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>> Mayor Reed: Good morning. We have a quorum. We're going to get started. I'm sure we'll have the rest of the councilmembers joining us shortly but we want to get moving on this special study session on housing needs and strategies. I'd just like to start by telling our staff that we have a record that I think the staff is going to be proud of. Across many councilmembers, and mayors, we've generated a lot of affordable housing in San José. Probably the best in the state, in many years, so it's taken a lot of work and it's not just the affordable housing. So we had a couple of years ago I had an opportunity to do a jobs and revenue team that the City Manager put together. To deal with housing opportunities in North San José and now we have thousands of units under construction because we were able to work at the speed of business and get them permitted. So even though we have not nearly as many resources in some areas as we've had in the past there are still opportunities. And we'll have a chance to talk about some of those today. But there's no doubt that we have a record of working, especially in affordable housing area to generate housing that we can all be proud of. So with that I want to turn it over the Leslye and let her take this away.

>> Leslye Corsiglia: Thank you, mayor. I'm Leslye Corsiglia director of housing. And here today to discuss what's a pretty broad topic, which is housing needs and strategies. And you know that we probably could talk to you about this topic all day long. And maybe even for several days. But we're going to try to keep it in this morning as concise as we can. Talking through what our housing needs are. And what our challenges are and what our strategies are. It's a really good time for us to look at the City's housing programs given the many changes that we've faced in recent years. First of which was the housing recession. And what happened, it was a recession that was created by the housing market. It has given us many challenges. As far as producing rental housing and for-sale housing. And we are challenged with that as well as the loss of redevelopment which is another big piece and how we've been able to be so successful over these years. In addition to the loss of the are redevelopment funding we've seen our federal funds decline and we've seen other programs that we rely on at the state and federal level impacted. So it's a really good time for us to look at this and see how we are going to work in this environment. Today we want to talk to you about housing across the spectrum, not just affordable housing but how San José needs to address its affordable -- or its housing needs for those who are on our streets, all the way to those who we rely on in our driving industries. We've regularly prepared a five year plan. And our last plan was through June of 2012. So it's time for us to be looking at a new plan. We've been working on this plan for much of

this year. And are looking forward to receiving council input so that we can finalize the strategy piece of this plan. So how the day will go today: This morning we're going to hear from several of our partners about the housing market and also needs and challenges followed by partners who will discuss ideas and strategies. We'll then have time for questions and then followed by a discussion from the staff of what our funding sources are, for both housing and community development. And how those funds can be used. Did want to start really briefly with explaining about the housing department. The housing department was created 25 years ago. Before the housing program the housing programs in the city were scattered. And this slide shows that the Redevelopment Agency was responsible for administration of the 20% fund at that time. The old Department of Neighborhood preservation that's gone through several different name changes since then was responsible for the housing rehabilitation programs of the city. And the mayor's office held the homeless response. So at the time that the department was created, these three functions came under the roof of the housing department. The concern was raised and the reason why this decision was made, an audit was done of the Redevelopment Agency's administration of the 20% funds that made many suggested changes, the public came out in force, actually at the old City Hall. We had people in the cafeteria and outside, with loudspeakers and a full council chambers that supported the need for a concentrated effort for housing for the city. So pre-1987, we had those three programs. Then the mayor's housing task force was created, that looked at once the department was created, it looked at what the department should focus on. It adopted outcomes, goals and actions and it laid out a five-year implementation plan. I did want to read something from -- that was included in this five-year or this housing task force report, that then mayor McEnery said which I feel is very similar to today. So San José traditionally has met a majority of the housing needs for the jobs-rich Santa Clara Valley, also known as the Silicon Valley. In meeting these housing needs we have marshalled a combination of local, state and federal resources. In recent years however state and federal housing programs have been severely reduced and local resources also have been negatively affected in a post-proposition 13 era. I thought that was interesting looking back 25 years and seeing that we were facing the same thing when the housing department was created that we are facing today. The first housing director was hired in 1987. We've got our interactive slide that I didn't use very well. The 80% fund as we all know continued to be managed by the RDA but the 20% fund went over. So at the time that the department was created, there really was one major funding source which was the 20% fund. This shows a funding comparison and staffing comparison between 1992 and 2012. So over the last 20 years, we had a budget of \$21

million in '92, again largely tax increment. Very small amount of loan repayments, because we didn't have many loans. And we did manage the small single family rehab program piece of the community development block grant program but not the community development block grant program itself. We had a little piece of the program that used to be called the rental rehab program, a federal program that no longer exists. Now, in 2012, today, and this is with a reduced budget, we have in recent years had a much more robust budget. But because of the loss of revenues we now have a \$53 million budget this year for housing programs. We have 60 full time equivalent positions so smaller than we did 20 years ago. But we have many more programs that we administer. While we had a very small portfolio of funds in 1992, we now have a portfolio of loans that will soon be at \$800 million. We manage the entire Community Development Block Grant program not just one piece. We took on responsibility for federal entitlement programs, the home investment partnership program, the HOPWA program which was the program for people with AIDS. The emergency solutions grant program, those are our entitlement programs and then we have administered a series of programs that are more one time in funding. The neighborhood stabilization program, which has helped us with the foreclosure crisis, Cal home and begin which are two state programs. And variety of other competitive programs. We also, about ten years ago, took over responsibility for managing the City's rent control programs, the rental rights and referrals programs, for both apartments and mobile homes. The slide may be hard for those in the audience to see, I apologize. But these explain what our roles are as a housing department today. I think the one role that folks are most familiar with is that we are a public purpose lender. When I meet with people who don't know much about the housing department and what we do I tell them we're a public purpose lender. We're like Wells Fargo Bank except we have different responsibility and we're concerned about a public purpose as opposed to make money per se. So we do multifamily lending. We, that's new rental construction, predevelopment, acquisition rehab of rental housing, we manage single family lending programs, our housing rehab program, mobile home rehab program, and a variety of first-time home buyer programs. We have a grants management function. I mentioned the various grants that we manage. Those are -- those are the grants that get us in some cases outside of the housing world, where we are responsible for managing grants for a community development and infrastructure, like lights throughout the city, or curb cuts, ADA curb cuts. Paint grants and neighborhood improvement grants, as well as some limited economic development small business loans that we manage. Our homeless program grants are important, as well. Not nearly enough of grant money that we have there but we do administer several grant programs. On our

nonfinancing activities we have a very strong policy and planning function. One thing that we need to accomplish is to do our state and federal reporting. And those are mandated reports to be able, number one, to receive funding, but also for things that, like the housing element which is needed in order to receive nonhousing funding. Because compliance with that report is very important. We also manage developer agreements and inclusionary agreements, things like Hitachi, where the developer, the city council approved the Hitachi plan, with an agreement that they would provide some affordability. We negotiate that affordability. We provide foreclosure and predatory lending advice and services. And we're very involved in discussions on regional housing planning, especially as it relates to Senate Bill 375 and the climate ordinances. Mentioned homeless response. We worked with destination home where right now, as we are all very aware of working with encampments and trying to address what is a very difficult situation there. So those are the roles that we play today. Much advanced from when we first started. So really quickly, we have assisted since 1988 about 20,000 housing units. And the majority of those were funded with 20% funds. The rest came from other funds like home investment partnership. By income level, the majority of the units we have funded have been very low income and low income units and we'll go into more detail on what that means. Very small amount of moderate units and very recently we funded extremely low income units. I should mention when the mayor's task force report was approved in 1987 or 1988, there was -- the council had developed an income allocation policy that said that 85% of our funds should go to low and very low income households. No more than 15% to moderate income. So that's really what this shows. Recently the council has asked of the funds we have available 30% go for extremely low income units. And that's why you see that we now have two bars of extremely low income units. We did not have those prior to the more recent years. Then by activity the vast majority of our funding has gone to new construction or the units assisted have been new construction units. We have done a bit of acquisition rehab. And then through our home buyer programs have been able to assist many people to become first time home buyers. So with that I'm going to hand this over to Kristin Clemons and Kristin is going to walk through a few slides on the housing market and then hand it over to Steven levy and she'll introduce Steven.

>> Thank you, Leslye. I want to quickly give you some more context for what you're going to hear today in terms of the data that's behind the housing we're doing. As Leslye said we are active in providing housing for people at different income levels over the years. It is a product of local support of our electeds but it is also what the state

tells us to do in terms of planning for housing. And so this is part of the reason why jurisdictions prepare general plans and prepare housing elements and then report yearly to the state on how we're doing. So this slide is a look at what our allocation is for our regional housing. And as Leslye said, they look at it, the light blue bars are the last planning cycle. And we actually met our goals during that period. We're currently in the period where the bright blue bars, and in the next slide we'll see how we're doing in this cycle. Next cycle we expect the numbers to look very similar. Although they're not finalized yet. While many people consider this to be somewhat of a planning exercise, in that we need to have the appropriate densities in our area to be able to produce, we also look at it as some kind of projection of what the coming population is going to need in terms of affordability. So we look at these as concrete goals as well as you know, planning for the future. Also, just if it's been a while since you took statistics, I wanted to remind you that we talk about incomes in terms of median income. And median ask if you lined up all the data in the row, the median is the middle observation. This is a better measure for housing than averages because you can swing very high and very low depending on what it looks like. So it's a read of what's typical for the market in terms of median income and median rents. This is a slide that looks how we're doing in our RENA goal. And again, you may see this or recognize this because we report on this each year in January to you. So in the current cycle the blue bars are where the goals are, and the purple is where we have achieved. So you can see we're about two-thirds of the way through our current cycle which is '07 to 13. We're doing in the above mod or the market because of all the housing boom in North San José mostly. And during this time of course we had the housing melt down. And of course not nearly enough subsidy to meet the needs even though we have the 20% funds from redevelopment. So the ELA V.

