CEDC AGENDA: 03-23-09
ITEM: 3.4

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

# Memorandum

**TO:** COMMUNITY & ECONOMIC DEVELOPMENT COMMITTEE

**FROM:** Joseph Horwedel
Leslye Krutko

**SUBJECT:** SEE BELOW

**DATE:** March 6, 2009

Approved

Date 3-12-09

**COUNCIL DISTRICT:** City-wide

**SUBJECT: STATUS ON THE HOUSING ELEMENT UPDATE PROCESS**

## RECOMMENDATION

It is recommended that the Community and Economic Development Committee (CEDC) accept the status report on the Housing Element Update process.

## OUTCOME

Staff will revise the draft Housing Element of the San José 2020 General Plan as appropriate based on feedback and input from the CEDC. A final draft Housing Element is intended to be submitted for City Council approval on June 16, 2009. If approved by Council, the Housing Element will then be submitted to the State Housing and Community Development Department by June 30, 2009 for certification.

The outcomes associated with the Housing Element Update include:

1. Completing a Housing Element that fully complies with State law in order to maintain the City's eligibility for State and regional housing and infrastructure funding;

2. Identifying specific locations and land use policy measures to demonstrate that the City has a viable plan to meet its share of the Bay Area Regional Housing Needs Allocation through 2014; and

3. Developing a comprehensive implementation strategy to facilitate housing development at all income levels through 2014.

## BACKGROUND

The Housing Element is a State-required component of local General Plans. Typically updated every five years, the Element quantifies a city's housing needs, specifies policies and programs to assist in the provision of housing across income categories, and identifies strategies for a city to meet its share of the regional housing needs allocation (RHNA). For the City of San José, as well as all cities and counties in the Bay Area under the purview of the Association of Bay Area Governments (ABAG), the Housing Element must be approved by the respective local jurisdiction and submitted to the State's Department of Housing and Community Development (HCD) for certification by June 30, 2009; if certified, the Housing Element would be valid until June 30, 2014. The City of San José's total RHNA share for the Housing Element update period is 34,721 units composed of the following unit types: 3,876 extremely low-income (ELI) units; 3,875 very low-income (VLI) units; 5,322 low-income (LI) units; 6,198 moderate-income (MOD) units; and 15,450 above moderate-income (Above MOD) units. This allocation represents a 33% increase in the overall housing needs from the previous 1999-2006 RHNA, with substantial increases in the LI and VLI categories. Although the City met its previous RHNA share, the City's larger housing allocation share combined with the current economic and housing downturn create great challenges for actual housing production to meet the RHNA goals.

On June 23, 2008, the Planning and Housing Departments jointly presented background information on the Housing Element update process to the Community and Economic Development Committee. Since that time, City staff has undertaken extensive outreach (discussed in more detail in the Public Outreach section of this memorandum) to solicit public comments on the issues the City should consider as part of the Housing Element Update. Based on these public comments and staff analysis, City staff completed a preliminary draft of the Housing Element Update for submittal on March 6, 2009 to HCD for a 60-day review period. During this 60-day period, City staff will engage in a second round of outreach to solicit public comments on the preliminary draft. At the end of the 60-day period, staff will publish a final draft based on HCD and public comments, which City staff intends to submit for Council approval on June 16, 2009.

## ANALYSIS

One of the primary goals of a jurisdiction's Housing Element is to describe how that jurisdiction will meet its RHNA share. The jurisdiction must complete the following steps, which are discussed below: assess the land capacity available to meet its RHNA; perform a parcel-by-parcel site inventory identifying where housing can be located and how many units each parcel may yield; identify both governmental and non-governmental constraints to housing production; implement policies and programs to facilitate housing production; and quantify its housing production goals. The following discussion summarizes the primary components and findings of the report.

