



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Joseph Horwedel  
Leslye Krutko

**SUBJECT:** SEE BELOW

**DATE:** March 1, 2010

Approved

Date

3-8-10

**COUNCIL DISTRICT:** City-Wide  
**SNI AREA:** All

**SUBJECT: ACCEPTANCE OF THE ANNUAL PROGRESS REPORT ON THE IMPLEMENTATION OF THE SAN JOSE 2020 GENERAL PLAN HOUSING ELEMENT**

## RECOMMENDATION

Accept the Annual Progress Report on the Implementation of the San Jose 2020 General Plan Housing Element covering the period from January 2009 through December 2009.

## OUTCOME

The Council's acceptance of the Annual Progress Report is required prior to the submittal of the report to the California Department of Housing and Community Development (HCD) and the Governor's Office of Planning and Research (OPR).

## BACKGROUND

The City of San Jose Housing Element 2007-2014 was adopted by the City Council on June 16, 2009 and certified by HCD on July 23, 2009. The Housing Element establishes the City's strategy for meeting community housing needs for the period between January 1, 2007 through June 30, 2014 and is one of seven integral and interrelated elements in the San Jose 2020 General Plan.

State law requires jurisdictions to prepare an annual progress report on the implementation of their Housing Element and to submit it to OPR and HCD. While charter cities are not required to submit the report, all jurisdictions including charter cities must submit annual reports to qualify for certain funding programs. Accordingly, San Jose has consistently provided to the

State annual progress reports on the implementation of the mandated Housing Element. With the acceptance of a completed annual report, the City of San Jose may apply for State funds such as Proposition 1C, which has been an important source of funds for transit-oriented development in San Jose.

The attached report covers a 12-month period from January 2009 to December 2009. It describes the City's accomplishments towards achieving its share of the Regional Housing Needs Allocation (RHNA) and includes a status report on implementation of the City's housing-related policies, ordinances, and programs to facilitate housing opportunities in safe, livable, and complete communities.

### **ANALYSIS**

The goals of the Housing Element are integrated with all Major Strategies in the San Jose 2020 General Plan. The Envision San Jose 2040 General Plan Update is building upon these linkages by supporting compact, mixed-use development; preserving the Urban Growth Boundary; and promoting interconnected, sustainable, complete communities. By 2040, the Association of Bay Area Governments (ABAG) projects that San Jose will need to accommodate approximately 440,000 more residents and approximately 159,000 new dwelling units.

One of the purposes of the Housing Element requirement is to prompt local governments to establish within their General Plans comprehensive goals, policies, and programs to meet the regional housing needs allocation (RHNA), which is determined by ABAG for the 101 jurisdictions in the nine-county Bay Area. San Jose's RHNA for the current planning period from January 2007 through June 2014 is 34,721 housing units, equivalent to an annual production rate of 4,630 units. This represents a 33 percent increase from the prior RHNA cycle and corresponds to 58 percent of the total housing allocation for Santa Clara County. As a result of recent modifications to the RHNA process criteria, San Jose's share of the total County allocation was increased from 45 percent in the previous RHNA cycle. Consistent with other Bay Area cities, much of San Jose's increase is concentrated in the Extremely Low-Income, Very Low-, and Low-Income categories in order to serve those with the greatest housing need.

Housing production in the first three years of the current RHNA cycle (from Jan 1, 2007 to Dec 31<sup>st</sup>, 2009) has resulted in the development of 5,215 units, accounting for 15% of the total RHNA goal of 34,721 housing units. In calendar year 2009, the City issued permits and began construction or made newly affordable, a total of 398 affordable and market-rate units. This represents approximately 8.6% of the annual RHNA goal of 4,630 units. In the affordable housing categories, the City assisted in the development of 136 extremely low-income, 167 very low-income, and 7 moderate-income units. About 78% of the City's total residential production in 2009 came from affordable housing projects. Additionally, for the first three years of the RHNA cycle, affordable housing constituted nearly 30% of the City's total residential unit production. This indicates a significant contribution by affordable housing to San Jose's development activity even during a depressed economy.

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Total residential building permit activity in 2009 declined by more than 85% from 2008. This steep decline is largely attributed to two market factors: developers are finding it difficult to secure construction loans and at the same time are reluctant to build due to low housing demand. The Housing Department itself has seen an impact in its lending capacity coupled with less funding available at both the State and Federal level to adequately leverage more affordable units.

Based on planned housing capacity in the current San Jose 2020 General Plan (without the need to amend the San Jose 2020 General Plan Land Use/Transportation Diagram), San Jose is able to accommodate production of approximately 67,500 additional units to address housing demand through 2014. As of December 31, 2009, approximately 15,160 units are in the pipeline, meaning they have received entitlements through the zoning or development permit stage but have not yet received building permits.

### EVALUATION AND FOLLOW-UP

Once the Annual Progress report is accepted by the Council, it will be submitted to HCD by the State-mandated April 1, 2010 deadline.

While this report focuses on the progress of the Housing Element, the City Council will receive a more comprehensive status report on the implementation of the entire San Jose 2020 General Plan during the Spring 2010 General Plan hearing cycle. Additionally, the Council will consider a Preferred Land Use Scenario for the Envision San Jose 2040 General Plan Update in April, 2010. The Preferred Land Use Scenario will have significant implications on the housing capacity of the City through 2040. Proposed modifications to the Housing Element Goals, Policies and Implementation Actions were reviewed by the Envision Task Force in January, 2010 and will be included in the draft General Plan Update document currently under preparation as part of the Envision process.

### POLICY ALTERNATIVES

Not applicable.

### PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 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)**

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- Criterion 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)**

Although this item does not meet any of the above criteria, this report will be posted on the City's website. The individual City programs and projects described in the attachment have had appropriate public outreach per City Council policy.