>>> I and LI were only 10% of the goal from where we should be, 67% right now, the mod is first time home buyers, for sale starts have been almost zero for a while so that's why that looks so low as well. So we know that we haven't been producing enough as we need across all income levels. And this has been true in California for decades, this underproduction. And what does that yield us? Well, we know when we don't have adequate supply that demand goes up and price goes up. And this slide looks at how we are doing in terms of a for sale prices. Many people think that foreclosures help to solve the affordability problem in the for-sale market and what we know is that's definitely not true in San José. That even after the foreclosure problems that we've had, and the housing crash, we can see in 2010 that the ratio of what a house costs as compared to a median household

income is still in what the U.N. calls a severely unaffordable housing range. So again we take the median housing price and we divide it by the median household income and that's what these ratios look like. The blue bars are what the U.S. average is. So you can see in the 1980s we weren't that far off the U.S. average. Over time, because of all kinds of factors here we have grown increasingly unaffordable in terms of the for sale markets here and that puts us in the category of international cities like Tokyo and London and Paris. While we're happy to be considered in the same category as them, that's on a cost basis and that's not good. 2010 data, if we looked at 2011 data we had a full set of year's data we expect that the ratio would be up a little bit, because prices have gone up commensurately more than incomes have in the last year. This slide may be one that you want to keep with you as we go through the day or the hour or two that we're spending. This lays out what the percentages are as a portion of area median income along the left. And what that looks like in terms of income. These income levels and income categories vary by how big your household is. So we just selected a one-person and a four-person for example for reference frame. When we talk about ELI we are talking about 15% and 30% lines. 50% is very low income. 80% is low. 100 is medium. 120 we call moderate income and then we also included 160% of area median. Just this kind of a frame. There are cities like San Francisco who also try to scope their housing programs and incentives like inclusionary to really keep kind of young families that are doing well but kind of pushed out of the market, in their jurisdiction. So we just add that as kind of a frame of the upper tier of what we would be looking at facilitating. The right hand column in each is also if you're thinking about a housing payment standard of 30% of somebody's income spent on rent and utilities, that would be what the rent could be at the maximum for the highest person in the income range. So at the 50% AMI line if someone's make \$36,000 a year as a single person they would be able to pay up to \$900 in rent a month and still have enough left over for transportation, food, clothes and those other things. I also like this slide just because it shows the kind of most of the range although not all of the kinds of price points and people we're thinking about how to house here in San José. And that's really our job in the housing department is to think about the whole picture and how it's fitting together. This slide you're going to see as we talk through the rest of the day, as well. We're thinking about kind of clustered the income ranges and you'll see the AMIs and the incomes listed there into four kinds of groups, because it suggests different kinds of housing solutions for each. The homeless and the fixed income in the pink box we'll be hearing about folks that are on the street but also those that are very precariously housed and on fixed incomes. The work poor in the upper right these are folks who adjust over that level still underhoused and

doubled up and we're calling them the working poor. They're actually in poverty although that is a pretty low AMI level here in San José and those who are technically over the poverty level but certainly not meeting the basic subsistence level of salary where they feel like they're doing okay. And you can see the kinds of jobs we're talking about as well, these are support jobs retail, groundskeepers. The green box in the lower left, we are calling the support economy. The units that we have been producing over time, falls to support a good portion of the green box and the beige box. These are folks up to 100% of area median and these are professionals, many of them, some of them with advanced degrees. Some of them working for public government as a matter of fact some working for nonprofit providers in the community as well. They are definitely people this we need to be able to keep here and house here. And the lower right driving industry, light blue box. These are the folks you hear a lot about when economic development reports on the kinds of industries that we're trying to attract and grow here in San José. These are folks doing quite well, and we'd like to be able to make San José a good enough place that they want to stay here live here and work here as well. This gives a frame of how the housing costs are doing in general. And then translates that to what does somebody have to make in order to reasonably afford those housing costs here in San José? The top portion is ownership. And the first line is for condos and town homes all attached. We are looking at \$325,000 median price as of the last quarter here in San José. And that means that you're making in kind of the mid \$80,000 range in order to afford that purchase. This is assuming they've got pretty good credit, not perfect, and that they also have some other debt, which pretty much everybody does. So if you compare these incomes to those in the last slide you can see who it is that's able to buy, that really to buy a condo or town home you need to have multiple incomes in a household and pretty good paying jobs. To buy a single family house the median price is back up to 570 as of last quarter and we're really talking about those who have multiple incomes and very good paying jobs or really top jobs. On the rents piece, we assume again a 30% of income payment standard which has been used from the federal government for, I don't know, 40 years or something. And when you look at these minimum incomes needed, studios are really well over a thousand. \$1300. And as Dr. Ready will talk about, we have also seen steep increases in rents over the last couple of years. It's about a 22% rise over the last two years here. And depending how you parse the data, San José is one of the least-affordable markets, definitely in the country, and also kind of right at the top of the list of California. If you look at a metropolitan statistical area level instead of the city boundaries. We also know that as we're building in North San José the rents that are listed here these are low compared to what's going up, up

there. There's a lot of beautiful luxury product that's being built. Over 4400 apartments are under construction in North San José and the rents for new North San José apartments up there the studios are starting in the 1800s range, the ones are around 2100 and up and the twos are 2700 and up. We heard a news piece on fox news after the opening of one of these beautiful places that we are very lucky to be incenting here. And there was a man and his son and they are paying \$3,000 a month for rent up there. They are very happy to do that, of course not everyone can afford that. In J Dr. Levy will talk about the product and the price points that we have and that we need here going forward. Just a couple of framing slides, when we look at what San José's incomes look like and how they've been changing, we took census data from 2000 and then 2010. 2000 is the lighter bar and then as you group them by income category, you can see that there are more households now at lower income levels than ten years ago. On the left. And then to the right there are quite a few more households making quite a bit of money on the right. And what's really suffered, where the household numbers have decreased is in that center box. This is an illustration of what people have been calling the hollowing out of the middle class in San José. The growth is fantastic, we would like to see all of them going up, that would be nice and it is clear that because some of the workers are more mobile and making quite a bit more money a year this is why the high priced rental developments are coming to San José. Because rents can be paid at this kind of level. So that's fantastic, the question is what else does that do? Finally, if the best way to grow is to have people both live and work in San José, and we need to look at what kinds of jobs are in our MSA. Each little person here represents 1,000 workers, and again, this is at the metropolitan statistical area slightly out of San José's range, represents 876,000 plus workers and what we're seeing in terms of really high paid value-added jobs, we have almost a third of our work force in that segment, earning about 85 to \$144,000 a year. So it's terrific, that's actually a huge proportion of what we're seeing in terms of management and kind of the innovation based economy. However, this leaves 60% of the workforce that is not in that innovation-based economy. And of the top 10 -- the top 10 jobs are not in tech when you look at how many people are in each job category. So there are folks in the middle but what we're looking at when we think about how to spend our very scarce housing resources the red workers to the right, 46% of our economy here is based on jobs that pay under \$20,000 a year to 55 or 56,000 a year. So we know that when we're trained to grow jobs here and we're doing a good job of trying to do that, as we grow those blue jobs the challenge is what happens to the number of people in the red jobs or in the middle. And there are different theories out there. But there's a new book from a professor at Berkeley, released midyear, called the new

geography of jobs, professor Enrico Moretti, says every time you create one job in the innovation economy there are five support workers that are needed. So it's interesting that when Brocade adds workers, the biggest effect in the economy is not in what their line of business is, it is actually outside their line of business. So it's good if you're trying to grow jobs. The question is what kinds of jobs and how are they paying? And what kinds of housing products can those people afford, and still live here. And again, we believe we need to create those housing opportunities here, 10th largest city in the country. We need to have housing products at all different income levels. So with that I'll turn it to Dr. Steven Levy, from the center for the continuing study of the California economy. We're going to have about ten minutes on the overview of the housing market here, and then trends in our demographics locally, thank you.

>> Okay, so go on to the next one. I'm an economist, as you most know. Leslye asked me to come down here. It's always an honor and a privilege to come and do a favor for her, and talk to you all. I have two main themes. One is, that housing is an economic prosperity imperative. The economic success of the region of the county of San José depends on providing housing and a lot of that at market level. The second theme came out of our 2040 general plan work. And that is, that for the next ten years, and probably the next 20 years, virtually all of the growth in the housing market is going to be households that are over 55, or in the 20-to-34 age group. That middle group, the 35-to-55 is actually going to shrink for a while and not show growth. I understand that there is a third important part of housing policy about equity. And that most of your discussion today will be about that. That's not my expertise and that's not what I'm going to talk about because you have lots of other people. So the staff has shown you that housing prices are rising and you can go on to the next slide, and rents are now at record level. A lot of that is from the amazing development that you've permitted, and as the mayor said, accelerated in the North San José area. I would advise you that that's not going to change. This is an increasingly desirable place to live, and there are enough people with money that you should expect continued real challenges in affordability. The home prices are probably going to continue to go up. And the rents almost certainly barring another recession. That's the world that unfortunately you have to deal with, as Leslye said with declining resources. Go on to the next one. This is really the main finding out of the 2040 work. And what those numbers say is that the market part of housing will want to build moderate to high-end places, for folks like my wife and myself, who sold our house when the children moved out. And wanted to move to downtown Palo Alto, because

that's where we live and could afford a very nice condo. And they're going to be lots of those people over the next ten years. I suspect, who will want to increasingly want to live in a vibrant Downtown San José with the incredible amenities and transportation access. So I think you're going to get a lot of that demand. And you're going to continue to get the demand from those 20 to 34-year-olds who at least, while they haven't completely started a family yet, seem to want to live and work in North San José. You're doing something really good. You know the details more than I. But those folks are by and large not in the single family home market. They're in a rental market or they're in a high-end condo town house market. That is what I think the market will bring you, and you can probably give an ups and downs sell and rent as much as you feel willing to build. Around the state, and as I understand from the staff here in San José, you have accepted the planning theory that says you want to concentrate the new housing to the extent possible in what are called urban villages, walkable neighborhoods, in a vibrant downtown, which is the green area. And in what is probably unique to San José, this amazing North San José area where people both want to live and work. And with the BART extension is going to become even more accessible. While I understand that this is about what you, as a city, can do, as a regional economist, I would not be pushed out of shape if the people who have difficulty affording San José prices and want single family homes continue to take up opportunities in the East Bay or in Tracy, particularly, with the BART extension and expanded service. I think solving the region's housing challenges doesn't mean that everybody has to live in the city where they work, particularly if we have access. And I expect it will be hard for the City of San José to meet very large, affordable, single family home challenges. My guess is, those people will have to live elsewhere, and I think that's why you pushed for BART. Let's go on to the last one. As a the mayor knows better than I, in many regions when groups come to city councils or state and local elected officials they want to talk about taxes and regulation. In the Bay Area, most of the groups who I know, the Silicon Valley leadership group who will be talking today, or joint venture, or the Bay Area Council, when they come to you, they probably do talk about taxes and regulation, but they are very clear, that housing, transportation in a skilled workforce which as the mayor and Kristin said, means that we have to create cities like Palo Alto and San José where very talented people not only want to work but want to live. So housing at all dimensions, but I'm here mainly to talk about the market dimensions, since other people will talk about the really challenging stuff. That dimension is critical to preserving the regional economic competitiveness. We are a region of innovation and talent and we need to incentivize, as Kristin said, people to live here. That means that we need great schools, not only for our workforce, but to have families that want to