## Land Capacity Assessment

As of October 2008, the City has identified 1,824 acres of land designated for residential development on the General Plan Land Use/Transportation Diagram. Based on existing General Plan goals and policies and the escalating depletion of vacant lands in San José, future development will consist primarily of higher density housing in strategic infill locations, including the Greater Downtown area, North San José, and along Transit-Oriented Development Corridors. This supply could be expanded through application of General Plan Discretionary Alternate Use policies. Vacant lands represent just a small fraction of the yield from residentially zoned lands, as these are generally small or lower density sites at the edges of the City's Urban Service Area.

The supply of residentially designated lands represents a holding capacity for approximately 67,500 new dwelling units. This means San Jose is able to accommodate potential development of approximately 67,500 additional units without needing to amend the General Plan to designate additional sites for residential use. How much of this capacity is available for development during the 2007-2014 RHNA planning period is analyzed as part of the Adequate Sites Inventory.

## Adequate Sites Inventory

State law requires an Adequate Sites Inventory as part of a jurisdiction's Housing Element. The inventory must demonstrate that the housing potential on land suitable for residential development is adequate to accommodate the City's RHNA share of 34,721 total units and available for development over a seven-year period between January 2007 and July 2014.

Staff identified sufficient sites available for development to accommodate 49,137 new housing units between 2007 and 2014. This figure represents the General Plan residential holding capacity and approved residential projects minus the residential development anticipated in future phases of the North San Jose Area Development Policy beyond 2014. Given the current downtown in the economy, future phases of residential development in North San Jose are not assumed to occur prior to 2014. To further describe the residential capacity for the 2007-2014 planning period, the inventory divides the residential capacity in the following categories:

1. Sites with Planning Entitlements[1];
2. Planned Downtown Residential Development;
3. Residential capacity in a Planned Community or Development Policy Area; and
4. Vacant sites that are designated for residential development in the General Plan.

These categories are mutually exclusive; that is, the sites are not double-counted. For example, a vacant site that has received City approval for a specific development project would be listed under Category 1 and not listed as a vacant site in Category 4. Similarly, residential projects that have been approved and are located within the Downtown or a Planned Community area would be listed only under Category 1: Sites with Planning Entitlements, and are not under Category 2 or 3. Cumulatively, this inventory of planned housing sites demonstrates the City's ability to

[1] Units approved through a Planned Development (PD) zoning, PD permit, or other development permit but have not been issued building permits.

accommodate new residential development to achieve the City of San José's RHNA goal (otherwise known as the City's "fair share").

**TYPOLOGY OF RESIDENTIAL LANDS AVAILABLE TO ACHIEVE THE CITY OF SAN JOSÉ'S 2007-2014 RHNA GOAL**

| Sites Categories | Total Housing Unit Yield |
|---|---|
| 1. Sites with Planning Entitlements* | 27,428 |
| 2. Planned Downtown Residential Development | 7,881 |
| 3. Planned Community/Development Policy Areas** | 9,086 |
| 4. Vacant Land*** | 4,742 |
| **TOTAL** | **49,137** |
| **2007-2014 RHNA Goal** | **34,721** |

Source: City of San José Planning Division, 2008

* Includes 8,000 units entitled under Phase 1 of the North San José Area Development Policy (NSJADP).
** Excludes sites not already entitled under Phase 1 of the NSJADP.
*** Excludes vacant sites not already entitled under Phase 1 of the NSJADP. The City does not anticipate that approximately 24,000 additional units identified for future phases of residential development in the NJSADP will be developed by 2014.

## Governmental and Non-governmental Constraints to Housing Production

As required by State law, the Housing Element must identify both governmental and non-governmental constraints to housing. Governmental constraints comprise government policies that may impede housing production in pursuit of other important public goals, while non-governmental constraints are those impediments created through market forces. "Constraints" is not used in the Housing Element as a pejorative, but rather as a neutral term to describe factors that may potentially make it more difficult or costly to develop housing. For example, a policy that requires housing to be developed in areas with existing City services is necessary for more sustainable development, although it may also make housing more costly to build due to higher land costs. However, the purpose of identifying specific policies and regulations as potential constraints is not necessarily to eliminate them, but to develop and implement other programs to mitigate housing costs while simultaneously balancing all City goals and policies.