### COORDINATION

This memo was prepared jointly by Planning, Building and Code Enforcement and the Housing Department and also coordinated with the City Attorney's Office.

### FISCAL/POLICY ALIGNMENT

The Annual Progress Report is consistent with applicable City goals and policies as discussed below and in the attached report.

#### **Consistency with General Plan Major Strategies**

Implementation of the Housing Element furthers City goals and policies in support of the San Jose 2020 General Plan and consistent with the goals and objectives of the Envision San Jose 2040 General Plan Update. Additionally, the calendar year 2009 implementation of the Housing Element was consistent with the Growth Management, Housing, and Sustainable City Major Strategies in the General Plan.

The Growth Management Major Strategy addresses population growth by balancing it with economic development, and directing the growth to infill areas of the City that are centrally located with established infrastructure, so that the City can provide services and jobs to residents more cost-effectively. A significant percentage of housing units approved or built in the City in 2009 were located on infill sites. Additionally, the City adopted new policies and process improvements to facilitate mixed residential and commercial development near transit and existing City services and infrastructure.

The Housing Major Strategy supports a variety of housing opportunities in the City to meet residential needs at all economic levels. Housing is intended to be located in neighborhoods that are stable and have adequate urban services. As discussed in the attached Annual Progress Report, the City continues to facilitate all types of housing through ongoing programs and policies. The Housing Element Update to the General Plan identifies how the City plans to address the City's share of the RHNA during the 2007-2014 period to continue to implement this Major Strategy.

The Sustainable City Major Strategy promotes the development of the City as an environmentally and economically sustainable city through conservation and renewal of its

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natural resources and built environment, and through economic development of clean technology businesses. To further the intent of the Sustainable City, in October 2008, the City Council adopted the Private Sector Green Building Policy for new construction of commercial, industrial, residential high-rise, and other residential development consisting of at least 10 units, and on June 23, 2009, the City Council adopted an ordinance implementing the Private Sector Green Building Policy. The principles included in the Private Sector Green Building Policy and Ordinance support increased energy and water efficiency, healthier living environments, and reduced operational costs over the life cycle of all types of buildings including residences.

Additionally, 2009 implementation of the Housing Element was consistent with the preliminary direction of the Envision San Jose 2040 General Plan Update by maintaining the Urban Growth Boundary; providing a variety of housing types; and focusing growth where existing City infrastructure, facilities, and services are located.

#### COST SUMMARY/IMPLICATIONS

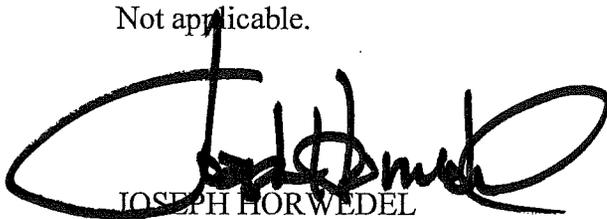
Not applicable.

#### BUDGET REFERENCE

Not applicable.

#### CEQA

Not applicable.



JOSEPH HORWEDEL  
Director of Planning, Building  
and Code Enforcement



LESLYE KRUTKO  
Director of Housing

For questions please contact Andrew Crabtree, Senior Planner at (408) 535-7893.

Attachment: Annual Housing Element Progress Report – January 2009 through December 2009

**Department of Housing and  
Community Development**

**ANNUAL HOUSING ELEMENT PROGRESS REPORT**

City or County Name: City of San Jose

Mailing Address: 200 E. Santa Clara Street Tower 3<sup>rd</sup> Floor  
San Jose, CA 95113

Contact Person: Laurel Prevetti, Assistant Director

Phone: 408-535-7901

FAX: 408-292-6055

E-mail: [laurel.prevetti@sanjoseca.gov](mailto:laurel.prevetti@sanjoseca.gov)

Reporting Period: January 1, 2009 through December 31, 2009

# **Progress Report on the Implementation of the San José 2020 General Plan Housing Element - Calendar Year 2009**

March 1, 2010

## **A. BACKGROUND**

California State law provides that most jurisdictions prepare an annual status report on the implementation of the Housing Element component of the General Plan. In this format, the City of San José has submitted annual progress reports on the implementation of the Housing Element to the California Department of Housing and Community Development (HCD) for review and evaluation. By providing this information, the City qualifies for State HCD housing funds.

The Housing Element is one of the mandatory elements of a General Plan, as required by State Law. San Jose recently updated its Housing Element for the 2007-2014 planning period, which was certified by HCD in July 2009. The Housing Element establishes policies and programs in order to provide a wide variety of housing opportunities to meet the needs of all economic segments of the community as determined through the Regional Housing Needs Allocation (RHNA) process. San Jose's RHNA goal for this 7.5-year planning period is 34,721 total housing units composed of both market-rate and affordable units. This corresponds to 4,630 units annually. To achieve this objective, the City's housing strategy includes careful planning for residential land uses at appropriate locations and densities. The strategy seeks to maximize housing opportunities on infill parcels already served by the City in order to utilize existing infrastructure, and at locations served by transit. The housing strategy also seeks to provide sufficient housing opportunities for new workers in order to encourage and support continued economic development. In addition, the City's Housing Department partners with the development community and provides it with subsidies and technical assistance in order to facilitate the production, rehabilitation, and preservation of affordable units for lower- and moderate-income households. The Housing Department also implements programs for the homeless and for those with special needs.

San Jose's affordable housing projects are recognized nationally for their quality designs, excellent management, community integration, and innovation. In 2009, the City received eight (8) awards for four (4) developments: Casa Feliz, Corde Terra, Gish Family and Paseo Senter. The awards were received from prestigious organizations such as the US Green Building Council, the California Redevelopment Agency (CRA), the American Institute of Architects, and the National Association of Housing and Redevelopment Officials (NAHRO).

