63,000 and 1 grant made for \$100,000

- b. Project Development Loans for Construction and Acquisition/ Rehabilitation –** Below market rate gap loans and grants, made to both for-profit and nonprofit developers, are typically subordinated to the primary lender's loan. The loans provide funding for apartments for families and seniors, (single-room occupancy living unit facilities and hotels (SROs), transitional housing, and housing for special needs populations. Loans pay for predevelopment, construction, and for other specific development-related costs. Funding for the acquisition and rehabilitation of existing apartment complexes focuses on blighted properties where rehabilitation would have a significant revitalizing impact on the surrounding neighborhood and those projects with expiring Housing and Urban Development (HUD) loans and rent restrictions ("preservation" projects).

This is an award-winning program that has resulted in the creation of over 13,500 new housing units affordable to low-income households in San José. Due to recent declines in 20% Tax Increment Funds, this program has a somewhat limited amount of funds available to for-profit and nonprofit developers. A Notice of Funding Availability (NOFA) is therefore used for the selection of developers to receive funding from this program, which helps to ensure targeting of funds to the deepest affordability levels and to the projects that maximize leveraging of City funds. The City desires to continue funding its most effective affordable housing program in future years.

7/1/06 – 12/31/06 Performance: Two loans closed for completion of 94 affordable units; 516 affordable units receiving finance commitments

2007 Performance: Eight loans closed for completion of 859 affordable units; 965 affordable units receiving finance commitments

- c. City as "Developer"** – State law stipulates that affordable housing (along with parks and public education) have priority for surplus property owned by any public agency created under State auspices. The Housing Department aggressively seeks to purchase such properties owned by the City of San José, the Valley Transportation Authority (VTA), CalTrans, the 19 school districts in San José, the Santa Clara Valley Water District and other public agencies for housing development. The Housing Department continues to utilize this successful approach to securing land for affordable housing.

7/1/06 – 12/31/06 Performance: Two City-owned parcels prepared for purchase; one state-owned parcel purchased; two City-owned parcels prepared for disposition.

2007 Performance: One City-owned parcel approved for disposition.

4. Homeless Services Programs

- a. **Emergency Shelter Grant Program (ESG)** – ESG is a federally funded program designed to be the “first step” in the prevention of homelessness. The program strives to address the immediate needs of persons residing on the street and needing emergency shelter and transitional housing, as well as assistance in their move to independent living.

FY 2006-07 Performance: The City was allocated \$441,000 in ESG funds that were awarded to 15 nonprofits for use in emergency shelter operations, essential services and homeless prevention activities. During this period, 115,526 units of service were provided.

Housing Opportunities for People with AIDS or HIV (HOPWA) – HOPWA is a federally funded program designed to assist nonprofit agencies in providing housing assistance and supportive services to low-income individuals and families living with HIV/AIDS. Eligible use of funds includes tenant-based rental assistance, project-based rental assistance, housing information and supportive services.

FY 2006-07 Performance: San José was allocated \$738,000 in HOPWA entitlement funds that were allocated to two agencies. Through the use of these funds, the agencies were able to provide assistance to 315 individuals.

- b. **Housing Trust Fund** – In June 2003, the Mayor and City Council approved the allocation of funds to establish a Housing Trust Fund. These funds can be used for a variety of activities, including the development of special needs housing.

In 2004, the City was awarded \$1,500,000 in Proposition 46 funds to be used for the construction or rehabilitation of rental housing developments for special needs populations. On being awarded these funds, the City agreed to provide a match of \$1,734,707. In February 2006, the City committed \$425,000 to be used by InnVision for the purchase of 8 one-bedroom units which would be affordable to extremely low-income households and targeted to single mothers with children, and \$1,520,000 to purchase 12 two-bedroom units by the Unity Care group to be used by extremely low-income youth aging out of the foster care system. In May, 2007, the City Council approved the use of \$1,555,000 in Proposition 46 funds to be used for the purchase and rehabilitation of two four-plexes to be used by the Unity Care Group for low-income youth aging out of the foster care system.