come and send their kids to school here. If you don't want to send your kids to school here, if you can't find housing within a reasonable distance of where you live, if the transportation system sucks, then that is an economic prosperity challenge. And so I'll leave you with that. San José is the biggest city in the region. The biggest city, half of our county, and on the market side, you're headed in the right direction. But expect a ton of proposals from people wanting to serve those young techies and seniors who may make their single family homes available to a next-generation as they want to live in downtown walkable areas. And I thank you. I'm going to leave. So if there are any questions, they should come now.

>> Mayor Reed: Let's do that, if you have any questions for Mr. Levy, this is the time to do it because he has to go on. I had a question regarding the basic supply and demand, because we have operated on the assumption that if the private sector is adding to the supply, that helps hold down the price increases across the board. And that one of the things that we can do to help on the affordable end of the market is to generate more supply. Even if it's not affordable in and of itself, that some of the things that you mentioned are helpful to the overall supply, and therefore, kind of moderate the increases. I don't know if that's true or not but that's an assumption I've been work on.

>> It's absolutely right. Housing is a market. The segments are connected. I certainly can't guarantee you that by building more we'll solve all our affordability problems but yes. Increase supply at all levels is probably the best practical solutions to holding down cost. As you saw when nothing was build and the economy turned around, price really soared. And that has brought forth the supply. So yes, supply-inducing policies are good for everybody.

>> Mayor Reed: The other question I had is, what's going on in the county or other region? We do read about cities that are working on affordable housing projects but when we talk about units they're talking about 50 or something. I still don't see a lot of production in cities in the rest of the county relative to what we're doing in San José. I don't know if that's a misperception or not, but it looks like the same old pattern, we're doing most of the housing but they're talking about it but not building many units.

>> I don't know about any other cities but mine. We certainly try a lot but you're right, 50 units is a big affordable housing project in Palo Alto. I suspect the same in the other cities. It's a really difficult area. You didn't need me to come down to tell you that. With -- even with funding it's a very, very challenging area. And we all appreciate the work that San José is doing.

>> Mayor Reed: Other questions for Mr. Levy? Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. Steven, thank you for your presentation. And I always appreciate your insights. I just had two questions. One is this familiar demographics trends chart that we've seen before, which is certainly animated I think a lot of conversation and direction I think in this city, when we look at that chart, are we looking at -- could you just remind me are we looking at time slice 2040 of where we expect people to be aged, or is there something just reflecting a dynamic trend of some kind? In other words, we recognize those folks who are over 65 will be less than 65 at some point during this period from 2007 to 2040.

>> Well, that's the growth in the City's population by age group. You know, we're pretty confident that somebody who's 55 now will be 65 in 2010.

>> Councilmember Liccardo: Right.

>> It is true that after you get to 2030, which probably none of us will be around doing what we're doing now, there is a resurgence, almost all of the growth in the 35 to 54 age group occurs after 2030. And so for the next 20 years, it's going to be the baby boomers, aging, and providing housing for them, some of them like our family, active and able to afford. Others, more or less, and that young group, that's our future for the next 15 years.

>> Councilmember Liccardo: So just to put a punctuation point on that, between 35 and 64 so those prime work years, between now and 2030 we're expecting to see virtually no growth?

>> Yeah, a slight decline. And then it begins to pick up after 2025.

>> Councilmember Liccardo: Okay. That's very helpful, thank you. And then the question that's vexed me for some time is, although we've tried a lot of different measures here in San José, tried to stimulate housing production, cutting transportation impact fees in North San José. Cutting construction fees downtown, what has puzzled me is why the lending markets are not responding more. We hear developers want to build and they can't get financing. We hear that over and over and that's why we're cutting these fees so we can actually get housing built. But I don't understand why in a region where we're seeing significant job growth that we'd all like to see higher job growth. But really stratospheric rent growth, why lenders aren't rushing in.

>> Yeah, I mean, it's the national puzzle. That banks aren't lending more, even in areas like this. And I'm not clever enough to know why. I know what you're saying is true. And my policy image is that all of the mayors in places like this, in San Francisco and Los Angeles and Austin, ought to really go to the president and make this clear. That in our cities, those continued caution or maybe the banks are playing a game of chicken with the regulators, I'm not clever enough to know, but that is really hindering our ability for economic growth. It's an economic growth issue and I would appeal to the president on that. It's a national issue.

>> Councilmember Liccardo: Thank you.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. Let me thank you for your time again coming down and speaking to us. I have a question on the -- I'm sure it's an assumption at some level but I guess it's based on numbers. This is one I've always struggled with, when we look at what future holds in housing stock and what the folks are going to be purchasing. It's the slide about where you talk about the group and what stock is provided and what folks are buying. What I see happening right now is we're moving because of that lack of land, the high cost of housing, the high cost of land high cost of development high cost of permit the new policies coming in place whether it's the new general plan update, the fees, the HCP, whatever the case may be, in are a number of factors that are driving up the cost of housing and as we move towards more multifamily housing or attached housing we point to

that and people are moving in and buying that and we point to that and say, see, that's what everybody wants to live in. But if we're not building detached single family homes then there really aren't many housing opportunities or choices for them. So thus, we're left with that seems to be the path we're going because we're -- again I'm not professional in this don't know much but in my mind I'm thinking if we opened up the reserves, I'm not suggest that, that's not a motion, if we opened up Coyote reserve, Almaden reserve, and we built single family homes, detached houses like crazy, and they all sold, then we would point to those and say that's what the market wants, that's where people want to live. So I'm confused, if we are only building, and not only, if a predominant amount of what we're building aren't the single family detached, because we can't, then aren't we creating that destiny for ourselves in this assumption? And I don't mean to use the word assumption as an insult, just more of a lack of a better term of that assumption. So please help me in that diatribe.

>> Okay, for an individual city that's very desirable like Cupertino or San José or Palo Alto, I'm sure there would be buyers for new single family homes who would pick these communities over others. But at the regional level, the age group that's the primary purchaser of single family homes is beginning to decline. And so it's not true, at the regional level, that folks could sell all the new single family homes that they're bought, in addition, we still have homes in foreclosure process, that are almost exclusively single family homes, and that provide a supply. What we don't have, and is in demand, is North San José shows, what we don't have is enough apartments and in walkable livable urban area units, because for 30 years we built mainly outside single family units. Which then crashed. So yeah, I mean, in a desirable place, you could probably sell single family units and that would swap-out with Tracy. But you can't, for the region it doesn't work. There just aren't -- there are going to be a declining number of households in that age group. Now, a huge factor that can work both ways is how many people are going to do what my wife and I did? Which was sell our beautiful Palo Alto home, and move downtown, we're still active, we work. To the extent that people want to do that, and like to do that in places like Palo Alto, and San José, then you then free up a huge single family stock from older households wanting to down-size. And that would again take away from any incentive to build new single-family homes. And I can't say that I know how many people want to live in their seasonal-family home until they're 80 but I suspect at some point people will want to live to move to more amenable areas and probably in the city that they live which, for you, is San José.

>> Councilmember Rocha: Thank you. I'm not sure I'm still convinced, and I need to do more research on my own and read more of these studies that are often referenced as to this trend we're seeing. The irony for me as I sit on a dais with a number of folks, and almost every one of us live in a single family home, and we fall, most of us, besides the mayor, fall in that 30 to 50 range -- excuse me, sorry, Chuck -- in the area that I represent is generally predominantly just single-family detached homes, suburbia at its best, houses, schools, strip mall retail, that kind of thing. And I recall when I worked for another councilmember sometime back and was under the Mayor Gonzales time and we had a lot of folks come to testify talking about my son or daughter graduated from college and they can't buy a house here and they're leaving. Or my son or daughter is 23, 25, 30, they can't buy a house and they're leaving. My brother is one of those, he's off to Roseville, long time ago. So we heard that over and over again, so we starting talking about building more housing opportunities for folk, and that was the single family home. Folks were talking about that's where they want to live. I understand the shift in the demographics and the trends and the interest now. I'm just not completely convinced that that situation doesn't exist anymore. This is not, again, to debate you or suggest you're not wrong. This is just where I've struggled as a councilmember, now, and as we talked about our housing policies, and what we're trying to build, and as we're making these decisions on our new general plan update, and again, the HCP, that the folks that I represent in my district I can't with all due respect, and to be honest, I haven't had one of them approach me and say, I really want to live in North San José -- no offense Councilmember Chu -- or downtown. They're looking for another single-family home because their family's grown into a bigger house. But again that's just where I live and the world that I run in. That doesn't mean that the folks in Councilmember Liccardo's district, where a lot of the downtown development is going on, aren't saying to him we'd really like another opportunity for high density high rise. So again I'm just sharing my interest, or my experience, so to speak.

>> There's one other point. You know, if you could build single family homes for \$300,000 in San José, which you really probably can't, that's the world in which I think children, including my children, move out, not because nobody's building them, but because they can't afford them at the market price. So I think for who would like to live here but they can't and they're going to Roseville, that it's not people aren't building, it's that it's simply too expensive here. Many of us, who have single family homes, or had them, couldn't get them now on our income. It's an affordability issue. And I don't see that going away.