Also critical is the progress the City is making in its Envision San Jose 2040 General Plan Update. While the process is still underway, early decisions support implementation of the Housing Element. The majority of housing growth in the Update will occur as

compact, infill, transit-oriented development. The current Urban Growth Boundary will be maintained, and no housing growth is planned for the Coyote Valley or South Almaden Valley Urban Reserves. Goals, policies, and implementation actions promote complete communities that link multiple objectives, including housing for workers to support economic development, greenhouse gas reduction, and equitable distribution of services and facilities throughout the City.

This report summarizes the City's progress towards meeting its RHNA goals and other objectives during the 2009 calendar year as set forth in the Housing Element. 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.

**B. ANNUAL BUILDING ACTIVITY SUMMARY FOR VERY LOW-, LOW-, AND MODERATE-INCOME UNITS AND MIXED INCOME MULTIFAMILY PROJECTS (TABLE A AND A2)**

In calendar year 2009, the City issued permits and began construction or made newly affordable (through acquisition and rehabilitation) a total of 398 affordable and market-rate units, as shown in Tables A and A2. This represents 8.6% of the City's annual RHNA goal.

In the affordable housing category, the Housing Department facilitated two new construction and three acquisition-rehab housing projects that resulted in 310 newly created affordable units in the Extremely Low-Income (ELI - 136 units), Very Low- (VLI - 167 units), and Moderate-Income (MOD - 7 units) categories. The total of 310 affordable housing units represents approximately 12% of the annual RHNA allocation goal of 2,570 units for affordable housing. Within each affordable housing category, the City was able to achieve 26% of its annual ELI RHNA goal, 32% of its VLI goal and 1% of its Moderate-Income goal. Affordable housing consists of those dwelling units for which 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.

**C. ANNUAL BUILDING ACTIVITY SUMMARY FOR ABOVE MODERATE-INCOME UNITS (TABLE A3)**

During calendar year 2009, a limited number of above moderate-income units were produced (88 units), a significant decline from San Jose's historical production levels. This reflects the very unstable housing market condition in the economy. Developers are finding it extremely difficult to obtain funding in a housing market that is expected to continue to be weak during 2010. They are also reluctant to build given the low housing demand and high inventories of foreclosed homes available for sale.

Even though home prices and rents have fallen in 2009, market data indicates that housing costs are still a significant burden for lower-income households and many middle-income households. According to Housing California, to rent an average two-bedroom apartment, a Santa Clara County household needs an income of \$53,520 — significantly more than the typical income of many County residents, including those employed as receptionists, preschool teachers, and school bus drivers. Homeownership is out of reach for even a larger segment of the population. Even with home prices dropping, in October 2009 a first-time buyer must earn \$93,272 to afford a median-priced home in Santa Clara County (\$495,000). A significant number of households and individuals make less than this amount (the median household income for Santa Clara County was \$88,525 in 2008). Thus even during these difficult economic times, it is critical to support affordable housing initiatives. During calendar year 2009, San Jose's affordable housing projects played a major role in development in the City, comprising a majority of the residential permits issued by the Department of Planning, Building, and Code Enforcement.

#### **D. REGIONAL HOUSING NEEDS ALLOCATION PROGRESS (TABLE B)**

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 between January 1, 2007 through June 30, 2014 is 34,721 units. San José's allocation accounts for 58% of the total housing allocation for Santa Clara County and 16% of the nine county Bay Area region. These units are distributed among income categories as depicted in Table B and equal an annual production goal of 4,630 total units, which is fifty percent higher than the actual annual average of 3,000 units produced in San Jose in the past thirty years.

As such, while the City of San José surpassed its 1999-2006 RHNA goal, its ability to achieve the current RHNA goal is severely impacted by the current downturn in the economy. For the first three calendar years (January 1, 2007 to December 31, 2009) of the current RHNA period, 5,215 units have begun construction or had affordability restrictions applied. This accounts for 15% of the total RHNA goal. With this production, San Jose has met 24% of its above moderate-income housing RHNA goal and 8% of San Jose's affordable housing goal. During calendar year 2009, 398 dwelling units were produced or had affordability restrictions applied, an 83% drop from the prior year's production.

The City has been proactive in planning for additional housing. San Jose has capacity for approximately an additional 67,500 units in its 2020 General Plan, including housing capacity added through 2009 General Plan Amendments and housing capacity on underutilized parcels. Approximately 15,160 units have already received entitlements through the zoning or development permit stage that count towards the City's capacity for meeting its RHNA goal. Actual construction of these pipeline projects will largely depend on market forces, but the City's efforts in facilitating development of housing

through the implementation of housing programs and process improvements will provide critical support. Although the City has a pipeline of projects receiving entitlements, it is unclear how many of these projects will actually be built due to the current lack of consumer demand and financing. The Housing Department has also seen an impact in its lending capacity coupled with less funding available at both the State and Federal level to adequately leverage more affordable units.

#### **E. PROGRAM IMPLEMENTATION STATUS (TABLE C)**

Despite the challenges of the economy and the depressed housing market, the City has been active in creating housing opportunities through its various programs. For example, in calendar year 2009, the City assisted 104 teachers and San Jose State University faculty purchase homes. Additionally the City assisted 321 non-teacher homebuyers through the Second Mortgage, Home Venture Fund, BEGIN and Inclusionary housing programs.