7/1/06 – 12/31/06 Performance: Six grants with a combined total of \$ 198,613 were awarded to several community-based organizations for homeless prevention and other supportive services.

2007 Performance: 14 grants with a combined total of \$780,971 were awarded to eleven community-based organizations for homeless prevention and other supportive services. Three grants with a total of \$1,224,942 were awarded to three community-based organizations to administer the Housing Services Partnership.

- c. **Promoting Growth and Early Self-Sufficiency (PROGRESS)** – In 1998, the City Council authorized the Department of Housing to implement a two-year, \$400,000 program to provide housing and supportive services to homeless families and individuals

with the desire to become self-sufficient. The success of the first program prompted the Council to approve another two-year program in 2001. The program averaged a 78% success rate. On November 14, 2006, the San José City Council approved funding for the implementation of a new two-year PROGRESS Program. **The program is targeted to start in Spring 2008.**

5. Neighborhood Improvement Projects

- a. **Strong Neighborhoods Initiative (SNI) Project Alliance – (formerly known as Multi-Family Demonstration Projects)** – The initial Project Alliance pilot projects were completed in 2004-2005 with over 300 units receiving exterior improvement such as new roofs, exterior paint, dual glazed windows and landscape enhancements. Three new neighborhoods have been selected for improvement through Project Alliance. These neighborhoods are Jeanne/Forestdale (Five Wounds/Brookwood Terrace), Virginia/King (Mayfair and Gateway East) and Roundtable Drive Apartments (Edenvale/Great Oaks). Work on these projects is scheduled to commence in early 2008.
7/1/06 – 12/31/06 Performance: Four projects for 16 units completed through Project Alliance.
2007 Performance: Three projects for 12 units completed through Project Alliance.

E. PROGRESS IN REMOVING GOVERNMENTAL CONSTRAINTS TO HOUSING PRODUCTION

The Housing Appendix of the General Plan discusses potential governmental constraints to housing production. The City has taken a number of steps over the past several years that continue to reduce or eliminate these constraints thereby facilitating the production of housing within the City of San José. These include measures intended to improve and streamline the development review process to insure that the process does not constrain housing development. In addition, a variety of Smart Growth Planning endeavors has been developed that provide housing strategies at a Citywide and neighborhood level.

The following is a summary of the City's efforts to improve the development review process to remove constraints to housing development.

1. Procedural Improvements

- a. **Housing Department NOFA Process and Underwriting Guidelines** – As of February 2004, the City uses a NOFA process for awarding funds for affordable housing that makes Underwriting Guidelines available to for-profit and non-profit affordable housing developers interested in receiving funding from the City. The public noticing of these documents has provided additional stability to the development community and through Developer Roundtable discussions; the Housing Department continues to make process improvements in an effort to remove constraints to developing new affordable housing in San José.

- b. Second Units Pilot Program Extension** – On October 23, 2007 the City Council approved an extension of the Second Units Pilot Program to April 30, 2008 or until applications for a maximum 100 secondary units have been approved. This pilot program began on January 2, 2006 and was previously scheduled to end on October 30, 2007. This pilot program represents a major change in the City's policies towards second units, coming after a 20-year prohibition. The pilot program is a means of collecting data on second unit production and location, and as a way to determine whether second units have adverse impacts on surrounding neighborhoods. The program also allows property owners with existing unpermitted units the ability to legalize their second unit, provided that the unit can meet the second unit ordinance criteria. From January 2006 through December 2007, the City received 88 applications for second units and the City issued 67 approvals with 21 applications still under review. The extended pilot program continues to exempt secondary units built under the ordinance from Park Impact fees.
- c. Planning in San José: A Community Guide** – In 2005, Planning staff collaborated with the San José State University Department of Urban and Regional Planning to develop a community guide to the planning process. It is a technical resource that explains and demystifies the planning process for residents, business owners and property owners, as well as developers interested in building in San José. The *Guide* clearly identifies specific ways for the community to access information and participate in the planning and development process. In 2007, the *Guide* was translated into Spanish and Vietnamese versions.