>> Councilmember Rocha: Yes, I I agree. But shouldn't we look at that as also one of the menu items that we look to address, in order to try the mitigate that to some extent, instead of just saying let's build attached high density housing? That's not what you're suggesting. But that's the struggle I've had in the short two years I've been up here. I appreciate your coming up here and talking to us about this. Thank you.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor and thank you Mr. Levy for the presentation. The other aspect of the demographic shift, I appreciate the look into the future how our community's going to change and in particular, what jumps out I think every time we do a presentation like this is the number of the senior population that increases and the need for senior housing. And I think that particularly for those that need affordable housing or the poor seniors, and that have either stopped working or continue to work well into their later years, and making sure that there's housing stock for them. Because for many of them it's not as simple as saying well I'm just going to move out and move to some other place that's cheaper that somebody younger may be able to do that's maybe more mobile and able to do that. And another component, a couple of other components is, when we're creating a place where people want to live and creating opportunity for all, is the education piece of it. And the public education piece of it because a lot of people move trying to find schools. And a lot of people move out of San José, because of a lack of access. In their opinion to schools that they're -- and we are seeing this a lot in the Indian community in particular where they are seeking neighborhoods and they will live in a two bedroom town house so they could be a bit closer to a better school rather than a four bedroom detached in an area where they don't feel they're getting the same level of education. And I think that speaks to a larger issue of just -- of which I don't see identified here but we will need to identify going forward, is the shifts in demographics in terms of ethnicity, ethnic makeup, because over the last decade the fastest growing communities were in the Asian American populations, Chinese, Indian-American population. And they have different habits and behaviors than the rest of the population, and I think that we just have to -- we have no choice but to fine-tune it that way if we're going to make long term plans, and that includes intergenerational housing. Where I live there's five houses in a row, they are all Indian American families, one of them has two generations in it, three have three generations.

And that's very common it's in fact expected in many ways. And the other one is a retired couple and they are never going to leave their single family home because that's the family home, that's the mentality, they're not going to move downtown or somewhere urban or downsize because it's not the way things are done to some extent. And it's not -- that's not lifestyle they seek. They don't seek that more urban lifestyle. In many cases many of them left India or some other places to leave that very dense urban lifestyle. In that extent I think we do have to America land decisions based on what we like our city to look like, and I don't want to see Coyote valley or urban reserves developed over. And so to some extent there is social engineering involved. But we're creating the future neighborhoods, that our communities are going to have to choose from. I do think that we are going to have, I do think you know, although not in the 20 to 34 category anymore. A lot of the people that are in those categories certainly like the urban environment and moving into other places in San José, and actually those kinds of developments are coming throughout the whole city now. So they do prefer that, they prefer more walkable communities. Maybe at some point when they get into the older demographics and they have a few children or what have you they may want to go into a single family home, they may not, but many of them would, as councilmember Rocha pointed out but I think that we have a lot of that stock. I think we have a lot of single family homes. Again with the senior population I don't think we can assume that a lot of them are going to be leaving those homes. I think many of them may well stay in those homes and the turnover may not be as high as it's been in the past where you have, where you have empty nesters downsizing. Again because of some of those demographic changes. But the other end of the demographic changes is having multiple generations in one family home not simply because of economics which is a bigger part of it, because people can't afford it and you have two or three families in the home but by choice having intergenerational housing. I think that's something maybe as we do analysis going forward to kind of do more 79 tuning of the surveying just so we have better information as to what we can expect in the future. Thank you.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor Reed. Thank you, professional Levy and your story about the empty nesters and seniors and I think that's a viable option for many which would free up single family homes for younger families that are choosing to make that look. But I guess as a demographic economist, I forgot your

correct title but when you look at the 4500 units of housing that we look at in North San José if I had instead of that built single family homes and only built 300 thousands what would be -- maybe it's a silly question, what would be better for affordability, the 4500 homes we're building in a more dense environment or the 300 single family homes?

>> I would think the 4500. I'm not sure about your question. I mean, the 300 homes, if you build anywhere in the valley, are not going to meet any of the definitions of affordability. I don't know of any new homes that are built around here that aren't very expensive. The 4500 homes to me are partly, as the mayor said, you know, increasing supply and have some impact on affordability. But the 4500 homes to me are an integral part of the economic prosperity strategy for developing North San José and the City of San José. It's where those people want to live and work. And I think you would be giving up some job growth, if those housing opportunities weren't put forward. But yeah, I mean, 4500 is 15 times 300.

>> Councilmember Oliverio: Well, it just seems that when we make land use decision it would be the best way to provide affordability is density versus sprawl. It makes sense the majority of our housing stock is single family homes, we have built enough of that and we need to move towards providing a more job to provide an economically and form of housing.

>> Obviously, you all are going to have a great discussion. I feel great leaving here that the city is in good hands. But the hardest thing is to imagine that in 20 years, how the world is going to be different. And those numbers tell us, in some way, that this world of expanding, 35 to 55-year-old families, wanting single family homes and having kids, is a past and current era, but it's not going to be the predominant demographic that the City's going to face between now and 2030. It is going to be what I put tonight chart. Things do change. I get older and my family gets older and I don't have kids in school. And that's the hardest thing for you all to deal with. Because the current world is so hard. But yet when you're doing this 2040 planning or even the planning to 2022 some you have to imagine what the future is going to be like and how it's going to be different.

>> Mayor Reed: I think that concludes the questions for Mr. Levy at this point. So we're going to move into the next section, community discussion of housing and community development needs and challenges I believe with the panel people. Thank you, Mr. Levy for joining us this morning.

>> Leslye Corsiglia: Great, so we're doing our little change in our panels. We're inviting up front our group of experts who work on a day-to-day basis with the different income groups that we're going to be talking about today. So our discussion of housing as we've already -- can understand it's a broad range of housing that targets a broad range of people. And so now we're going to put a face on that. And we have three people, we have Stacy C. Murphy from abode services, Brad Kepferle and Lee from the housing trust of Santa Clara .

>> Good morning. Is this on? Good morning. I'm Stacy Murphy. I'm the director of housing programs at abode services and a member of the leadership board of destination home. I've been tasked here with just describing very briefly, and I will emphasize brief, the needs of households who are in the zero-to-15% AMI category. In other words, the lowest income households in the county. So thank you again for the opportunity to speak briefly on this. There has been a lot of information thus far. I'll keep this slide short. But what we're talking about in this very low income category is about 30,000 households who are earning anywhere from zero to \$11,000, roughly as an individual household, or \$16,000 or so for a family of 4. So just to sort of put numbers on that, it is very low income. And it's a really, really diverse group of households. I think there's a misconception that all of the people that fall in this category are chronically homeless and living on the streets. And that's not at all the case. Those folks certainly fall in this group. But there are many others, including seniors, veterans, lots of folks who have special needs including people with disabilities. And other people on fixed incomes. So the needs are pretty diverse. What they really share is, an extremely high risk of homelessness. Now, just as it's a very diverse group of people that fall in this category, there is a really diverse set of needs that contribute to the housing challenges. First, many of the folks in this income category are working. They tend to be underemployed. And/or working at or under minimum wage. So again, they're extremely vulnerable to economic trends. This is just seen vividly in the last several years as a lot of folks in this category lost their jobs, or had fewer hours that they were able to work, thus decreasing their incomes further. A lot of folks are affected by immigration status. This is something I'm sure many of you are keenly aware of. But there are lots of barriers both to employment

opportunities and to subsidized housing depending on if you're undocumented. So that's an entire group of people that frequently fall in this category simply because of their status. There are many people as mentioned before in this category who struggle with minimally treated or untreated medical and or mental health issues and other sort of conditions that require treatment like substance abuse. These conditions contribute pretty significantly to chaos, instability, and it's really precisely these individuals for whom housing is critical for access to treatment. So this contributes to the general instability. And then finally, there are lots of people who are on fixed income. Lots of people who are disabled, seniors, et cetera. For whom it's really impossible to increase their income. And making, as we see the housing price increase, and people have been talking about that for several minutes now, the gap between what these households can afford and what seeing in terms of private market rents is only increasing. And this is true for people who are on fixed incomes, as well as just general subsidy programs. A lot of the subsidized programs that nonprofits like mine are able to provide are limited in terms of the subsidies that we can put toward a rental unit. And that's -- that gap between what we're capped at, the fair market rent, is growing. So as rents go higher we are able to subsidize them less so the number of units we can subsidize is decreasing. The last group I want to talk about is the system we're dealing with. A lot of the parts of the system work at odds, they're siloed and they don't often serve one another or coordinated. One of the programs we operate is the family reunification program for families seeking to reunify with children and they can't be reunified with their children until they have housing. They can't get housing until they have income but they're not eligible for income like TANF until they are reunified. So you can see it's just this incredible sort of bureaucratic net. I could give many examples. I know I only have about four seconds left and I was limited to five minutes so I will just leave it at that. And again, the last slide is just about lack of funding. And you've already sort of talked about the decreased federal commitment. The loss of redevelopment funds and of course you're well aware of local budget cuts. So I will leave it at that and pass it to the next speaker. Thank you again, for the opportunity.