Additionally, San Jose recently adopted a citywide inclusionary housing ordinance, in order to provide additional opportunities for affordable housing in the City. The ordinance, which will go into effect when the City issues 2,500 annual residential permits in a rolling twelve month period or in 2013, whichever comes first, requires that 15% of the units built city-wide will be affordable. This brings the City in-line with the policies of its surrounding cities, many of whom already have city-wide inclusionary housing ordinances in place.

Table C provides a complete list and status report on the City's programs to assist low-income renters and homebuyers.

Attachment: Annual Housing Element Progress Report – Housing Element Implementation Tables A – C.



**ANNUAL ELEMENT PROGRESS REPORT**  
**Housing Element Implementation**  
 (CCR Title 25 §6202 )

Jurisdiction  
Reporting Period

City of San José  
 \_\_\_\_\_  
 1/1/2009 - 12/31/09

**Table A3**

**Annual building Activity Report Summary for Above Moderate-Income Units  
 (not including those units reported on Table A)**

	1. Single Family	2. 2 - 4 Units	3. 5+ Units	4. Second Unit	5. Mobile Homes	6. Total	7. Number of infill units*
No. of Units Permitted for Moderate						0	
No. of Units Permitted for Above Moderate	25	11	44	7		87	87

\*Note: this field is voluntary

**Table B**

**Regional Housing Needs Allocation Progress  
 Permitted Units Issued by Affordability**

Enter Calendar Year starting with the first year of the RHNA allocation period. See Example.			2007	2008	2009	2010	2011	2012	2013	2014	Total Units to Date (all years)	Total Remaining RHNA by Income Level
Income Level		RHNA Allocation by Income Level	Year 1	Year 2*	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8		
Extremely Low	Deed Restricted	3,876	67	76	136						279	3,597
	Non-deed restricted											
Very Low	Deed Restricted	3,875	121	291	187						579	3,296
	Non-deed restricted											
Low	Deed Restricted	5,322	288	212	0						500	4,822
	Non-deed restricted											
Moderate	Deed Restricted	6,198	100	37	7						144	6,054
	Non-deed restricted											
Above Moderate		15,450	1,925	1,700	88						3,713	11,737
Total RHNA by COG. Enter allocation number.		34,721										
Total Units ▶▶▶			2,501	2,316	398						5,215	29,506
Remaining Need for RHNA Period ▶▶▶▶▶												

\* Year 2 affordability mix has changed, but the total units remain unchanged. The Monterey Family project (8 ELI, 44 VLI and 19 LI units) recorded affordability restrictions after numbers were reported to HCD last year

Note: The City of San Jose is not able to track the affordability of non-deed restricted units. Based on economic conditions and the variety of dwelling units in the City, there are likely to be some dwelling units that are not deed-restricted that are affordable to Moderate or Low-Income households.

**ANNUAL ELEMENT PROGRESS REPORT**  
**Housing Element Implementation**  
 (CCR Title 25 §6202 )

Jurisdiction City of San José  
 Reporting Period 1/1/2009 - 12/31/09

**Table C**

**Program Implementation Status**

Program Description (By Housing Element Program Names)	Housing Programs Progress Report - Government Code Section 65583. Describe progress of all programs including progress in removing regulatory barriers as identified in Housing Element .		
Name of Program	Objective	Deadline in H.E.	Status of Program Implementation
<b>HOMEOWNER PROGRAMS:</b>			
<b>Housing Rehabilitation Program – Single-Family Home Loan Program:</b> Homeowners earning up 80% of the County median income level may apply for loans up to \$150,000 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. A maximum \$40,000 zero percent loan is available to low-income owner-occupants on a City-wide basis. Qualifying rehabilitation work includes achieving compliance with the health and safety standards of the City's Housing Code, repairing or replacing structural deficiencies, and energy conservation measures. Payments on most HPP loans may be deferred until transfer or change of title.	As a goal, 75% of HPP are to be spent in Strong Neighborhood Initiative (SNI) areas of the City which are characterized by higher concentrations of lower-income households and older housing stock in the greatest need of rehabilitation. Annual goal is to complete between 30 and 40 single-family loan projects per year. Additional emphasis is now being given to energy conservation, water conservation, and the use of recycled and Green materials in the HPP loan program. Increase the number of rehabilitation loans - the goal is for the loans to exceed 50% of total rehabilitation dollars approved each year.	Ongoing Program	Continue to implement program.
<b>Housing Rehabilitation Program – Single-Family Homeowner Grant Program:</b> Homeowners earning up 80% of the County median income level may apply for one-time repair grants of up to \$15,000 in SNI areas and \$5,000 in non-SNI areas. The maximum grant amount is graduated based on income of the recipient. 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.	Goal is to spend 75% of rehabilitation funds in SNI neighborhoods and to serve lower-income residents.	Ongoing Program	Continue to implement program.
<b>Minor Grants for Minor Repairs, Disabled Access and Green Incentives:</b> The Minor Repairs program deploys contractors to eligible households with urgent repair needs such as furnace replacements in winter. The Disabled Access grant ensures that low-income seniors and special needs clients receive adequate funding to address needs such as ramps and grab bars up to \$10,000. The Green Incentive grant will augment other rehabilitation grants by offering up to \$3,500 for improvements such as insulating homes and replacing aging, inefficient appliances with new higher efficiency units. The proposed grant amount will depend on the level of green improvements - the greener the project, the higher the level of funding.		Ongoing Program	Continue to implement program.
<b>Mobilehome Repair Loan Program:</b> Owner occupants of mobilehomes earning up to 80% of the County Area Median Income may apply for a 0% rehabilitation loan up to \$20,000. Very low-income and extremely low-income mobilehome owners may apply for a one-time grant of up to \$15,000. Qualifying rehabilitation work is limited to those measures necessary to achieve compliance with State health and safety standards and applicable park regulations.	Completion of approximately 120 - 140 mobilehome rehabilitations is expected annually. Mobilehome budget is to be kept to within 25% of Rehabilitation budget.	Ongoing Program	Continue to implement program.

