



Memorandum

**TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE**

FROM: Leslye Krutko

SUBJECT: FIVE-YEAR HOUSING PLAN

DATE: May 1, 2007

Approved

Date

Council District: Citywide

RECOMMENDATION

It is recommended that the Community and Economic Development Committee review and provide feedback regarding the process and policies discussed below.

BACKGROUND

San José faces important challenges in providing affordable housing for all socioeconomic segments of its population, given the highly competitive housing market and limited public dollars. The Five-Year Housing Investment Plan (FYHIP) outlines the approach the City plans to take during the next five years – from Fiscal Year 2007-08 through Fiscal Year 2011-12 – to meet these challenges. The document will become the basis for guiding the City and Housing Department in the future development of policies, programs, and permanent local funding sources for affordable housing.

The Five-Year Housing Plan contains seven major sections. These sections include: partnerships in housing, housing market analysis, city housing policies, recent housing efforts, funding sources, the next five years, and implementing actions.

A critical component to the success of the Five-Year Plan is the participation of representatives from all segments of the community in an advisory capacity. As a consequence, a Working Group comprised of community members, nonprofit agencies, developers, and financial institutions, was assembled to provide feedback as the Housing Department drafted the new strategy.

The Working Group assisted in the process of identifying policies and funding sources that will help promote and maintain affordable housing in the coming five years. Since February 2007, the Group has met four times and has a final meeting scheduled on May 4th before the Plan is ready for public review.

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ANALYSIS

The Five-Year Housing Investment Plan Working Group reviewed and discussed the twenty- six existing current City policies and commented on new policy efforts they believe the City should pursue. The Group highlighted several preliminary key issues with existing policies and recommended several changes.

Income Allocation Policy

Of particular interest to the Group was the City's Income Allocation Policy. The current policy states that the City is committed to assisting those most in need by targeting 85% of the funding for large development projects and rehabilitation assistance to lower-income households. The remaining 15% is targeted to moderate-income households. As noted in the recent LISC study of Santa Clara County's housing needs over the next 20 years, of the 90,000 units needed in Santa Clara County, the single largest need (76% or 68,700) is for extremely-low income (ELI) housing. As a result of these findings, Staff is considering a recommendation to re-evaluate the current income allocation policy to create a new funding goal of 30% ELI, 30% VLI, 25% LI, and 15% moderate income.

Teacher Housing Policy

The current Assistance to Teachers policy provides housing assistance to teachers, primarily in the form of first-time homebuyer assistance. The policy restricts eligibility to K-12 classroom teachers in San José public schools. Staff is considering a recommendation to create a new teacher assistance program that provides rental assistance to teachers and expand the current homeownership program to include all education professionals (administrators, secretaries, janitors) and potentially, community college instructors.

Inclusionary Zoning Policy

The Inclusionary Zoning Policy currently states that developers of for-sale housing may choose to meet the existing 15% requirement (6% very low-, and 9% low- and moderate-income) or the City's new 20% requirement (all moderate income) which was adopted in 2001. Developers of rental projects without tax exempt bond or tax credit financing must provide 20% of the units affordable to lower and moderate-income households (8% very low-, and 12% low- and moderate-income). Staff is considering the following recommendations: (1) provide flexibility to developers to pay in-lieu fees or transfer land to a nonprofit developer for affordable housing in addition to the current requirement that the units be included in the developments; (2) adjust current in-lieu fees to reflect the actual costs of providing affordable units; (3) deepen the required affordability levels under the inclusionary housing policy for rental developments; (4) make adjustments to encourage developers in the Downtown core to build high-rises; and (5) consider expanding the City's inclusionary policy to include large special planning areas, industrial conversions, or perhaps adopting a Citywide inclusionary policy.

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Financing/Permanent Revenue Source

Finally, given the current gap between the high need for affordable housing and the lack of financial resources, it is critical that a permanent source of funding for affordable housing be identified. The City must adopt priorities for the use of these funds to ensure the production of a diversity of housing types to address the range of housing needs in the City. Several of the proposed strategies to finance and increase the housing supply include: (1) protect existing funding available to local jurisdictions for affordable housing, especially redevelopment tax increment funding; (2) develop a permanent local and/or regional source of funding for affordable housing through such mechanisms as a local bond, levying recording fees, or increasing reconveyance taxes.

NEXT STEPS

After the Community and Economic Development Committee provides feedback, the Department will send the Five-Year Plan to the Mayor and City Council for consideration in June or August, 2007.

LESLYE KRUTKO
Director of Housing