>> Thank you. I'm Greg Kepferle, chairman and CEO of Catholic charities aisle talk about the work poor the next group of residents that are in need of affordable housing. In the county we're looking at about 120,000 households. So I'm looking at probably a little bit more than half of that within San José and you can see also from your slide with 15 to 50% of AMI it's an individual make 11,000 to 36,000 and a four-person household making 16,000 to 53,000. What we're seeing, and several councilmembers have spoken to this whole issue of the issue

of ethnicity, is being a key issue here. But the other issue within the working poor is the issue of high school education. And Councilmember Kalra spoke to the issue of education as being really critical. And I see this as a -- it's you pull one thread, and you start finding all the other threads to this. So you pull the one thread of housing and you find the issue of jobs. You pull the issue of jobs you find the issue of education. You pull the issue of education and you find the issue of intergenerational poverty, right? So we're seeing that in this group it's the low-skilled workers are the people that serve us every day. The cooks, the janitors, the grounds keepers, the store clerks, these are people that are in the service economy, that we absolutely depend upon, and yet, they have a really hard time affording to make ends meet. They're extremely vulnerable to employment impacts. Similar to those that are at the ELI level. The challenges, as all basic necessities go up as your housing costs go up the other necessities go up, they can't make the tradeoffs of paying more for housing. And the barriers reinforce that poverty and they limit that up ward mobility, the lack of education perpetuating the low income job. And with the lack of affordable housing that also perpetuates neighborhood stability. I maybe want to highlight that theme of neighborhood towards the end of my remarks part of the challenge is that we see that of course, it's no surprise, that the market rates, market rents are at all-time highs but the relative income of individuals are not keeping up with that. So how do people cope? Again as Councilmember Kalra speaks it's intergenerational families, that's one way that people do that both for economic reasons but also for family reasons. The other way people cope is through shared housing. So sharing your home not with a relative, but with strangers, that you're willing to get income because they're going to be renting a room from you, and so we see that a lot, of two- and three-family shared housing with combined income. And the shared issue of forced commutes. I'll end there and say that a key issue here is a challenge I see to neighborhood stability if we don't figure out a solution to affordable housing. Thank you.

>> Hi, my name is Kevin Zwick and I'm the executive director of the housing trust of Santa Clara County. At the housing trust we take the broader view of what affordable housing is and what it means to different people in our community. From everyone from homeless individuals moving in to stable housing to people buying their first home and in our experience across all of these income levels you have to get to a pretty high income level or you have to have bought your home 25, 30 years ago for housing not to be a burden for you. For most people, housing isn't a comfort. It's a challenge to either afford a new home or to keep the new housing that you have. So

Greg and Stacy idea this issue really well for the homeless and the working poor in our community. For my presentation I'm going to focus on folk in the support economy and in the driving economy. For people in the support economy are those making up to about \$108,000 a year for a family of four, affordable housing is still out of reach for most people. What you earn to just get by, anding apartment, transportation, childcare, health care et cetera is \$83,000 for a family of four. And there's over 88,000 families in San José that don't make that much. And that's renting the average two-bedroom apartments not the new ones in North San José or downtown San José. As Greg's slide shows, I won't go back to it but 40% of the people earning 50 to 75,000 a year are rent-burdened. In this category it includes a lot of health care, government workers office managers, small business owners, first responders, for every high paying job that's created in the high tech industry the driving industry there are five additional support jobs created in this sector. That's great, positive for the whole economy and whole region but we have to come one housing policies that promote housing in all of these different income levels. If we focus on the driving industries, and the driving economy and these are the jobs that more often provide up to 115,000 for an individual or \$168,000 for a family of four, the housing picture tends to get more affordable if you're able to or willing to rent an apartment or a home. But if you're trying to purchase a home it's still a tremendous challenge. And I think that just always shocks me. It's such an incredible observation for this region, that you can have a job that's a six-figure job and you still are having trouble buying a home. But as you saw on some other slides as housing creeps back up to \$600,000 for a single family home it puts an enormous amount of pressure on families to buy and maintain these homes and the companies to provide jobs at these salary levels. Chris thornberg who is a economist at beacon economics he said at a conference last week that the high cost of housing in California is a bigger detriment what he meant was this that due to high housing costs California businesses as well as government, and the nonprofit sector, have to pay a lot more in their labor costs than in other parts of the country. So this disincentivizes businesses from locating or growing here. We know in the public and nonprofit sector you have to do more with a smaller and smaller workforce. Our high tech CEOs know this because every time they get surveyed they name housing and high housing costs as a major challenge in having a business climate . For people who are working in these driving industries, it's still not rosy for you if you are trying to buy a home. Despite prices having fallen to where they were maybe eight years ago, the market isn't providing enough home ownership opportunities for moderate or low income families. Half the homes being sold today are being sold to all cash investors and the inventory of available homes is down to one-third what it

was two years ago. It's some of the lowest levels in decades. And if you know in the box of who can afford to get a mortgage and qualify for credit has shrunk and shrunk. For people who have been waiting beatle out the 15 other people for your home you still either have to come up with a hefty down payment or you have to pay mortgage insurance which is going to make the cost of your housing that much more expensive. For both of these goals, housing solutions at the local level are definitely possible to create, but they take funding and they take resources, which due to this perfect storm of challenges just makes it incredibly difficult right now. The loss of RDA can't be overstated. For our county that was \$65 million dedicated for housing. Not cut temporarily but permanently eliminated. And some of these other things are also make it difficult I think, the election helped you know sort out some of these things but there's definitely potentials for the change in mortgage interest deductions making it a credit instead of a deduction. Some of these will more of an emphasis on rental housing. Some might not. So to help solve the housing need for both the support economy and the driving economy, we'll probably need to look to solutions at the local level that rely on less actual subsidy and more looking at policy and land use and have you capture the land value that we're creating here and use that to drive development and drive housing for all different income levels. Thank you.

>> Great, thank you panel 1. We're going to transition into panel 2 and then we'll have questions after the second panel. So I'm going to ask our second group of panelists to come down. I want to welcome our second group of panelists, you have now heard about the needs and this group of panelists are going to talk to us about exclusions ideas and strategies. We have Jennifer loving from destination home, Matt Franklin from mid Penn housing, Juan, and Sean Ballard from the Silicon Valley leadership group. We're going ostart with Jennifer.

>> I'm Jennifer loving with destination home. We do have some opportunities coming up in terms of working together more collaboratively. We are going to begin planning in early 2013 to create a plan for the spectrum of homelessness, one plan for the valley versus historically how we have had a city plan, county plan and other plans. Our goal is to have one joint plan. A big piece of that plan is, planning for the implementation of hearth, hearth is more federal legislation designed to shift the federal funding level to one of local administration and this will allow for more coordinated local strategy, accountability and prioritization. And it will include a new continuum of care board which would be an entity responsible for strategy prioritization, and overseeing the regulations as

well as a unified funding agency which would be a local agency overseeing the federal funding which is about \$13 million annually that come into our county and managing and monitoring the contracts with all the folks that receive that money. When we're talking about chronic homeless individuals and families, housing is really a treatment intervention for our lowest income special needs chronically homeless populations. The lack of stable housing reduces the efficacy of its most severe form, it can exert an extraordinary and disproportionate pressure and cost on the 15% AMI is especially necessary for our most vulnerable population and we need permanent supportive housing that's targeted for vulnerable and chronically homeless populations and ensure partners and programs serving this population have direct access to these units. We need creativity in how we increase the supply of permanent housing and permanent supportive housing. Pulling collective resources he can create more units. A couple of recent examples are the St. James park pilot project and the section 8 re different funding streams, blending it together to achieve more impact and deeper subsidy for chronically homeless individuals and families. Again we need to be creative in ensuring chronically access to the units that are created. Public private partners can master lease units. What we often find is even if the units are created, the clients who need it the most are unable to access them. Including mandatory 15% units are something that needs to be done. We could make that a priority, as also a guarantee for funding that those lowest income units are part of the new developments. And incentivize landlords to actively screen clients in and blend funding as I talked about a moment ago to achieve deeper affordability.

>> Thank you. I'm the president of Mid Penn housing. Thank you, Mayor Reed, members of the council for this opportunity. I just really want to express my appreciation for you taking the substantial amount of time today on this topic. I think it's a continued expression of your commitment to affordable housing. Mid Penn housing is for the last 40 years has been one of the most active nonprofit affordable housing developers here in Silicon Valley. We've developed over 7,000 units in that time including 3500 units in Santa Clara County, Mayor Reed to your point as far as the county burden, about a thousand units in San José, we do own almost a thousand units in Mountain View, it's been a very, very active participant over the years like San José. We have a very active pipeline in Sunnyvale, probably one of our largest pipelines currently. We have a very clear approach to our work. Many ways it's -- there are really four principles that we adhere to. And they are many ways born of the hard lessons of the failures of the past in public housing. In the '40s, '50s and '60s, as a country we tried to meet our

need through public housing very well intentioned but I think flawed in many ways. Our model starts with a commitment to the highest quality of construction and design standards. We are clear that we're the long term owner. And we want to build something that is sustainable. We also believe strongly that the quality of the built environment has a direct impact on the quality of the community that lives there. Secondly we manage ourselves, everything we build. We employ, it's our employee right down to the maintenance person, we think that's critical if you want to create a great living environment for your residents. Thirdly and I think importantly to this discussion is that we have a strong belief in mixed income communities. I think one of the failures of the past was an overconcentration of the nonworking poor in assisted housing. Over two-thirds of our housing is family housing. In that family housing over 80% of the heads of households are in the active workforce. We believe public assistance of course has an important role in our society but we also believe that the role models that those heads of households creates in our development is critical. Generally we're serving folks in that 30 to 50% of area median income, 25 no 35,000 public assistance you're more in that sort of 12 to 18,000 a year. And then finally we have a deep commitment to resident services. Believe we need to do more than housing. That housing is just a platform for life change. So we invest almost \$5 million a year in academic based after school programs health programs for seniors and others. Our financing model you're familiar with but just very briefly. Historically about 15 to 25% of the money for us to develop comes from the city or county that's our partner. And the city staff here has been incredibly effective at leveraging that investment. Typically we can leverage three, four dollars for every dollar that the city invests. But the way we did that the the city money is the risk money, the money that helps us buy the land, the money that helps us do the predevelopment the entitlement that gets us in the game if you will. And when we look across our system we work with 30 different cities and counties. On average about 80% of that local money was coming from redevelopment. So this loss of funding really could be a quantum blow to the industry. I really believe that affordable housing targeted at this working poor could grue candidate to a halt if we don't do something. So we're in this situation where the need is clear and overwhelming. You've seen a lot of data on it. My favorite data point is that the state Department of Unemployment estimates that two-thirds of the job growth in Silicon Valley, Santa Clara and San Mateo combined is going to produce jobs that pay \$50,000 a year or less. It is literally the engine of the economic growth in the valley. We spend a lot of time focusing on the higher skilled jobs but two-thirds is going to be 50,000 or less but you saw to afford a two bedroom apartment you need to make 80,000. That is the problem we need to continue to try solve. This is not philanthropy, this is not in my