**ANNUAL ELEMENT PROGRESS REPORT**  
**Housing Element Implementation**  
 (CCR Title 25 §6202 )

Jurisdiction

City of San José

Reporting Period

1/1/2009 - 12/31/09

HOMEBUYER PROGRAMS:			
<b>First-Time Homebuyers Mortgage Credit Certificates (MCC):</b> 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%.	Assist first-time homebuyers	Ongoing Program	The City will continue its cooperation with the County on this program.
<b>Teacher Housing Program:</b> This program provides a deferred equity-share loan of up to \$65,000 to low- and moderate-income San José public school teachers. The loan is offered at a zero-percent interest rate and is not due until transfer of the title to the home or in 45 years.	Assist in the recruitment and retention of San Jose K-12 public school teachers.	Ongoing Program	In 2009 the City assisted 96 teachers with 4.58 million in City assistance. Since inception, the program has assisted over 720 households purchase a home in San José.
<b>Project-Based Second Mortgages:</b> The City provides 45-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. Moving forward, the City does not intend to provide predevelopment and construction financing for for-sale projects. Instead, the City may offer second mortgages to qualified homebuyers once the project is complete.	Assist low- and moderate-income homebuyers	Ongoing Program	In 2009 the City assisted 175 households with down payment assistance loans in several new housing developments throughout the City. The total amount of funds used in 2009 was approximately \$9.59 million.
<b>The Home Venture Fund (Formerly Vernal Fund):</b> Private lenders entered into an agreement with NHSSV, a nonprofit organization, to provide down payment assistance loans to both low- and moderate-income homebuyers. Loan amounts range from \$10,000 to \$60,000 per household with an average loan amount of \$40,000. Interest derived from grants is used to make interest payments on behalf of the borrower during the five-year loan deferral period. At year five, the loans are sold to NHSA and the proceeds invested into new second mortgages.	Assist low- and moderate-income homebuyers	Ongoing Program	In 2009, NHSSV made loans totaling \$225,000 to six lower income households through the current HomeVenture contract between the City and NHSSV. To date, loans totaling \$1,828,100 have been used to assist 38 households become first-time homebuyers through this program.
<b>Building Equity and Growth in Neighborhoods (BEGIN):</b> Grant funds made available through Proposition 46 and Proposition 1C 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.	Assist low- and moderate-income first-time homebuyers	Ongoing Program	In 2009 the City was awarded an additional \$8.15 million in BEGIN program funds to be used for homebuyers in three new developments. Of those, the City has committed \$1.72 million to 39 low- and moderate-income first-time homebuyers.
<b>American Dream Down-Payment Initiative:</b> 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.	Assist low-income first-time homebuyers	Program based on funding availability	In 2009 the City did not receive a federal allocation of ADDI funds. This program is a subset of the federal HOME program. Future funding for this program is unlikely.

**ANNUAL ELEMENT PROGRESS REPORT**  
**Housing Element Implementation**  
 (CCR Title 25 §6202 )

Jurisdiction

City of San José

Reporting Period

1/1/2009 - 12/31/09

<p><b>Redevelopment Area Inclusionary Housing Program:</b>          Through the City's Redevelopment Area Inclusionary Housing Program, housing developers in City redevelopment areas are required to provide a second mortgage to low-and/or moderate-income homebuyers to make units affordable.</p>	<p>Assist low- and moderate-income homebuyers</p>	<p>Ongoing Program</p>	<p>In 2009, the City Council approved the expansion of the City's Inclusionary Program to all areas in the City beginning in 2013. In 2009, the City assisted fifteen low- and moderate-income homebuyers with loans totaling \$537,320.</p>
<p><b>The San José State University (SJSU) Faculty and Staff Homebuyer Program:</b>          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 \$50,000 to income eligible employees in the form of a deferred repayment loan.</p>	<p>Assist in the recruitment and retention of university employees.</p>	<p>Ongoing Program</p>	<p>In 2009, The City assisted eight (8) low- and moderate-income SJSU employees. The total amount of program assistance was approximately \$460,000.</p>
<p><b>WelcomeHOME Program:</b>          In August 2008, the City implemented a program that provides 30-year second mortgages of up to \$25,000 for lower -income homebuyers in the form of a deferred repayment loan. This loan may be layered with other forms of down payment assistance to help homebuyers purchase a home within San Jose's municipal boundaries.</p>	<p>Assist lower-income homebuyers</p>	<p>Ongoing Program</p>	<p>In 2009 the City assisted 86 lower-income first-time homebuyers purchase a home through this program. The total amount of program funding was approximately \$2.1 million.</p>
<p><b>HOMELESS SERVICES PROGRAMS:</b></p>			
<p><b>Emergency Shelter Grant Program (ESG):</b>          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.</p>	<p>Assist homeless and at-risk residents with meeting their immediate emergency needs</p>	<p>Ongoing Program</p>	<p>Continue to implement program.</p>
<p><b>Housing Opportunities for People with AIDS or HIV (HOPWA):</b>          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 uses of funds include tenant-based rental assistance, project-based rental assistance, housing information and supportive services.</p>	<p>Assist homeless and at-risk residents with HIV/AIDS to become permanently housed and remain healthy.</p>	<p>Ongoing Program</p>	<p>Continue to implement program.</p>
<p><b>Housing Trust Fund:</b>          In June 2003, the Mayor and City Council established a Housing Trust Fund which absorbed the Housing and Homeless Fund. These funds can be used for a variety of activities, including assisting nonprofit homeless service providers with emergency needs.</p>	<p>Identify additional funding sources for this fund.</p>	<p>Ongoing Program</p>	<p>Continue to use funds to assist homeless programs, as specified under program guidelines.</p>