Several successful programs or procedures initiated in 2007 benefit the approval of housing in San José. They include the following:

- d. Live Telephone Customer Service** – Beginning in 2007, the City expanded its Public Information Counter service and public inquiry tracking database to include live telephone call service for development related public inquiries. This new service allows staff to track the time and nature of public inquiry calls using the existing permit tracking system and to address parcel-specific frequently asked questions. The new service also monitors customer response time and improves staff's ability to track customer inquiries for subsequent follow-up.
- e. Early Contact Protocol** – To enhance communication with project applicants and to improve customer service delivery, Planning Division staff began implementing the Early Contact Protocol in 2007. The protocol mandates telephone contact between the project manager and applicant within 3 days of application submittal and a preliminary project meeting within the next 14 days. Early contact with the applicants helps establish a good working relationship and provides an open dialogue throughout the application process.
- f. Green Building Planner** – In 2007, San José introduced its Green Vision, which identified a list of 15-year goals that involve reducing energy use, creating clean technology jobs and promoting green development. To support the Green Vision, the Planning Division created a LEED-accredited Green Building Planner position to aid in the review of environmentally friendly projects. The position is also intended to assist in

the development of citywide policies that promote environmentally-friendly development while educating the public on the benefits of incorporating “green” standards, such as use of renewable resources and energy conservation, as part of residential and other development projects.

- g. 2007 California Standards Code Outreach and Training** – In response to the introduction of the new 2007 edition of the California Standards Code and the City’s anticipated adopt of the new code, City staff provided extensive outreach to the public and the development community about important code updates. These Codes establish the statewide codes for building construction and fire safety, and the City Council adopted the new state codes with local amendments that came into effect on January 1, 2008. The public outreach included a series of trainings for both City staff and the public on various topics in the new code. Such trainings occurred in November and December 2007 and were intended to facilitate a smooth the transition to the use of new code standards.
- h. Enhanced High-Rise Design Review Process** – In order to support the intensification of the Downtown and transit corridors, the City began in 2007 to administer the Enhanced High-Rise Design Review Process as part of the development review process for projects involving buildings 100 feet or greater in height. The Enhanced High-Rise Design Review Process is a public process that allows staff and decision makers to (1) apply relevant sections of the Downtown Design Guidelines developed for downtown high-rise housing to high-rise development throughout the City, (2) be advised by the City’s Architectural Review Committee (ARC) regarding consistency with relevant sections of the applicable Design Guidelines, and (3) receive community input on proposed high-rise development during both the preliminary review and entitlement phases. The process primarily serves as a forum where developers, design professionals, community members and City staff can work together to ensure that new developments contribute positively to the community and issues identified can be addressed efficiently.
- i. Transit-Oriented Development/Mid-Rise and High-Rise Residential Design Guidelines** – To assist in streamlining the development review process, the City adopted design guidelines for transit-oriented development and mid-rise and high-rise residential projects in September 2007. The design guidelines provide specific parameters to promote compact, urban development along major transit corridors and key employment areas. These guidelines seek to provide a common understanding of the minimum design standards in order to ensure that the review process can be conducted in as efficient a manner as possible.
- j. Amendments to the Parkland Dedication Ordinance/Park Impact Ordinance (PDO/PIO)** – The City of San José enacted the PDO in 1988 and the PIO in 1992 to help meet the demand for new neighborhoods and community parkland generated by the development of new residential subdivisions. Under the PDO and PIO, housing developers are required to dedicate land, pay a parkland fee in-lieu of dedication, or both, for neighborhood and community parks or recreational purposes. Amendments to the PDO/PIO in December 2006 adjusted outdated in-lieu fees, which were based on 70% of

land values in 2001, to current land values. By adjusting the in-lieu fees to the current land values, the City improved its ability to more quickly acquire and develop parklands. The amendments also updated the parkland requirements based on Census 2000 demographic data and increased the types of recreational amenities in residential projects that are eligible as credit toward a project's parkland obligation. Affordable housing units are exempted from the payment of fees and dedications. Overall, these changes facilitate the provision of parks that benefit all types of housing.