mind a moral issue although I do believe personally that it is, it is a housing issue. If you are and the market just simply doesn't produce it. So what are the strategies? Well, the economy really is roaring back. You heard Dr. Levy say that rents he believes are not going to slow down any time soon. And I can tell you that the capital is following that. Capital is pouring into this region to build. Councilmember Liccardo's right, that there's been some problems in the credit market but I think that's turning around and you're really going to continue to see very strong production throughout the valley and in San José in housing production and commercial. And so I believe that it's critical in many of our partners in city and counties are taking a look at impact fees both for housing and for commercial. You all are familiar from your work on inclusionary housing with the economic argument. If you build 100 new apartments you create offices for 100 new jobs, that creates the need for more workers in your community. Those people go to the dry cleaner, they go to the dentist they go to the grocery they have lunch. You need to house those people somewhere. There's a clear economic argument for it. Many cities have found an elegant solution around some of the legal entanglement with the palmer case and others. What they do ask a housing impact fee but give the developer an option of doing inclusionary in lieu of a fee. I believe there are both integration but the fee gives us the the city the ability to be more nimble to meet the diversity of needs and to produce across the city. And so I think both really can be a very valuable approach. And this elegant sort of legal solution is work in other communities. Many are doing it. Secondly of course as you well know the other key authority now at the local level is land use authority. Any time you do the important work that you've been doing around relook at your entire land use plan and I believe it's a very smart plan about I will confirm that our residents want what I believe most people want. They want to live near their job, they want to live near their schools and they want to live near transportation. That's what your plan sets out to do. It's a very smart plan in terms of creating more density in key places. That creates value. And that value will accrue entirely to the land owners until you capture some of that value, unless you recapture it in the interest of public benefits. What many cities do is they have sort of a tiered or option approach. Can you get more fee. And just ratchet it right up. It is a win win, in an environment like this where you're creating more density and you're creating value. I think as you look across the city though with your new plan you need to be prepared somewhat flexible. For instance to decouple some of these job producing requirements from the affordable housing because I just don't think that's practical but only in a very targeted way. I understand the rational for that but in a very targeted way in order to encourage affordable housing. Now just briefly. There are other levels of government I think that can be critical partners too. We are

doing a lot of special needs housing formerly homeless, a lot of the people Jennifer was talking about, folks with mental health issues. We need additional subsidy in order to make that project work. Section 8 rental niners through Alameda, San Mateo County, there is just tremendous alignment between the cities and the counties. Deploying those county resources in a targeted way with the cities to meet that shared priority of housing if form help homeless, it works incredibly well, it is probably those counties primary strategy. There is other roles when you house those folks. Many cities are taking money from those programs and investing it as operating subsidies to support that type housing because they recognize that it will result in long term savings. And just finally we are looking at other levels of government. We are investing in exploring regional approach. We are talking about a nine county Bay Area quality of life initiative partnering with our environmental advocates and transportation advocates to identify a new funding source at the regional level. Many of these of course are red ribbon issues. We have been pushing as you probably tracked on some additional state sources of funding. I'm out of time but I just want to acknowledge I also believe and we're spending a lot of time in the industry that we need to -- while we need new subsidy and I believe there's a clear economic argument we also recognize that we need to find ways to decrease our dependency on subsidy. We're taking a look at our own cost structure, we have set internal goals how to lower our cost. The city could help here if you consider waiving impact fees or such. Thank you.

>> Thank you. So our challenges are guy nor must. And so maybe this section should last another two or three hours. But thank you for having me. And I wanted to focus on some of the solution-oriented pieces that we can offer as a community. And again, NHSV is an ownership center, comprehensive home ownership center, create conditions that provide sustainable neighborhoods. So a lot of our activity is at the sustainable neighborhood level. And one thing that I wanted to commend the city for is its place-based strategy. Because I think what that had done is really put into alignment, it forces us as a nonprofit community and other stakeholders who are kitchen -- active in this space is to be tremendously more focused on that alignment with the city and of course, it reliance on the -- relies on the city staff having a coordinated effort on their side but it really forces the issue and makes us come to the table with our house he in order. And also candidly other funding sources state federal foundations are forcing us to do the same. So the community foundation, Neighbor Works America are two clear examples for me specifically where we are asked to partner with others or leverage the scarce resources that you

all have done and helped lead the way for. Actually, I just wanted to focus too, that this picture is a kind of a byproduct of that. This small picture is actually from a foreclosure panel that we helped put together along with the city. PACT, Bank of America, Wells Fargo, Chase, the focus of that was actually to get those major servicers to help focus their efforts in East San José and it actually did pay off. The city as this small example will show in just playing a convening role can make a difference. So I wanted to -- and then here is a couple before and after pictures of the home. That was foreclosed upon and acquired in rehab this past year. Again, there's a lot of activities that the city's involved with through stabilization program, the foreclosure help center, led by the housing trust and a lot of the counseling agencies and law foundation, several others have come together to continue the City's good work in addressing the foreclosure crisis. But as stated earlier by several of other panelists, the slow or uneven economic recovery means the foreclosures, even though they are significantly less than previous years, still plague our community that we have to deal with. And another picture that I think the panel network recently reported in this year that the rise in mortgage loan frauds are actually doubled from last year. And what that means is because of this condition where we have you know underwater homes, you know, the fact that there's not too many homes that are turning over some and repurchasing, there's very few new starts. Where are these fraudsters to go we need to continue our outreach efforts, as a community, and ensure that folks have access to the best information, and again, there's been some incredible wins recently. The national settlement, bill of rights at the state level but what are the next steps? There's so many programs not only internally to the servicers that are putting them out there that homeowners have access to but also the state and federal programs. So it's just a mess as far as homeowners without a lot of background or sophistication to deal with that, that's another piece that the city can continue to play a role in, in outreach, educational outreach to make sure that menu of opportunities is well understood by the folks that are experiencing their various crises. Other things that you can do is look at best practices. City of Oakland down the street is an example. Is thought to be a leader in the state if not the country, in dealing with some vacant flooded properties that they have and they have instituted a registration fee as a part of dealing with their problem properties. That's something I would be interested in working with the city on to find ways to do that. But I think another big thing we can do is to really continue to reach out to the lenders and servicers, and hold them accountable but also, understand that and help them understand that they need to continue to be as good as possible to us as possible, corporate citizens. Another piece that I wanted to mention, around promoting fair housing, is the City's continued effort to engage responsible

landlords in maintaining their own properties. This is something that you would think that folks would do already. But unfortunately, especially in this time when we saw that the average rent can go north of 2 grand, the deferred maintenance and the kind of conditions that folks are having to put up with are just terrible. So not everybody is as good as mid Penn and others that are good stewards of their properties, unfortunately. So the City's actually playing a key role I wanted to mention Councilmember Pyle, Councilmember Kalra, the mayor's office, several others are engaged with us in United neighborhoods of Santa Clara County, law foundation, several other partners to actually proactively reach out to landlords and hold them accountable to maintain their properties. There have been incedable wins in the such areas as the Hoffman Via Monte area. There are tons of worst pictures I could show you but I didn't want to spoil your lunch. On the fair housing piece, the law foundation, have a as well they've noting some disturbing trends in the fair housing world that we all need to be taking stock of. There's increased problems with severe had a habitability, predominanting affecting people of color and immigrants. We are obviously a community of immigrants and need to address that proactively. Landlords continue to threat, their threats of retaliation for tenant complaints about those habilitiability problems, including even 30th thing to take them to ICE. So there's a ton of work there to be done. And community engagement across all the sectors. So all the employment segments are impacted by what the city can do to continue its community engagement work. Something that the city was able to do recently was actually help bring together over 300 neighborhood leaders in partnership with us, and other nonprofits, at San José State. And there's that kind of coalition-building and providing that space for real collaboration, is absolutely key. Especially now when we're trying to leverage every last dollar, every last energy around these and create real outcomes. The city can continue playing a major, being the lead, or a lead element, in pulling all those pieces together. And that is it. Thank you very much.

>> Good morning. Thank you for inviting me to speak here today. And I could just say, ditto, to everything that Matt said, but I'll fill in some details. To step back and do some basic framing before I jump into solutions, I wanted to just underscore something that Kevin said. And that was, how serious the elimination of redevelopment is to affordable housing. Not only is it serious to the fact that we've lost money. But public policy or values are translated through public policy as you know. And essentially what the redevelopment dissolution we have lost this very important mandate from the state, where the state communicated to everybody, and said, "this is what is

important to us. Housing, affordable housing is really important to us. It is so important that we will give you this economic development tool if you agree to do these things for affordable housing. And those things were, set aside some money for affordable housing and, in your areas, 20% has to be affordable." We lost that very basic communicate of values, so what I would say to you all is, and this is what you're doing here today, is one very simple doable solution for all of you is to communicate that value again. So I commend you for doing that today. And I would say you have excellent staff here that can help translate your priorities into action. So with that, let's see. So I'll start with funding. There are -- and these are actually state-level things. There are different ways you can categorize what we're talking about. I think the things you guys find most attractive in this day and age, particularly the mayor, are those items that aren't necessarily going to cost us any more money. And that speaks to a comment that Kevin made, as well. You all have a lot of control over policy and regulatory, the regulatory environment that you set. The entitlement process, permitting. And I'll get to that a little later. But in terms of state types of issues, the area where you don't have a lot of purview but you can empower your staff to be communicating and lobbying on your behalf. Those are things like establishing a permanent source of funding for affordable housing which we've all been work on for a long time. Trying to get a bill passed that would adopt a document recording fee that would then go to fund affordable housing. Inclusionary zoning, as has been mentioned here, and we all worked really hard to pass inclusionary zoning. I think that was two years of our lives working really hard and then palmer came out and it all went move up in smoke. But work at the state level to declare that it couple Costa Hawkins rent control act. Another item, and this speaks to solutions that don't necessarily take any money but that's around the California Environmental Quality Act. CEQA. And pushing the entities that represent you, up in Sacramento, to make sure that they are communicating how you think CEQA ought to be modified so that we can be promoting those projects that are good for the environment, good for affordability, good for equity, good for a lot of reasons but it hung up in the CEQA process. Also, up there, I wanted to mention something that you can do at a local level. It's not -- it's not your money anymore necessarily, and it's not something that you have direct control over. But as you know, when the state eliminated redevelopment, they then came back and said, wait, we're not done, we're going to sweep those unencumbered housing funds that some of you cities have sitting in your housing account. You are not one of those cities that had money in your accounts because you did a good job spending it but there are some cities that did and those funds got swept or are going to be swept and so it could be viewed as an unanticipated windfall to those taxing

