

DRIVING A STRONG ECONOMY COMMITTEE
Report
June 23, 2003

Members Present: Chair Forrest Williams, Vice-Chair Terry Gregory, Councilmember Chuck Reed, Councilmember Judy Chirco

Staff Present: Mark Linder, Paul Krutko, Ed Moran, John Weis, Mike Meyer, Stephen Haase, Maria Haase

Members Absent: Vice-Chair Gregory during item 4d

The meeting was convened at 1:37 p.m.

1. Policy Review of the Secondary Units Program (Housing)

Upon motion of Councilmember Reed, seconded by Vice-Chair Gregory, the Committee accepted staff's request for deferral of, "Secondary Units Program".

2. Review and Discussion of Housing Production in San Jose (Housing, Planning, Building & Code Enforcement)

John Weis, Deputy Director of the San Jose Redevelopment Agency, Mike Meyer, Deputy Director of Housing Production, and Stephen Haase, Director of Planning, Building & Code Enforcement, presented the staff report. Staff provided an overview of City policies and processes for supporting the development of affordable housing units, housing development in Redevelopment Project Areas, and current market rate housing development activity. San Jose continues to be a regional leader in the production of housing. An average of 4,300 units per year were issued permits between 1996-2000. Over 2,800 housing units have been issued building permits during the current fiscal year 2003-03. Mike Meyer explained that the Housing Department's role has been to evaluate funding applications, underwrite City loans/grants and recommend City funding through each stage of development. Housing has also been actively involved in identifying and acquiring surplus properties for development.

Chair Williams asked about the correlation between affordable housing and economic development. Staff responded that when local companies decide to expand their operations, affordable housing could be a determining factor in remaining local. One of the challenges in recruiting employees to this area is the cost of housing. The City continues to be assertive in developing affordable housing.

Councilmember Chirco asked about the cost comparison chart and why costs were so much lower in Seattle and Los Angeles, versus San Jose. Staff responded that the cost of land, labor, and transporting materials here are much higher than those two cities. Councilmember Chirco requested a one-on-one briefing from staff, for a better understanding of this report.

Vice-Chair Gregory asked for an explanation of the Affordable Housing chart, specifically about how funds are spent. Staff explained that the 20% fund is the tax increment the City receives for a particular year from the redevelopment areas, and these funds must go to affordable housing. In addition the City has created funding for Extremely Low Income (ELI) housing. Vice-Chair Gregory asked if any other outside funding was available. Staff responded that they are pursuing subsidy funding from the Prop 46 the Multi Family Housing Program, to supplement ELI funds.

Chair Williams reiterated the importance of having affordable housing available for companies that are expanding locally, and trying to recruit creative talent to relocate here, and for our children to be able to live here.

Councilmember Reed asked how should the City's housing strategy change, when affordable housing tenants are moving into market rate rentals. Staff responded that they are not underwriting any new projects at 60% rents, to ensure these projects come online competitively. Many renters are becoming homeowners due to lower interest rates, creating an inventory of rental units, and driving the rental price down.

Councilmember Reed acknowledged the right housing development model should provide for the correct balance of demand versus the need for additional housing to be built. Staff responded the efforts towards a revised economic strategic plan would include the current housing climate.

Upon motion of Councilmember Reed, seconded by Councilmember Chirco, the Committee accepted staff's report "Review and Discussion of Housing Production in San Jose".

3. UUHomeless Strategy (Housing)

Upon motion of Councilmember Reed, seconded by Vice-Chair Gregory, the Committee accepted staff's request for deferral of "Homeless Strategy".

4. Habitat Conservation Plan (Planning, Building & Code Enforcement)

Stephen Haase, Director of Planning, Building & Code Enforcement, Joe Horwedel, Deputy Director, Planning, Building & Code Enforcement, and Darryl Boyd, Principal Planner, Planning, Building & Code Enforcement, presented the staff report. Staff updated the committee on the current status of the City's efforts to prepare a Habitat Conservation Plan (HCP)/Natural Community Conservation Plan (NCCP). The United States Fish and Wildlife Service (USFWS) requested that an HCP be prepared to address certain direct and indirect impacts to federally listed endangered species and their habitat from anticipated private development and public projects in San Jose. Santa Clara County committed to jointly prepare the HCP/NCCP, as did the Santa Clara Valley Water District (SCVWD) to be submitted for approval by June 25, 2006. This commitment allowed various projects of mutual interest, including the construction of the Bailey Avenue/Highway 101 interchange, to proceed. At the time of agreeing to prepare a HCP, the City anticipated that developers in the North Coyote Valley would pay for the costs. Since the significant downturn in the economy, that funding source has disappeared. Staff has met with other local partner agencies, Santa Clara County, SCVWD, and Valley Transportation Agency (VTA), over the last several months to formulate a strategy to fund and prepare a HCP focused on Coyote Valley. Staff estimates that the cost for a HCP in Coyote Valley will range from \$3 to \$4 million. A funding agreement and memo is being prepared for Council consideration at June 24, 2003 meeting.

Councilmember Reed asked why the HCP costs \$3 million. Staff responded to the components of the study just be done over several years because of the migrating habitats of some species. The completion of this study for the HCP would result in a permit good for a duration of 25 to 30 years. In addition, the USFWS will give authority to the City to 'take' the species covered by the HCP. With this authority, separate approvals by USFWS will not be required for individual projects, or any further studies. The City is only responsible for a third of this cost.

Upon motion of Councilmember Chirco, seconded by Councilmember Reed, the Committee accepted staff's report "Habitat Conservation Plan".

5. Oral Petitions

Phyllis Ward, Affordable Housing Network, on Secondary Units and Housing Production.

6. Adjournment

The meeting was adjourned at 3:35 p.m.

**Forrest Williams, Chair
Driving a Strong Economy Committee**