The following General Plan text amendments were approved by the City Council in January 2008. These amendments involve procedural improvements that streamline the zoning process for high-density affordable housing and mixed-use development projects and promote energy efficiency in mid and high-rise development.

- k. Elimination of the Planned Development Zoning process requirement for certain Mixed-Use Development projects** – This General Plan text amendment streamlines the development review process for some housing and mixed-use proposals by eliminating the requirement for a Planned Development Zoning. In many situations, the City's Zoning Ordinance already allows for mixed-use development with a development permit or use permit in a conventional zoning district. The General Plan text amendment updates the San José 2020 General Plan to allow development proposals to utilize more of the permit process options available in the Zoning Ordinance instead of requiring projects to undergo an extensive Planned Development Zoning process.
- l. Height Limit Increase to Facilitate Use of Renewable Energy Resources** – This General Plan text amendment is intended to encourage utilization of renewable energy resources in the physical development of the City by making the incorporation of these resources into development more feasible to developers and property owners. By amending the text of the General Plan to allow additional height for certain structures, such as solar panels, other energy-saving devices, and roof landscaping, the text amendment better aligns the General Plan policy for building heights with the existing language of the Zoning Ordinance and streamlines efforts to implement green building measures in proposed development projects.

2. Sustainable Land Use Planning

San José has been performing sustainable land use planning for more than 30 years. Key activities include:

- Careful planning for future use of all vacant land, together with proactive efforts to plan for the reuse of outmoded and underutilized properties;
- Identifying appropriate locations for increased development intensities, primarily along transit corridors; and
- Developing specific plans that further the goals of the General Plan by defining housing opportunities in strategic locations throughout the City.

a. Availability of Vacant Land

The availability of vacant residential land is frequently cited as the most important constraint in meeting housing needs. The Vacant Land Inventory (VLI) provides information on San José's vacant land supply by General Plan Land Use/Transportation Diagram designation, along with the rate of development (or absorption) of remaining vacant land.

According to the VLI, the vacant residential land supply was estimated at approximately 808 acres in December 2007. Approximately two-thirds of the vacant residential land is designated for single-family development, and is located primarily in the Almaden, Alum Rock, Berryessa, or Evergreen planning areas. Multi-family lands are more evenly distributed, with the greatest concentration (34%) occurring in the South planning area (in the Communications Hill Specific Plan area).

Given the limited supply of vacant land, the future rate of land absorption is expected to be much slower and more stable than in the past. However, slower land absorption has not translated into reduced production of new housing units. This is because development is now more commonly occurring on previously developed land (i.e., not vacant) and residential densities are increasing. Today, only about one-fifth of San José's new housing is made up of single-family detached units; the large majority of the City's dwelling units are higher-density apartments, condominiums, and townhomes.

San José produced 3,820 units between July 2006 and December 2007, clearly indicating that the slowly diminishing vacant land supply is not a limiting factor in the development of new housing. An example of the City's anticipated future success in providing new housing despite diminishing vacant land resources is the fact that there are approximately 32,000 units of new housing capacity planned in the combined Downtown and North San José areas and only approximately 80 acres of remaining vacant land.

b. Long Range Planning

General Plan Amendments

As described below and in the following section on Specific Plans and Special Land Use Studies, this year the City Council approved a combination of General Plan amendments and related land use policy changes that resulted in a significant increase in the residential holding capacity of the General Plan, now estimated at approximately 63,450 dwelling units.

General Plan amendments comprising approximately 55 acres, approved between June 2006 and December 2007, added approximately 2,035 to 2,572 units to the General Plan residential holding capacity. The additional holding capacity is expressed as a range due to the varying density ranges allowed under the residential General Plan designations.