empties that are now receiving those funds. Intshes entities that are now receiving those funds oop so the home is to hopefully encourage the county to look at those funds and say, we weren't really anticipating getting those, maybe we ought to return them or spend them on affordable housing. So that's one thing that you all can be helping to lobby the county on. Or work, maybe lobby isn't the right work bud work collaboratively with the county on. Let's see so in terms of the stuff that you all can do. The local, local solutions that you have purview over, if you take a step back and look around, right now, today, and see where a lot of the construction is happening, North San José is a good example, Milpitas, the transit area specific plan, there are a lot of developers coming forward with projects there. I believe the common denominator there is that you and Milpitas and other cities have proactively put plans in place, where you have said to the private sector, to the development community, this is what we want to see here. These are the rules. Come on and give us your projects. And it works. And you're seeing it now happen in North San José and place like Milpitas. So we now have the opportunity to do this, through the general plan that was just adopted, with all the urban village plans we have moving forward. And I know I have attended a few of those planning meetings along the Alameda and San Carlos and commend your staff for getting that going. That's very promising. In those plans, be sure to set up affordable housing goals. Also I wanted to note that this gets back to a comment by Councilmember Oliverio, which simply gets at one of the root issues, and that's supply and demand. If you build more single family detached homes versus apartments and condos, what is the impact often affordability? And just last week I was at a dinner on affordable housing and there was a young woman who just moved from Vancouver, I think it was. She said look, I'm spending X-plus for an apartment that has space I don't really need. Bigger than what he need. I would really appreciate a smaller product time, a smaller apartment, 500, 600 square feet where I'm still probably paying the same amount per square foot but there's less of it, so my rent is, you know, half, two-thirds, whatever. There is no public subsidy from you all, it's allowing the market to do what it wants to do and provide a product that consumers want. And well, I'll come back to that if asked. And then also I just wanted to underscore something that Matt said about value capture. And I think Kevin also mention they had as well. Last week at a housing action coalition meeting we were reviewing a proposal in Sunnyvale where the developer was encouraged by the staff to use a density bonus law in order to achieve affordability. And the month before we entertained a project where in Mountain View where density was granted simply because the city wants density. And the project is moving forward without affordability. So that's something for you all to consider. There is the density bonus. I don't know how aggressively

you all use it, but there are ways that you can be capturing that value, that is associated with increased density. And lastly I wanted to say there are things going on at the regional level through the adoption of the sustainable communities strategy. Many of the regional agencies are looking at existing pots of funds and trying to figure out how we allocate these existing pots of funds so we are rewarding those jurisdictions that do a good job in building in a way that we as a region think we ought to be building. So with that I want to again thank you and I look forward to the ongoing discussion.

>> I just want to thank all of our panelists who shared their stories and their ideas in terms of what we heard from. We heard from a diverse group of people who told us stories ranging from the homeless and fixed income all the way to our high tech workers. We've heard that the market is challenged in meeting the needs in the low eggs income levels in the rental market and housing creates instability in our neighborhoods and challenges for our businesses who aren't able to attract the kinds of workers that we need in our community. And lastly, our last panel focused on solutions and we heard a variety of solutions today which include looking and trying to find and existing permanent source for affordable housing. Decreasing our use of subsidy in affordable housing and making it more efficient. Strategically deploying our resources, looking for new partnerships, and creating opportunities for both partnerships on a local level and a region level and lastly looking for market rate solutions to solve our affordability issues. With that we would like to open it up for questions.

>> Mayor Reed: Let's see, if we have questions on either of these two panel areas, we'll come back and have additional questions for the council at that time but let's go through and see what people might want to ask about here. Vice Mayor Nguyen.

>> Vice Mayor Nguyen: Thank you, and I wanted to thank all the panelists for coming down and speak to us today. I had a question, a very important question for the first panel that's comprised of Kevin, Stacy and Greg who's no longer here, but if either, if Kevin or Stacy can answer this question, we all recognize the mug of the problems with the loss of the Redevelopment Agencies, and half of the \$56 million that we had up to 2013 so when we had these kind of discussions, we always focused on what is the city going to do to solve this problem, since I have both Kevin and Stacy here, I want to know what is your organization going to do, I'm sure you've laid

out a plan specifically within your organization in order to address the loss and also, are there other potential problems that's going to derive from the loss of redevelopment funds or some other sources of funds. Since I have you here, I was wondering if you could address the council, what are you doing in addressing your needs and the needs of the families that aren't going away, as a matter of fact, I think these types of families and these individuals will continue to exist and grow in our city.

>> Well, I'll go first. Thanks for the question. I think at the housing trust we've been doing a lot of work around looking the next three years with our Streeping and one of the most interesting things we saw is cities and the counties and the states are going to be under tremendous pressure to continue to fund affordable housing as you had done in the past. I think we have two major strategies and they are support and they work with support from the cities the first is we know that developers like mid pen and charities housing have had opportunities over the last couple of years to find great sites that could become housing. If they had patient capital, someone who would give them a development loan or an acquisition loan and hang out until there's a permanent scores, three, four, five years from now where they could develop it, hopefully sooner but that long. And we knew that that would normally be a place where developers would go to the city and say here's a great site, could you buy the site and deed it over to us and give us the money to buy the land? So what we identify, what we had to do was step up and try to build a new ronch revolving loan fund for when we come up with the new source of local and state subsidy. And so that's something we've been work on with opportunity fund as a partner, we've been looking to transfer some funds that they had and bring new banks in and bring new corporations in, especially the corporations who helped give grant money to the housing trust in the past. We've found a way that instead of them giving us grant money, like you guys and like the business sector, they can't continue to be giving grants and subs addition on these, let us go out and provide low market rate funds opportunity right nowhere there are something sites, there are the entitlements and you could get the sites now, so when the money comes available in a few years they can -- we can move those projects forward. The second thing on the home ownership side, we've been looking at something similar. How do we grate first time home buyer products for people who don't require subsidy? We know that when you create a home ownership opportunity, there's two ways to do it, subsidize the developer and give the developer a low cost loan and they can lower some their prices and maybe you get some buyer we'll provide you with loans to afford a down payment, to get a lower interest rate mortgage

to get you out of an FHA loan if nobody is taking your offer, and that too we are creating I mean we have funds available and it's been a challenge to get people to use our funds not because there's anything wrong with our programs, it's just the complete lack of inventory of homes. But that's another place where a little bit of money from the city to help us cover a loan loss reserve or a top loss or something like that allows us to leverage the money from the banks or other corporations who can put if money into these funds and we can partner with you there's a way for us as a community development finance institution to take a little bit of money from the city and other philanthropic sources and go leverage it with the money that's throughout.

>> Vice Mayor Nguyen: Thank you, everyone.

>> Councilmember Kalra: .

>> I want to make the point that the loss of redevelopment is huge. Particularly in cities like San José where the funds were really well utilized. But it's not just dwrom that is shaping the funding climate. You know the lack of federal equipment to housing resource has been a trend for years and years and years. And the scurchlt budget climate is pretty tenuous, I'm sure you are familiar with this. As an agency we are engaged in a couple of different strategies. The first is advocacy quite honestly. Look at the federal funds committed to homelessness, specifically earmarked for homelessness, that's a \$1.8 billion federal commitment. Which, let's be honest, it's a pittance. And getting a little bit more there makes a tremendous impact for homeless programs. So that's one piece. Another piece is looking at other sources of putting px I mean for an agency like abode, we're pretty large, not enormous. And are we're looking at funding sources like life where schurnses. To provide medical services and other things and which is you 92 potentially good for us. But it doesn't address the funding needs. It requires a high level of agency capacity. So you start to see a a funding climate that's increasingly difficult for might not be the best option so that's a big piece. And then last thing, and Jennifer alluded this earlier? There are trends like the hearth legislation that are intended to shape the whole system of service delivery, to make it more efficient. There is a very, very scarce, permanent supportive housing is a not every homeless person or extremely low income person needs permanent supportive housing. Some actually do. And it should be targeted towards them. But there are a lot of people in permanent supportive housing who stay there because they don't need the opposite

supports there are other many irms programs like rapid release, that can serve more month people and for people who have lower needs or whose needs can dress over time, those resources can be better utilized over time. It is regional right, through the whole country. every system of care is moving in this direction, is being very, very strategic with the very few funds we have and making sure the right resources are targeted to those who most critically need them.

>> Vice Mayor Nguyen: Thank you. And on behalf of all the families that your organizations serve, I wanted to really thank you for the valuable work you do and continue to do px one of our greatest be issues is the opportunity to work with so many industries here is an opportunity to work with the nonprofit sectors as well as the development community. I just wanted to follow up on what Mr. Franco is talking about in terms of what the city can do to be more helpful, in terms of being flexible. Whether you know the possibility of reducing impact fees, or just the city maybe getting out of the way because a company was able to secure private funding and traditionally you know we would be a part of that. But if there's an opportunity to sort of move out of the way and let them deal with the private lenders, I think this had should be something weigh should consider fm we should do everything we can to facilitate that process so we can get I.T. home for needy families. So I just wanted to follow up on that come, thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor and thanks to everyone who has spoken not for just being here but all the work you're doing in the community and fighting the good fight. Hi a question for Matt because I know you guys are spending lots of time trying to figure out how to do it more efficiently with less resources and you you hear a lot of discussion from developers some point you're just say there's declining marginal benefit in shaving any more cost?