*Governmental Constraints*
Governmental constraints refer to government regulations and policies that can add to the cost of development. These can potentially include:

1. Zoning Regulations – The City's Zoning Ordinance includes conventional zoning districts established for residential uses. Alternatively, the Planned Development zoning process can establish a unique zoning district for a site, including use and development standards, which may otherwise not be found in a conventional zoning district. For example, the absence of a conventional zoning district that allows residential development at a minimum density of 30 dwelling units per acre could be described as a constraint.

2. Processing Time – Processing times for zonings and development permits can increase the carrying costs of a property under consideration for development. Processing time is dependent on a number of factors, including the enforcement of State laws and City ordinances to protect the public health and welfare, the ability of the applicant to coordinate with City staff and community members to address project issues, and the need to ensure that the general public is fully informed.

3. Fees and Taxes – The fees and taxes applicable to a development project include Entitlement Fees, Construction Fees, Impact/Capacity Fees, and Development Taxes. Entitlement fees include fees for land use approval and environmental clearance. Construction fees include the various building permit, plan check, and public improvement fees related to the construction process. Impact/Capacity fees are charged to mitigate the costs that new development places on community infrastructure or to fund quality of life improvements. Development Taxes are tax assessments on development projects commonly based on project valuation.

4. Onsite and Offsite Improvements – New residential development is responsible for both public and private improvements directly associated with the development. The City has established both public and private infrastructure standards so that developers can factor in those costs during the development design stage.

5. Level of Service (LOS) Policies – The General Plan includes LOS policies for transportation, sanitary sewers, storm drainage, flood control, police, fire, and parks. Development proposals are also reviewed to ensure that the Water Pollution Control Plant (WPCP) capacity is not exceeded.

6. Building Code Requirements – The City of San José uses the California Building Code (CBC) as the standard for all new construction. San José also encourages the use of the State Historic Building Code for designated historical properties to facilitate the rehabilitation and reuse of important historic resources. The City has also adopted local amendments regarding certain structural design requirements, compliance with FEMA regulations, fire sprinkler regulations, and other building and plumbing requirements.

*Non-governmental Constraints*

Non-governmental constraints refer to the impediments to housing production that result from market factors. The primary non-governmental constraints identified in the Housing Element are:

1. Production Costs – The cost of housing production is a significant non-governmental constraint. This is especially true for projects that seek deeper affordability requirements (for example, including more ELI units rather than VLI- or LI units) because a greater amount of subsidy is required to ensure that the project is financially feasible. The major components of production costs include construction, labor, and land. The cost of basic construction materials has increased significantly over the past several years. Additionally, land in San José continues to be expensive relative to other regions in the State and compared with many areas in the rest of the United States.

2. Financing – The ability to produce housing depends on the ability of developers to borrow money in order finance construction. For market-rate developers, this depends largely on the willingness of banks to provide loans for such development. For affordable housing, this depends on the availability of local, State, and federal subsidies that non-profit housing developers can access to make their projects financially feasible. In the current housing and economic downturn, financing for both market-rate and affordable projects is difficult to obtain from any of these sources. Banks have been unwilling to lend to private developers. Additionally, the State has frozen its funds for affordable projects. The City's Housing Department operates by leveraging its funds on the bond market. However, the interest rates that the Housing Department would have to pay on its bonds have increased significantly over the past year. The increase in the cost of capital has greatly impacted the Department's ability to provided assistance to affordable housing developers.

3. Environmental – Environmental constraints to residential development within the City typically relate to the presence of one or more of the following physical factors, which affect the development of housing: 100-year floodplains, riparian corridors, and geological hazards. The types of constraints vary in different areas of the City.

4. Public Opposition – Existing communities may be against new residential development. Opposition can both lead to a protracted planning process necessary to solicit public opinion, which adds to the time and monetary cost of development.