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<p><b>Project Hope:</b> Project Hope is a two-year (FY 2008-2010) vocation training and employment program for homeless and at-risk residents. This program will provide participants with job readiness assessments, basic skills classes, and job training</p>	<p>70 clients will be enrolled in the two-year program.</p>	<p>Two-year Program</p>	<p>Continue to implement program as established.</p>
<p><b>Housing Services Partnership (HSP):</b> Since 2005, the City has contracted with local homeless services providers to administer the HSP program. This program provides homeless and at-risk residents with homeless prevention counseling, financial assistance, case management, and permanent housing placement</p>	<p>The HSP program will provide approximately 1,000 persons with assistance annually.</p>	<p>Ongoing Program</p>	<p>Continue to contract with local homeless service providers to administer the HSP program.</p>
<p><b>Homelessness Prevention and Rapid Re-Housing Program (HPRP):</b> In the fall of 2009 the City was awarded over \$4 million in federal Homelessness Prevention and Rapid Re-housing Program (HPRP) stimulus funds. This program provides financial assistance and case management to persons who are at risk of homelessness or who recently became homeless.</p>	<p>Assist recently homeless and persons at risk of homelessness become permanently housed and self-sufficient.</p>	<p>Expected to be a two year program</p>	<p>Continue to Implement program.</p>
<p><b>NEIGHBORHOOD IMPROVEMENT PROJECTS:</b></p>			
<p><b>Strong Neighborhood Initiative (SNI):</b> The City furthered its interdepartmental neighborhood improvement efforts through the Strong Neighborhoods Initiative (SNI). An expansion of the successful Neighborhood Revitalization Strategy, SNI involves several City departments, including the Planning and Housing Departments. SNI, launched in spring of 2000, combines the efforts of several City Departments and the Redevelopment Agency to identify improvements and services needed to revitalize declining neighborhoods throughout the City. Nineteen target areas have been designated as improvement areas. Physical improvements are expected to be funded through existing City programs (including Housing rehabilitation programs), and Community Development Block Grants.</p>	<p>Continue to focus resources within the 19 SNI areas. Strive towards goal of spending 75% of single-family rehabilitation funds in SNI areas.</p>	<p>Ongoing Program</p>	<p>Continue program as designed and implemented. Upon approval of any program changes, get word out to public through the Neighborhood Advisory Committees and SNI and PRNS staff.</p>
<p><b>Strong Neighborhoods Initiative (SNI) Project Alliance – (formerly known as Multi-Family Demonstration Projects):</b> Project Alliance is a subset of the City's Strong Neighborhood Initiative program directed toward the revitalization of specific multi-family neighborhoods. 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 commenced in early 2008 and will be completed by early 2010.</p>	<p>The goals of Project Alliance include working collaboratively with property owners, tenants, various City Departments, and other entities to achieve the effective delivery of City Services, build leadership, and create an attractive, livable and sustainable community while preserving the existing affordable housing stock within that community.</p>	<p>Ongoing Program</p>	<p>Funding for future projects is uncertain.</p>

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HOUSING DEVELOPERS / INVESTMENT PROPERTY OWNERS			
<p><b>Predevelopment Loan Program:</b>            The Predevelopment Loan Program is designed to assist housing developers with funds necessary to explore the feasibility of a proposed housing project. Under this program, developers may apply for option fees and preliminary environmental or design studies. Interest rate to be charged will reflect the City's actual cost of funds as well as what rate is necessary to promote project feasibility. Principal and interest repayment is due at the close of escrow on construction loans or within two years.</p>	<p>As resources allow, invest limited amount to support future feasible development projects.</p>	<p>Ongoing Program</p>	<p>Funding sources are limited for future projects.</p>
<p><b>Project Development Loans for Acquisition, Construction, Permanent, and Acquisition/ Rehabilitation:</b>            Below-market rate gap loans and grants for acquisition, construction and permanent financing are made to both for-profit and nonprofit developers. These loans, typically subordinated to the primary lender's loan, provide funding for apartments for single-room occupancy living unit facilities (SROs), families and seniors, transitional housing, and housing for special needs populations including the homeless. Loans are made for land acquisition, construction, and permanent needs. Permanent loans are repaid out of net cash proceeds during the projects operations.            Funding for the Acquisition and Rehabilitation of Existing Apartment Projects focuses on blighted properties where rehabilitation would have significant revitalizing impact on the surrounding neighborhood, on those projects with expiring Housing and Urban Development (HUD) loans and rent restrictions ("preservation" projects), on those projects involving extraordinarily low subsidy levels, and on those projects incorporating at least 10% ELI units with reasonable costs to the City.            Funding for Preservation or Conservation of existing projects is considered on a case-by-case basis, seeking to maximize leveraging of non-City sources of funds and to meet the City's policy objectives of supporting ELI units.</p>	<p>Focus 80% of available project funds on new construction of units, 10% on acquisition/rehabilitation projects, and the remaining 10% on workouts or Year 15 renegotiations to preserve existing affordable units.            Funding commitments will follow the Department's Income Allocation Policy, under which at least 30% of funds will support ELI units, 30% of funds will support VLI units, 25% of funds will support LI units, and 15% of funds will support Moderate Income units.</p>	<p>Ongoing Program</p>	<p>Continue program as designed and implemented.</p>
<p><b>City as "Developer":</b>            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 Jose, the Valley Transportation Authority (VTA), CalTrans, the 19 school districts in San Jose, the Santa Clara Valley Water District and other public agencies for housing development. Properties so acquired are subsequently transferred to nonprofit and for-profit developers for the construction of affordable housing projects.</p>	<p>Continue to seek opportunity sites for affordable housing with a focus on rental special needs units</p>	<p>Ongoing Program</p>	<p>Continue program as designed and implemented.</p>