General Plan Text Amendments – SRO Housing

In June 2006, the City Council approved a General Plan text amendment to remove language that discouraged SROs from locating within the Downtown Core area. By allowing SROs to be considered in areas throughout the City, including the Downtown Core, the General Plan Text amendment provides more potential SRO locations that are close to transit, neighborhood services, and employment opportunities. The text amendment also added text to the General Plan to discourage new SRO units in industrial areas in order to discourage residential uses in proximity to incompatible land uses. The text amendment also streamlines the development review process by allowing certain SRO projects to be considered by the Planning Director with a Special Use Permit rather than by the Planning Commission with a Conditional Use Permit.

Transit-Oriented Development/Downtown High-Rise Residential

As a result of previous City Council actions that expanded the Greater Downtown Core Area Boundary and increased the maximum building height in this area, the potential number of housing units that can be built within proximity to Light Rail Transit, Bus Rapid Transit, and future BART stations in the Downtown have increased. As of December 2007, 1,405 new residential units have been approved and are currently under construction. Another 1,880 new units are in various stages of the development permitting process.

Specific Plans and Special Land Use and Transportation Studies

During the period from July 2006 to December 2007, staff from Planning, together with other key City Departments continued to carry out several on-going major land use planning efforts intended to provide a vision for San José's future growth and development. These major planning efforts include implementation of the Vision North San José and development of the Coyote Valley Specific Plan and the Evergreen – East Hills Visioning Strategy. In addition, the City kicked-off a successful start to the Envision San José 2040 comprehensive General Plan update process and made significant progress on other major efforts. These include the County Pocket Annexations, Framework for Preservation of Employment Lands, and the Oakland Road/US 101/Mabury Road Transportation Area Policy.

- Vision North San José – In June 2005, the San José City Council approved an update to the North San José Area Development Policy intended to guide the continued development in the North San José area, the City's primary employment center and home to many Silicon Valley high-tech companies. The policy update facilitates the future development of 26.7 million square feet of new industrial office space and 1.7 million square feet of new neighborhood serving commercial/ retail space. A key component of the update is the addition of 24,700 new housing units to the City's General Plan capacity for the North San José area, including the potential conversion of 285 acres of existing

industrial land to residential use. These units were added to the North San José area to provide housing opportunities in close proximity to existing job centers and to support their future growth. The Vision project provided environmental clearance for the development of 32,000 residential units in total, which included both the existing residential unit capacity and the added new capacity. Virtually all of these new units will be located within a Redevelopment Policy Area and subject to a 20% inclusionary requirement for below-market-rate units. The Policy includes a phasing plan designed to coordinate the timing of the new industrial, commercial, and residential development with construction of \$519 million in planned infrastructure improvements. By December 2007, the City received development applications for approximately 8,000 new residential units, of which 4,851 units have been approved at the zoning level.

- Coyote Valley Specific Plan – The Coyote Valley Specific Plan (CVSP) area contains 7,000 acres of mostly undeveloped land in the southern reaches of San José. The City’s overall vision for the Coyote Valley, as stated in the General Plan, is a unique, vibrant, balanced community of at least 50,000 driving industry jobs and 25,000 housing units on the northerly 3,600 acres, where people live, work and play. At least 20% of the new homes must be affordable to persons of moderate or lower income levels. The remaining 3,400 acres are planned as a permanent non-urban buffer (South Coyote Valley Greenbelt). The proposed land uses are sensitive to the environment and well connected through a rich network of open spaces, trails, bicycle paths, roads and transit. The CVSP process was initiated by the City Council in August 2002 and provides the ability to plan land uses in detail, determine infrastructure and community services, formulate financing and implementation programs, and phase the implementation of the plan elements as necessary. The process is led by a 19-member citizen Task Force appointed by the City Council, including the participation of affected agencies, property owners, developers, and other community and regional stakeholders. The Initial Draft Specific Plan was released in December 2006, and the Draft Environmental Impact Report (DEIR) was released in March 2007. Due to the number of comments received and the on the DEIR and the issues raised, the DEIR is being revised and will be recirculated for public review. Task Force, community and stakeholder meetings will continue through 2009, to discuss plan refinements, financial feasibility, the phasing and implementation strategy, and the Fiscal Impact Analysis. The Planning Commission and the City Council are expected to consider the CVSP in 2009.
- Evergreen – East Hills Development Policy – In 2007, the City established direction to update the Evergreen Development Policy to allow for the development of an additional 500 units in the Evergreen – East Hills area.
- Comprehensive General Plan Update Process – On June 26, 2007, the City Council initiated the Envision San José 2040 General Plan update process. The General Plan update work program is divided into two phases. Phase I comprises the fundamental work elements such as analyzing existing conditions and future projections and developing a preferred alternative for the future growth of the City. The first phase is anticipated to complete in September 2008. Phase II of the work program will consist of comprehensively reviewing and refining all General Plan goals and policies. Key issues to address include future growth projections and land capacity as well as ways to expand