**City Actions to facilitate Housing Opportunities**

The City has implemented various measures to mitigate identified constraints to development and housing production. These measures facilitate housing production by streamlining the permitting process, reducing costs, or providing a level of predictability in the development process. Some examples include:

- Transit-Oriented Development/Mid- and High-Rise Residential Design Guidelines
- Enhanced High-Rise Design Review Process
- 2007 California Standards Code Outreach and Training
- Live Telephone Customer Service
- Preliminary Review Application Process
- Housing Department Notice of Funding Availability (NOFA) Process and Underwriting Guidelines
- Improvements in the Building Division to facilitate streamlining of the permitting process
- Elimination of the Planned Development Zoning process requirement for certain Mixed-Use Development projects
- Option to Use Discretionary Alternate Use Policies through a Use Permit
- 2008 Zoning Ordinance Streamlining Amendments

In addition, implementation of the 2007-2014 Housing Element will require the City to update existing land use policies in the General Plan as well as adopt new ordinances and revisions to

the Zoning Ordinance in order to comply with State law. These actions include adopting a Density Bonus Ordinance, establishing a higher-density multi-family residential zoning district, and revising several General Plan land use designations to establish a minimum density of 30 dwelling units per acre. Descriptions of these programs are included in the attachment to this memorandum.

**Housing Policies and Programs**

The City has policies and programs to proactively meet its housing needs across income categories. The programs offered by the Housing Department are consistent with the policy objectives developed by the Mayor's Task Force on Housing when the Department was created in 1988. These objectives include:

- Increase the supply of affordable housing, reduce the cost of developing affordable housing, and preserve the housing stock.
- Utilize available resources to address priority needs for housing.
- Increase the funds available for the preservation and development of affordable housing.
- Disperse low-income housing throughout the City to avoid concentration of low-income households and to encourage racial and economic integration.
- Encourage greater involvement of the public and private sectors to increase and preserve the stock of affordable housing in San José.

In order to meet these objectives, the Housing Department has implemented programs in five areas: homeowner, homebuyer, project development, homeless services, and neighborhood improvement projects. Implementation of these housing programs will continue through the 2007-2014 Housing Element planning period.

## EVALUATION AND FOLLOW-UP

A provisional draft Housing Element was submitted to HCD on March 6, 2009, which begins the State's 60-day review period. During this period, the City will engage in a public outreach/ comment period that includes presentations to City Council committees (such as to the CEDC and NSE), commissions (HCDC and Planning Commission), the General Plan Update Task Force, and public community meetings.

At the conclusion of the 60-day period, City staff will revise its draft Housing Element as appropriate to reflect comments by HCD and from the public outreach process. Staff anticipates submitting the final draft Housing Element for City Council approval on June 16, 2009, with the approved Element submitted to HCD for certification by June 30, 2009.

## 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)**

☐ **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)**

Housing Element law requires local governments to make a diligent effort to achieve public participation of all economic segments of the community in the development of the Housing Element. As part of this Housing Element update, the City pursued an extensive public outreach process that included meetings with City commissions, neighborhood/developer roundtable discussions, taskforce meetings and general community meetings. To date, eighteen public meetings have been held to solicit input on the Housing Element. These meetings include those with the general community, developers, the General Plan Update Task Force, the Planning Commission, the Housing and Community Development Advisory Commission, the CEDC, and with the Strong Neighborhoods Initiative groups. The implementation of a broad based public outreach strategy is consistent with the adopted City Council Public Outreach Policy. In addition to citywide meetings, staff held several stakeholder focus group meetings with market-rate and affordable housing developers as well as service providers of special needs housing. The City also prepared a housing element brochure providing general information about the Housing Element update process. The brochure has been available in English, Spanish and Vietnamese so that all segments of the community can become aware of this process.

A website dedicated to the housing element update was also created to provide a central clearinghouse of all information gathered from the community. Visitors to the website who subscribed to the housing element update mailing list received status reports on the progress of the housing element update and announcements for events; there were approximately 3,000 subscribers by the end of the process. The draft Housing Element will be posted on the website to provide the public an opportunity to submit their comments on the draft online.

## COORDINATION

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

## CEQA

This status update is not a project.