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PROCESS IMPROVEMENTS			
<b>Adoption of Secondary Unit Ordinance:</b>			
In 2008 the City Council permanently adopted the Secondary Unit Ordinance. The Secondary Unit Ordinance began as a pilot program on January 2, 2006 and was previously scheduled to end on October 30, 2007. This program represents a major change in the City's policies towards second units, coming after a 20-year prohibition. The pilot program served as 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 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.	Continue to facilitate second unit production.	Ongoing Program	Continue program as designed and implemented.
<b>2007 California Standards Code and Green Building Outreach and Training</b>			
In response to the introduction of the new 2007 edition of the California Standards Code and the City's anticipated adoption 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. Similar outreach and trainings occur for City staff and the public to educate the public about the newly adopted Private Sector Green Building Policy and Ordinance. Staff is currently attending trainings to provide the same service to City staff and the public regarding the new California State Green Building Code standards that will go into effect on January 1, 2011.	Such trainings were intended to facilitate a smooth transition to the use of new code standards.	As needed basis	Outreach and training on the 2007 edition of the California Standards Code was completed in 2008. Separate outreach and training was provided for the Private Sector Green Building Policy and Ordinance in 2008 and 2009. Additional outreach and training will be provided as-needed basis for the California State Green Building Code and for future amendments.
<b>Enhanced High-Rise Design Review Process</b>			
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 effectively.	Ongoing	Continue to administer the design review process as needed.
<b>Transit-Oriented Development/Mid-Rise and High-Rise Residential Design Guidelines</b>			
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.	Facilitate quality design in residential projects and streamlining of the development review process.	Ongoing	Continue to implement and revise the design guidelines as necessary.

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<p><b>City Council Public Outreach Policy</b>          In 2005, the City Council adopted a public outreach policy to establish formal procedures in coordinating public outreach on development projects. Generally, developers are required to erect public notification signage on the project site while a development proposal is pending. In addition, for larger development proposals, a community meeting is required to gather public comments early in the development review process. The public outreach policy has been effective in helping developers and City staff engage the community early in the development review processes. Additionally, through August 2009, staff held a standing "Neighborhood Roundtable" meeting where community members provide input into Planning and Building activities.</p>	<p>Provides opportunities for all parties to achieve general consensus and resolve concerns as part of the development process.</p>	<p>Ongoing</p>	<p>Continue to implement the public outreach policy as intended. Due to budgeting constraints, the Neighborhood Roundtable meeting will be replaced by a combined Developers and Neighborhood Roundtable meeting that occurs quarterly.</p>
<p><b>Zoning Ordinance Streamlining Amendments</b>          The City periodically reviews the Zoning Ordinance to identify outdated measures and to determine where process and other requirements can be streamlined without diminishing the City's ability to achieve its land use goals.</p>	<p>Improve user-friendliness of the Zoning Ordinance, streamline the ability to add bedrooms to existing homes to accommodate a larger living area, and facilitate development of live/work and emergency shelters.</p>	<p>Ongoing</p>	<p>In November 2008, the City approved several amendments to the Zoning Ordinance that simplified the process for permitting small additions to existing two-family dwellings. Currently, any sized addition or enlargement of two-family dwellings requires issuance of a Site Development Permit. The new provisions allow minor additions (up to 200 square feet or 10% of the existing building area, whichever is less) to two-family dwellings with the issuance of an over-the-counter Permit Adjustment. Other Zoning Ordinance amendments took effect on January 3, 2009 that reduced the parking requirement for live/work units in Downtown and allowed single-family residences to provide a single-car, detached garage meeting specified criteria by-right, rather than requiring a Special Use Permit for the reduction from two covered spaces to one covered parking space. Effective January 16, 2009, a Zoning Ordinance amendment made emergency residential shelters of less than 50 beds permitted by right in the CIC-Combined Industrial Commercial Zoning District.</p>
<p><b>Development Permit Extension Ordinance</b>          Allows the reactivation of certain expired development permits and the extension of certain development permits for a discrete period of time.</p>	<p>Provides longer terms for the validity of Planning permits, thereby giving developers more time between Planning approvals and construction commencement.</p>	<p>Ongoing</p>	<p>The City Council approved this change to the Zoning Ordinance, and the change took effect on July 3, 2009.</p>
<p><b>Option to Use Discretionary Alternate Use Policies through a Use Permit</b>          In 2007, the City Council approved a General Plan text amendment that added the ability to apply Discretionary Alternate Use Policies as through a use permit. Prior to approval of this streamlining measure, the use of DAU policies often required a Planned Development rezoning.</p>	<p>Facilitate streamlining of the entitlement process.</p>	<p>Completed 2007</p>	<p>The City Council approved the General Plan text amendment in 2007.</p>
<p><b>Elimination of the Planned Development Zoning process requirement for certain Mixed-Use Development Projects</b></p>			