the holding capacity for additional housing to meet the project population growth and housing demand.

- Housing Element Update Process – Along with the comprehensive General Plan Update process, the City is also preparing an update to the Housing Element for the 2007-2014 implementation period in advance of the completion of the General Plan Update due to State deadlines. The Housing Element Update for 2007-2014 will target the latest Regional Housing Needs Allocation, to be released in final form in June 2008, and outline the goals and strategies to increase the supply of housing, improve the jobs-housing ratio, and promote infill development near existing and planned transit corridors.
- Framework for Preservation of Employment Lands – On October 23, 2007, the City Council adopted the Framework for Preservation of Employment Lands, a land use policy to evaluate proposed conversions of employment lands to non-employment uses. While the Framework is primarily intended to preserve the City's employment lands, it serves as an important tool to direct housing development and sensitive populations away from incompatible uses. The Framework also provides that employment land conversions occurring in areas served by mass transit include a significant portion of Extremely Low Income housing and other affordable units. Emergency residential shelters and Single Room Occupancy development that meet requirements for Conditional Use Permit approval under the City's Zoning Ordinance are not subject to the Framework.
- Oakland Road/US 101/Mabury Road Transportation Area Policy – In 2007, the City adopted a Transportation Development Policy (TDP) to manage the traffic congestion associated with near term smart growth development in the Oakland Road/US 101/Mabury Road area. This area includes proposed Transit Oriented Development near the planned BART Berryessa Station, Japantown Neighborhood Business District, Jackson-Taylor Specific Plan, and Luna Park/13th Street Neighborhood Business District. The policy is designed to facilitate continued development within transit corridors and on infill sites despite roadway deficiencies along the Oakland Road corridor at the US 101 interchange due to the capacity constraints of the interchange. Whereas the City's existing Level of Service (LOS) policy would preclude additional development without major infrastructure improvements to meet certain LOS standards, this TDP allows up to approximately 6,000 residential units to be developed prior to construction of the interchange improvements.
- County Pocket Annexations – Beginning in 2007, the City in coordination with the County of Santa Clara, initiated the County Pocket Annexation program. This program is a result of the recognition by the City, County and the State that it is inefficient for there to be islands of unincorporated land surrounded by City incorporated area and that cities are better suited to provide urban services to these areas than are counties whose main responsibility is the administration of health, judicial and social services. Annexation of County islands is consistent with the long-standing policy of the County of Santa Clara that urban development should occur within the incorporated boundaries of cities within the County. This program anticipated three phases to annex up to 58 unincorporated islands over 3 to 5 years, beginning with the smallest and least populated islands. Phase I of this program resulted in the annexation of twenty-one County islands. Phase 2 of the

annexation program includes 11 additional islands. Fourteen County islands are scheduled for Phase 3 of the annexation program, which involves incorporating approximately 1,100 acres and an estimated population of 15,900. Phase 3 will be processed over the next several years.

F. CONCLUSION

The City of San José remains committed to the production of housing for all economic segments of the community. This commitment is articulated in the Housing Element and in the ongoing implementation of a wide range of housing plans and programs.