LESLYE KRUTKO
Director of Housing

for JOSEPH HORWEDEL
Director of Planning, Building
and Code Enforcement

For questions please contact Laurel Prevetti, Assistant Director of Planning, Building and Code Enforcement, at (408) 535-7901.

Attachment: 2007-2014 Housing Element Implementation Programs Table

# Proposed 2007-2014 Housing Element Implementation Programs

| Guiding Policy/Program/Action | Objective | Timeframe | Responsibility | Funding Source |
|---|---|---|---|---|
| **Housing Policy #4, Distribution**<br>**In furtherance of the balanced community and economic development goals of this Plan, the City encourages the production of housing affordable to households across income categories in all community planning areas.** | | | | |
| **Inclusionary Housing Policy/Ordinance** | | | | |
| San Jose's existing inclusionary housing policy applies to the City's redevelopment areas. Residential developers must mee the requirement of the existing inclusionary policy by including affordable housing units on-site or off-site, dedicating land, paying an in-lieu fee, or a combination of these options. In December 2008, the City Council directed the preparation of a Citywide inclusionary housing ordinance to expand inclusionary measures beyond redevelopment areas to include the entire City. | Continue to implement the City's inclusionary policy for Redevelopment Project Areas. Implement the City's proposed (not yet adopted) Citywide inclusionary ordinance, which will supercede San Jose's existing inclusionary policy. | Ongoing Program | Department of Housing | Inclusionary Housing In-Lieu Fees |
| **Housing Policy #10, Conservation and Rehabilitation**<br>**To maintain the supply of low-priced housing and to avoid disproportionate hardships on those who need low-priced housing, conservation of the housing stock should be accomplished through a balanced program of housing code enforcement and complementary programs such as rehabilitation loans and grants.** | | | | |
| **HOMEOWNER PROGRAMS:** | | | | |
| **Housing Rehabilitation Program – Single-Family Home Loan Program:** | | | | |
| 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 quality for a 0% interest loan. All other City Areas receive 3% loans. A maximum $15,000 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 Housing Preservation Program (HPP) loans may be deferred until transfer or change of title. Additional emphasis is now being given to energy conservation, water conservation, and the use of recycled and Green materials in the HPP loan program. | The City Council goal is to spend 75% of HPP funds 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.<br><br>Annual goal is to complete between 30 and 40 single-family residential loan projects per year. Additional emphasis is now being given to energy conservation, water conservation, and the use of recycled and/or Green materials in the HPP loan program.<br><br>Increase the number of rehabilitation loans - the goal is for the loans to exceed 50% of total rehabilitation dollars approved each year. | Ongoing Program | Department of Housing | 20% Funds, 80% Funds in specific SNI neighborhoods, CalHOME, CDBG, HOME |