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<p>In 2008, the City Council approved a General Plan text amendment that 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.</p>	<p>Facilitate streamlining of the entitlement process for mixed-use development.</p>	<p>Completed 2008</p>	<p>The City Council approved the General Plan text amendment in 2008.</p>
<p><b>Height Limit Increase to Facilitate Use of Renewable Energy Resources</b>          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 (revised June 2008) and streamlines efforts to implement green building measures in proposed development projects.</p>	<p>Facilitate streamlining of the entitlement process to encourage energy efficiency in residential development.</p>	<p>Completed 2008</p>	<p>The City Council approved the General Plan text amendment in 2008.</p>
<p><b>Transit Corridor Commercial Land Use Designation Created</b>          The Transit Corridor Commercial land use designation is intended to expand the potential for commercial development and mixed commercial-residential development with convenient access to major job centers and to create new consumer markets in appropriate areas of the City. This category requires commercial uses in a viable configuration on the street-level floor of any development. Vertical mixed commercial and residential uses may be allowed on sites that are of adequate size and configuration to accommodate such a mix of uses provided that the street-level floor consists of wholly commercial uses with the exception of residential support facilities of limited size, such as parking areas, entry lobbies, mail rooms, and concierge facilities, the total area of which constitutes a minor portion of the site area. Transit Corridor Commercial is intended for sites located in the Downtown Core and Frame Areas or located in designated Transit Corridors or BART Station Area Nodes, or located within a reasonable walking distance of major public transit in other intensely developed areas of the City.</p>	<p>Facilitate streamlining of the entitlement process for residential development above commercial uses, providing opportunities for residential uses to be located above neighborhood services with access to transit.</p>	<p>Completed 2008</p>	<p>The City Council approved the General Plan text amendment in 2008.</p>
<p><b>Private Sector Green Building Policy for New Construction</b>          Council adoption of the Private Sector Green Building Policy for new construction established mandatory green building standards for private sector development that advance the City's Green Vision Goal No. 4 of building or retrofitting 50 million square feet of green buildings within the next 15 years, as well as Green Vision Goal No. 2: reducing per capita energy use by 50%, Goal No. 3: receiving 100% of electrical energy from clean renewable sources, Goal No. 5: diverting 100% of waste from landfills and converting waste to energy and Goal No. 6: Recycling or beneficially reusing 100% of waste water. The policy includes two rating systems: United States Green Building Council's Leadership in Energy and Environmental Design and Build It Green's GreenPoint Rated system. The policy requires a green building checklist for all new construction. In addition, the policy mandates specific certification and point levels in three categories: commercial and industrial (25,000 square feet and more), residential high-rise, and other residential (10 units and more).           On June 23, 2009, the City Council adopted an Ordinance which implements the Private Sector Green Building Policy.</p>	<p>Facilitate energy efficiency in residential development. Green buildings have proven to enhance economic competitiveness by reducing lifecycle costs, improving worker productivity, increasing property values, attracting higher rents, and helping with the attraction and retention of talent.</p>	<p>Completed 2009</p>	<p>The City Council adopted the Private Sector Green Building Policy for New Construction in 2008, and the City Council adopted an Ordinance which implements the Private Sector Green Building Policy in 2009.</p>
<p><b>Permit Center Consolidation</b></p>			

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<p>All Permit Center services have been consolidated on the first floor to allow one-stop service delivery that includes Building, Planning, Fire, and Public Works services.</p>	<p>Maximize efficiency of specialized staff. Provide cross-functional support on a single floor rather than two. Provide development customers with certainty on where submittals will occur.</p>	<p align="center">Completed 2009</p>	<p>Continue program as designed and implemented.</p>
<p><b>Self Help Improvements</b>          Customers can schedule their own inspections, obtain general information and publications, and apply for simple permits online without having to contact the Call Center staff by telephone or without having to travel to City Hall.</p>	<p>Allow customers to serve their needs at their own convenience.</p>	<p align="center">Ongoing</p>	<p>Continue to enhance the services and information available online.</p>

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<p><b>Walk-In Submittals &amp; Prioritized Service Delivery</b>          Submittals of select Planning and Building Permit applications are now accepted and processed without an appointment. Receptionist segregates customers and application submittals are prioritized.</p>	<p>Customers are provided with additional options for application submittal and are serviced more quickly.</p>	<p>Ongoing</p>	<p>Continue to enhance services provided to customers submitting development applications.</p>
<p><b>Envision San Jose 2040</b>          The Envision San Jose 2040 General Plan Update staff and Task Force routinely consider the housing demand and changing population demographic projections. Similarly, social equity, diversity, and complete community concepts are pervasive throughout many Task Force discussions. Draft Envision Goals, Policies, and Implementation Actions reflect these concepts, including the draft updated Housing Goals, Policies, and Implementation Actions.</p>	<p>Draft an updated General Plan that addresses the myriad of housing-related issues in an equitable manner.</p>	<p>Ongoing</p>	<p>Continue to update the General Plan, moving towards a final City Council approval in June of 2011.</p>
<p><b>Alum Rock Corridor General Plan Changes and Policy Direction</b>          On June 16, 2009, the City Council approved the conversion of over 55 acres of primarily General Commercial land to Transit Corridor Commercial, thereby facilitating mixed commercial-residential development on this land bordering Alum Rock Avenue. At the same time, the City Council also approved a policy document to guide staff in creating a form-based zoning for the area that, once approved, will significantly streamline the entitlement process for development of mixed commercial-residential projects in the area.</p>	<p>Facilitate mixed commercial-residential projects along select Alum Rock Avenue properties.</p>	<p>Ongoing</p>	<p>Amendments to the General Plan Land Use/Transportation Diagram and text were approved in June 2009. Continue to develop a form-based zoning to facilitate implementation of Transit Corridor Commercial objectives.</p>
<p><b>Transitional and Supportive Housing Zoning Ordinance Amendments</b>          On December 1, 2009, the City Council approved changes to the Zoning Ordinance to include definitions for transitional and supportive housing consistent with those provided in the California Health and Safety Code.</p>	<p>To comply with California State Legislation, Chapter 633, Statutes of 2007 (SB 2), transitional and supportive housing are explicitly treated as residential uses in the Zoning Ordinance.</p>	<p>Completed 2009</p>	<p>The City Council approved the Zoning Ordinance amendment in 2009.</p>