



COUNCIL AGENDA: 06-05-07  
ITEM: 3.8(b)

## Memorandum

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**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Lee Price, MMC  
City Clerk

**SUBJECT: AB 1460 (SALDANA) – MULTI-  
FAMILY HOUSING PROGRAM**

**DATE:** May 24, 2007

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### RECOMMENDATION

As recommended by the Rules and Open Government Committee on May 16, 2007, approve the support position for AB 1460 (Saldana) – Multifamily Housing Program as outlined in the attached memo previously submitted to and approved by the Rules & Open Government Committee.



# Memorandum

**TO: RULES AND OPEN  
GOVERNMENT COMMITTEE**

**FROM: Leslye Krutko**

**SUBJECT: SEE BELOW**

**DATE: May 16, 2007**

Approved

*Deanne Johnson*

Date

*5/17/07*

Council District: All  
SNI: All

**SUBJECT: AB 1460 (SALDAÑA) – MULTIFAMILY HOUSING PROGRAM: PROJECT  
PRIORITIZATION**

## RECOMMENDATION

The Housing Department recommends that:

1. The Mayor and City Council support AB 1460 (Saldaña).
2. A one-week turn around for Mayor and City Council review.

## OUTCOME

If the Rules and Open Government Committee and the Mayor and City Council accept staff's recommendation, the City lobbyist could begin seeking support for AB 1460. Staff believes that AB 1460 deserves the utmost attention of the City, because if passed, it could have significant impacts on affordable housing and its programs in San José.

## BACKGROUND

The 2006-2007 State Legislative cycle has featured over 100 housing-related bills. Of these, over 20 bills seem to be particularly relevant to the residents of San José, the Housing Department, and the City. AB 1460 is one of these bills; as such, Housing Department staff are presenting it to the Rules and Open Government Committee.

## ANALYSIS

A fact sheet and analysis of AB 1460 is attached.

**PUBLIC OUTREACH/INTEREST**

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
  
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
  
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This legislative item does not meet any of the above criteria.

**COORDINATION**

This memorandum was coordinated with the City Attorney's Office.

**POLICY ALIGNMENT**

The attached fact sheet and analysis are consistent with the Council-adopted 2007 Legislative Guiding Principles and the 2007 Proposition 1C Guiding Principles.

**CEQA**

Not a project

  
LESLYE KRUTKO  
Director of Housing

## AB 1460 (Saldaña) –MULTIFAMILY HOUSING PROGRAM: PROJECT PRIORITIZATION

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*What's the issue the bill is trying to resolve?*

The State Department of Housing and Community Development (HCD) administers the Multifamily Housing Program (MHP) which monetarily assists developers in the construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households.

The MHP received \$800 million through Proposition 46 (the previous housing bond). MHP will be allocated an additional \$590 million through Proposition 1C (passed by the voters in November 2006). AB 1460 seeks to codify terms related to the use of the \$590 million of Proposition 1C funds dedicated to the existing MHP. Specifically, AB 1460 makes two significant requirements:

1. **Extending Proposition 46 “Bonus Points.”** AB 1460 would extend the existing “bonus points” criteria currently used to inform the distribution of the \$800 million of MHP funds through Proposition 46, to the \$590 million of Proposition 1C funds dedicated to the MHP. Proposition 46 required HCD to give “bonus points” to MHP applicants that are developing infill developments, adaptive reuse projects, and developments within proximity to essential amenities such as schools, parks, job centers and public transportation.
2. **“Bonus Points” for “Sustainable” Affordable Housing Development.** AB 1460 would provide MHP applicants with “bonus points” if their developments feature sustainable design elements and building principles. These “green” standards would be the same as those used by the State Tax Credit Allocation Committee (TCAC) in awarding tax credits through the State tax credit programs (California Code of Regulations, Title 4, Section 10325, Subdivision C, Paragraph 8).

*How would the passage of this bill affect San José?*

Local developers rely heavily on State-level subsidies like the Multifamily Housing Program. The MHP is key to maintaining and expanding the supply of affordable housing in San José. In 2005 and 2006 alone, 233 new affordable housing units were developed in San José as a direct result of the MHP, and over the coming years, the Program is likely to play an equally important role in maintaining and expanding the supply of affordable housing in San José. State and federal tax credit programs are also powerful tools for promoting affordable housing development in San José, and will also continue to be critical components to the City's strategy for providing affordable housing. Given the importance of both programs, it is advantageous to the City for the criteria of these two programs to be aligned.

By aligning the point systems of the State's MHP and tax credit programs, local affordable housing developers could simultaneously be eligible for both types of assistance. If these developers are awarded both types of assistance, it would greatly improve the feasibility of their affordable housing developments. As a result, local developers would be inclined to pursue more affordable housing projects. Beyond strengthening financial incentives, AB 1460 would promote housing development that includes important sustainable features.

AB 1460 would be immediately applicable upon the disbursement of the first cycle of Proposition 1C funding. As such, AB 1460 would continue the progress of green building started under Proposition 1C. This would result in “greener” housing development and would bolster the City's continuing efforts to promote sustainable building and development.

*Staff's Proposed Position:*

Staff recommends that the City **support AB 1460**. The bill would strengthen the incentive for developers to develop affordable housing in San José, and would bolster the City's growing efforts to promote green building principles. AB 1460 would complement current City policies and increase the amount of leveraging housing projects in San José can achieve.

*Who are the bill's supporters and opponents?*

As of May 9, 2007, staff has not identified the sponsors, nor any supporters or opponents of AB 1460.

*What is the current status of the measure?*

On May 3, 2007, AB 1460 passed out of the Assembly by a vote of 48-22, and now sits with the Senate Transportation and Housing Committee, where it is scheduled to be heard on June 12<sup>th</sup>.