## Proposed 2007-2014 Housing Element Implementation Programs

| Guiding Policy/Program/Action | Objective | Timeframe | Responsibility | Funding Source |
|---|---|---|---|---|
| **Housing Rehabilitation Program – Single-Family Homeowner Grant Program:** | | | | |
| Homeowners earning up 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, if 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 (HPP). | Base the maximum grant amount on income level as follows: - low-income-$5,000 maximum; Very Low-income-$10,000 maximum; and Extremely Low-income-$15,000 maximum grant amount. | Ongoing Program | Department of Housing | 20% Funds, 80% Funds in specific SNI neighborhoods, CalHOME, CDBG, HOME |
| **Mobilehome Repair Loan Program:** | | | | |
| 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 $12,000. 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 150 mobilehome rehabilitations is expected annually.<br><br>To meet the demand from San Jose's most needy mobilehome owners, proposed modifications include increasing the grant amount up to $15,000 and serving only the very low and Extremely Low-income clientele for grants. | Ongoing Program | Department of Housing | 20% Funds, CalHOME, CDBG |
| NEIGHBORHOOD IMPROVEMENT PROJECTS: | | | | |
| **Stong Neighborhood Initiative (SNI):** | | | | |
| The City furthered its interdepartmental neighborhood improvement efforts through the Strong Neighborhoods Initiative (SNI). An expansion of the successful Neighborhood Revitalization Strategy. 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. Neighborhood Improvement Plans were initiated for each target area and the first phase was completed in 2001. Physical improvements are funded through Redevelopment funds, existing City programs (including Housing rehabilitation programs), and Community Development Block Grants. | Continue program as designed and implemented. Continue to focus resources within the 19 SNI areas. Strive towards goal of spending 75% of single-family residential rehabilitation funds in SNI areas. | Ongoing Program | Department of Housing | 20% Funds, 80% Funds in specific SNI neighborhoods, CDBG, |
| **Strong Neighborhoods Initiative (SNI) Project Alliance – (formerly known as Multi-Family Demonstration Projects):** | | | | |
| Project Alliance is a subset of the City's Strong Neighborhood Initiative program directed toward the revitalization of specific multi-family neighborhoods. 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. 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). | Continue to seek funding to expand Project Alliance to additional. Housing Department staff will continue to collaborate with other City departments, property owners, tenants, and community. | Ongoing Program | Department of Housing | 20% Funds, 80% Funds in specific SNI neighborhoods |

## Proposed 2007-2014 Housing Element Implementation Programs

| Guiding Policy/Program/Action | Objective | Timeframe | Responsibility | Funding Source |
|---|---|---|---|---|
| **Housing Policy #14, Low/Moderate Income Housing - The City should foster the production of housing to serve the starter housing market through mortgage revenue bonds, Mortgage Credit Certificates and other low and moderate-income housing programs.** | | | | |
| HOMEBUYER PROGRAMS: | | | | |
| **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%. | Assist first-time homebuyers | Ongoing Program | Department of Housing | Tax-exempt bonds |
| **Teacher Housing Program:** | | | | |
| 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 | Department of Housing | 20% Funds, HOME |
| **Project-Based Second Mortgages:** | | | | |
| 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 commit to offer second mortgages to qualified homebuyers at project completion. | Assist Low- and Moderate-Income homebuyers | Ongoing Program | Department of Housing | 20% Funds, BEGIN, HOME |
| **The Home Venture Fund (Formerly Vernal Fund):** | | | | |
| 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 | Department of Housing | Private Lenders |
| **Building Equity and Growth in Neighborhoods (BEGIN):** | | | | |
| 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 | Department of Housing | Proposition 46 and Proposition 1C funding |
| **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. | Assist Low-Income first-time homebuyers | Program based on funding availability | Department of Housing | Federal HOME funds |
| **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 second mortgage to low-and/or moderate-income homebuyers to make units affordable. | Assist Low- and Moderate-Income homebuyers | Ongoing Program | Department of Housing | Loan Repayment |
| **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. | Assist in the recruitment and retention of university employees. | Ongoing Program | Department of Housing | 20% Funds, Housing Trust Fund |

## Proposed 2007-2014 Housing Element Implementation Programs

| Guiding Policy/Program/Action | Objective | Timeframe | Responsibility | Funding Source |
|---|---|---|---|---|
| **WelcomeHOME Program:** | | | | |
| 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 downpayment assistance to help homebuyers purchase a home within San Jose's municipal boundaries. | Assist lower-income homebuyers | Ongoing Program | Department of Housing | HOME |
| **Housing Policy #37, Support Services - Transitional, First Step, and Supportive housing should be encouraged throughout the City to meet the needs of the homeless and special needs population.** | | | | |
| HOMELESS SERVICES PROGRAMS: | | | | |
| **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. | Assist homeless and at-risk residents with meeting their immediate emergency needs | Ongoing Program | Department of Housing | ESG |
| **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 uses of funds include tenant-based rental assistance, project-based rental assistance, housing information and supportive services. | Assist homeless and at-risk residents with HIV/AIDS to become permanently housed and remain healthy. | Ongoing Program | Department of Housing | HOPWA funds |
| **Housing Trust Fund:** | | | | |
| 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. | Identify additional funding sources for this fund. | Ongoing Program | Department of Housing | Housing Trust Fund |
| **Housing Services Partnership (HSP):** | | | | |
| 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. | The HSP program will provide approximately 5,000 persons with assistance annually. | Ongoing Program | Department of Housing | Housing Trust Fund |
| **Project Hope:** | | | | |
| 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. | 70 clients will be enrolled in the two-year program. | 2008-2010 | Department of Housing | Housing Trust Fund |

## Proposed 2007-2014 Housing Element Implementation Programs

| Guiding Policy/Program/Action | Objective | Timeframe | Responsibility | Funding Source |
|---|---|---|---|---|
| **Housing Policy #13, Low/ Moderate Income Housing - The City should stimulate the production of Extremely Low-, Very Low-, Low- and Moderate-Income housing by appropriately utilizing State and Federal grant and loan programs, City Redevelopment 20% tax increment funds, mortgage revenue bonds, and such other local programs authorized by law.** | | | | |
| HOUSING DEVELOPERS / INVESTMENT PROPERTY OWNERS | | | | |
| **Predevelopment Loan Program:** | | | | |
| 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. | As resources allow, fund at least $500,000 per year for predevelopment expenses to potential projects. | Ongoing Program | Department of Housing | 20% Funds, HOME, Inclusionary in-lieu fees |
| **Project Development Loans for Acquisition, Construction, Permanent, and Acquisition/ Rehabilitation:** | | | | |
| 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 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. Funding for the Acquisition and Rehabilitation of Existing Apartment Projects focuses on blighted properties, 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. | 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. | Ongoing Program | Department of Housing | 20% Funds, HOME, Inclusionary in-lieu fees |
| **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 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. | Continue to seek opportunity sites for affordable housing with a focus on rental special needs units | Ongoing Program | Department of Housing | 20% Funds, HOME, Inclusionary in-lieu fees |

## Proposed 2007-2014 Housing Element Implementation Programs

| Guiding Policy/Program/Action | Objective | Timeframe | Responsibility | Funding Source |
|---|---|---|---|---|
| **Housing Policy #26, Development Review - Recognizing that the development review process can affect the price and availability of housing, the City is committed to minimizing unnecessary processing time in the development review function. The City should facilitate higher density, mixed use, and transit-oriented residential development at a minimum of density of 30 dwelling units per acre.** | | | | |
| **Housing Policy #33, Administrative - The policies of the General Plan and Consolidated Plan should be carefully coordinated and implemented to maximize opportunities for the improvement, preservation, and development of affordable housing.** | | | | |
| PROCESS IMPROVEMENTS | | | | |
| **Adoption of Secondary Unit Ordinance:** | | | | |
| 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 | Department of Planning, Building and Code Enforcement | Development Fee Program |
| **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 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. | Such trainings are intended to facilitate a smooth the transition to the use of new code standards. | As needed basis | Department of Planning, Building and Code Enforcement | Development Fee Program |
| **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 effectively. | Ongoing | Department of Planning, Building and Code Enforcement | Development Fee Program |
| **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. | Facilitate quality design in residential projects and streamlining of the development review process. Implement through the review of proposed developments. | Ongoing | Department of Planning, Building and Code Enforcement | Development Fee Program |

## Proposed 2007-2014 Housing Element Implementation Programs

| Guiding Policy/Program/Action | Objective | Timeframe | Responsibility | Funding Source |
|---|---|---|---|---|
| **City Council Public Outreach Policy:** | | | | |
| 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. | Provides opportunities for all parties to achieve general consensus and resolve concerns as part of the development process. Implement through the review of proposed developments. | Ongoing | Department of Planning, Building and Code Enforcement | Development Fee Program |
| **Option to Use Discretionary Alternate Use Policies through a Use Permit:** | | | | |
| In 2007, the City Council approved a General Plan text amendment that added the ability to apply Discretionary Alternate Use Policies through a use permit. Prior to approval of this streamlining measure, the use of DAU policies often required a Planned Development zoning. | Facilitate streamlining of the entitlement process. Implement through the review of proposed developments. | Completed 2007 | Department of Planning, Building and Code Enforcement | Development Fee Program |
| **Zoning Ordinance Streamlining:** | | | | |
| 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. 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. Previously, 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 within the issuance of an over-the-counter Permit Adjustment. This measure streamlines the ability to add bedrooms to existing homes to accommodate a larger living area. | Improve user-friendliness of the Zoning Ordinance and streamline the ability to add bedrooms to existing homes to accommodate a larger living area. | Completed 2008 | Department of Planning, Building and Code Enforcement | General Fund |
| **Elimination of the Planned Development Zoning process requirement for certain Mixed-Use Development Projects:** | | | | |
| 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 only requiring projects to undergo a Planned Development Zoning process. | Facilitate streamlining of the entitlement process for mixed-use development. | Completed 2008 | Department of Planning, Building and Code Enforcement | General Fund |
| **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. | Facilitate streamlining of the entitlement process to encourage energy efficiency in residential development. | Completed 2008 | Department of Planning, Building and Code Enforcement | General Fund |

## Proposed 2007-2014 Housing Element Implementation Programs

| Guiding Policy/Program/Action | Objective | Timeframe | Responsibility | Funding Source |
|---|---|---|---|---|
| **Transit Corridor Commercial Land Use Designation Created:** | | | | |
| 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. | 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. | Completed 2008 | Department of Planning, Building and Code Enforcement | General Fund |
| **Private Sector Green Building Policy for New Construction:** | | | | |
| Council adoption of the Private Sector Green Building Policy for new construction established mandatory green building standards for private sector development that will 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). | 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. | Completed 2008 | Department of Planning, Building and Code Enforcement | General Fund |
| **Establish a conventional zoning district that allows Emergency Shelters by right:** | | | | |
| In December 2008, the City Council adopted an ordinance establishing a Combined Industrial/Commercial zoning district. Established uses include a compatible mixture of commercial, office, and industrial uses of the CG Commercial General, IP Industrial Park, and LI Light Industrial Districts. Emergency shelters of 50 beds or fewer are allowed by right. | Facilitate emergency shelters by right in accordance with State law (SB 2). | Completed 2008 | Department of Planning, Building and Code Enforcement Department of Housing, City Attorney's Office | General Fund |
| **Add definitions to the Zoning Ordinance for Transitional and Supportive housing:** | | | | |
| Adding definitions of Transitional and Supportive to the Zoning Ordinance would clarify how existing provisions in the Zoning Ordinance already accommodate similar uses. | Strengthen the ability to encourage and facilitate Transitional and Supportive housing in the City as required by State law (SB 2). | December 2009 | Department of Planning, Building and Code Enforcement Department of Housing, City Attorney's Office | General Fund |
| **Establish conventional multi-family zoning district(s) to allow higher density residential development of minimum 30 dwelling units per acre:** | | | | |
| Currently, new multi-family residential development exceeding 25 dwelling units per acre (DU/AC) requires approval through the Planned Development (PD) process. Establishing conventional zoning district(s) to allow development housing at a minimum of 30 DU/AC would streamlining the development review process and facilitate development of affordable housing. | Streamline the development process for multi-family residential projects and facilitate development at densities that support affordable housing. | June 2010 | Department of Planning, Building and Code Enforcement Department of Housing, City Attorney's Office | General Fund |
| **Identify additional housing capacity and sites that would yield a minimum density of 30 DU/AC as part of the comprehensive General Plan update process:** | | | | |
| As part of the Envision 2040 San Jose General Plan Update, the City will explore opportunities to increase the residential holding capacity in the General Plan to accommodate a projected housing need of 180,000 units by 2040. | Increase the General Plan residential holding capacity to accommodate future housing needs through 2040. | Upon completion of General Plan Update (Est. June 2011) | Department of Planning, Building and Code Enforcement Department of Housing, City Attorney's Office, General Plan Update Taskforce | General Fund |