>> Yes, thank you, that's a very good question. We have, and this blends a little bit the last two questions, we have a whole initiative internally and we're working with a lot of our kind of pier disworption on this as well, we call it the plan B a little bit of a wakeup call for all of us and I don't expect things to just revert to normal. And I've

actually gotten to a place Thursday, where we threw mower and I'm on to being very excited about this being a way to take a hard look at our business model. And that's a blend of near federal and long term. And in the near term one of the things taking a hard look at is our cost. It has multiple dimensions. The more we'll keep the operating cost down, the higher the cash flow, the more we can borrow on conventional debt rather than relying on subsidy from the city. Internal benchmarks to get the job down, 5 to 10 per, why believe this is, uniquely situated. we are looking at our development cost and some of the things we can do there, we have very good stages in terms of creating competition from our bids from general contractors, we do a lot of value-engineering but what we're looking at is change some of our fundamental approach so again we've set an internal benchmark. five to maybe 15%. We're at least doing the thought experiment of what that would look like. And one of the things we're looking at, for instance, is to become much more consistent and unified in our unit plans kind of the internal part of the building. You could still do a unique skin if you will or exterior, to match the community you're building in. But just to be much more pun norm how we do our work. We are snurred by societal and we're looking at those tradeoffs I think we're all taking a hard look at our sustainability features and trying to really understand the ones that lead to direct savings in operating costs. And I would just describe that as sort of a nascent really generates savings and what doesn't. We're trying to be you know, we're pretty aggressive. We do more than 25% of -- 24 standards on the energy. But at the same time we're trying to be pretty hardheaded about which, backwards just unproven. So I think there is -- I think there is some room in the system would be the short answer. I don't think it's 30% but I think it's in the five, ten, 15%. The last projects completed in the valley, we brought our general contractors and architects back and we said okay if we were going to cut 5%, ten, 15, how would we do it? And then stacking up costs and benefits. I'd be happy to share it with you once we get it completed. There's a lot of judgment then that goes into you know exactly how far to cut. But it's like any system. A little pressure on the system I think is a good thing. The other things we're looking at just briefly is really trying to take a look at the privately capital markets and understand if there's more we can be doing to raise some maybe double bottom line private capital which is something where there's some energy around that as well.

>> Councilmember Liccardo: I preach your innovative approaches. I was thinking much more simplistically around I keep hearing unit sizes are shrinking and maybe there is more of a market rate developer type question but I'm just wondering is that having significant effect on your cost?

>> I think Dr. Levy's statistics are pretty clear. He said macro-trend is clear. He knows what he's doing, the numbers are clear. I would remind us that we are incredibly deficient in meeting the existing demand for affordability housing already. So in the affordable context I think we still need a lot of affordable housing. The trends are overwhelming, he presents it very, very clearly. The up number of single family households nationwide in this city this county and this state are growing. And I think that is going to continue to grow and I do believe that we can adjust our sort of typical expectations around unit size to match that. We're working on a development that you all have given us some permanent funding for just a couple of blocks away from here that is really target Ed towards those smaller households and going to have sort of junior one bedroom and studios in the sort of 450.maybe up to 600 square feet maybe a little smaller. We think that's plenty of space. The staff at the city worked with us on that and it was driven from their understanding of where the workers are going to come in the future. So I think that's a right barrier for consideration, absolutely.

>> Councilmember Liccardo: Thanks, Matt and I look forward to the Donner lots of development. I know it's going to be grate for downsts clearly after this election, with the shift, there seems to be a window of opportunities something substantial in this areas. And I'm just wondering, as we look at the opportunities, you know, certainly one way to get around palmer is to amend the Costa Hawkins act itself, that would seem to be a simple way. I haven't heard much by way of rumblings from Sacramento that anyone is willing to do it. Whatever RDA 2.0 might look like, what is the best most likely path for us to find a way for affordable housing financing in Sacramento? When we had those opportunities at the evens when we are running into our state legislators, in which direction should we be nudging, what horse do we want to ride?

>> I'd take a first crack at that and let others jump in. But we had a bill last year that I think you're familiar with to create an affordable housing trust fund, a document recording fee at the state level, it would have raised about \$450 million a year so very significant money. That's about half redevelopment so it doesn't entirely replace it. We were successful in getting through three committees, to a full vote of the senate and every single Democrat in the senate voted to support it. Now in the prior assembly that was not a two-thirds majority, it was two votes short. So there might be some good possibilities there. The only opposition to that scale from the California bankers

association and we are doing a lot of outreach to them. Several of their largest members, Wells Fargo Chase, union bank have come out and said that they are at least neutral or in support of that. I'm optimistic that we can at least neutralize that opposition and maybe turn it around. I think that is going to be -- within the affordable housing industry or movement, if you will, I think that's going to be our A number 1 priority in January. Our plan is to reintroduce it right away. We are doing a lot of fundraising around it to get political advice and to really give that a hard push. On the inclusionary you know there's a north-South problem where senator Leno actually from San Francisco actually had a pretty simple bill that would have, I think would have just sort of clarified that the Costa Hawkins doesn't apply to inclusionary. Down in L.A. there's just sort of a different view of inclusionary. In San Francisco, a very significant number of the 105 municipalities in the Bay Area, upwards of 40, 50% I believe, have inclusionary policies. And so it's just much more accepted. In L.A. it's more problematic. But we have seen a number, there now are a number of City Attorneys in the Bay Area who have weighed in with this approach of creating a housing impact fee. You still use a very similar nexus study to justify it. You can still have inclusionary as an option but it's more voluntary as a developer as a way to get out of the fee and there are several cities that are pursuing that and have clearly done their homework and believe that they're well clear of the palmer complications. So I think that's on a local level the most practical, I realize your question was more about Sacramento. My answer would be the document recording fee for housing trust fund.

>> I would agree with Matt, I think the Doc rec fee is ray promising. I think five years ago. E affordable housing for years and years and years and before it was just a pipe dream, and each year if you look at what we've done we have steadily moved forward and so you know, under the previous HCD director she moved the ball forward a significant distance and then last year, one of the most significant barriers was the Realtors have always not necessarily been fans of a point of sale transaction. And after them coming forward and work collaboratively with the folks at the table they removed their both sides so it's very hopeful and I would say that would be a good one. I also wanted to chime in on your question, Sam. About smaller unit sizes. Last week again at the housing action coalition we should developers come and share their perspectives on the market. And this question came up around smaller unit sizes and we had -- it was Sobrato and Avalon. And Sobrato, you know, they do I think most of their stuff locally. And were not yet convinced that there was a robust market for that smaller unit size, you know, we're in this awkward transition between density and a suburban market to speak again to Councilmember

Rocha's concerns. And Avalon is doing that kinds of projects in San Francisco and plan to be testing that out and see how that works, and then perhaps spread it around. So anyway.

>> Councilmember Liccardo: So where the market is now with the higher density but the larger unit size. Thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. And I want to congratulate the panel, all the panels today. You were so eloquent in your remarks. And so precise, and you really, really, really defined the problem very beautifully and communicated it to us as well, I really appreciate that. I had a couple of questions. I think one of them was Matt Huerta who talked about the mortgage loan fraud doubling, was it you, Matt? Yes, can you talk a little bit more about that because that's really troubling.

>> Right. And so this is coming from federal statistics. And actually, there is some localized statistics that came out early this past year that did a three-year study of nationally of what the trends were and where the SARs, the suspicious of activity reports are being generated nationally. And the Santa Clara, Sunnyvale MSA ranked number 1 in the country early this year based on the study. And again from the literature I've read and folks I've talked to it seems like it's kind of due to that perfect storm, as the economy has -- as the permit level has fallen off. And there's still that -- there's still a bunch of fraudsters out there and they are very sophisticated. Where are they going to go? If they are not going to try to get folks who are getting into the housing market or do purchases or a lot of refinances, they they are going against homeowners who are experiencing distress. Quite candidly they are willing to pay, 15, 20,000 to keep their home. They are desperate. Time and time again NHS holds two to three workshops every month in San José. We see 20 to 50 actually 100 families a month and virtually half or more of them have experienced some kind of fraud. Again it impacts all stripes. Doesn't matter. Every corner of the city is impacted by that. So it's something absolutely need to keep our vigilance on. And the only way to address that I believe is through continuous education. From -- to the homeowners, let them know what the right information is, that it's actually legal to pay for -- to be paying for loan folks that are saying that they can do loan

modifications et cetera and keep their home. There's no guarantee about that, that's something that we do various other HUD counseling agencies are doing as well.

>> Councilmember Pyle: Thank you Matt and I don't remember who it was that said there was considerably more cash buyers. I'm familiar with that in my district because we have had people come in from various and sundry, here we are, it was Kevin. Thank you, Kevin, who come in to buy the houses that what happens is it has a flattening effect on the market because the equity remains a little less elevated. So Kevin would you like to address that?

>> Yeah, this is something that we've seen constantly. And it doesn't seem to be going down at all. You know, folks, folks who are using our products our loaner programs you know they have to go in and put multiple offers on multiple properties before they will find somebody who will make a sale because it is so attractive to take the offer from the all-cash buyer. I think it definitely has something to do with equity for the larger community. I think the other major reason why we think that's a problem is around neighborhood stabilization and neighborhood revitalization. It's not the best thing for our neighborhoods to have these all cash investors come in and they are an out of town investor and then they don't keep up their houses much, it's -- and it's really a missed opportunity. Each of those houses could be an opportunity to get a family from the region in there who's been waiting and waiting and waiting to get into their home or to keep somebody in their neighborhood. So we think it's a problem. It's not going down. But strategies like what we have been able to do with the City of San José and neighborhood housing services around the NSP program are some of the strategies to help address that. We can go in there and for the financing that we have been able to raise from the federal government, and the two downpayment we have selected they are able to get a first look at these homes before they go on the market if they're owned by a bank and it gives them an opportunity to buy the home fix it up and make them available for low income families. Those programs are ending, they are federally funded. Our hope is there's part of the president's job fund that he had last year imagine a next round of NSP. Because certainly HUD and the federal government and city government and nonprofits have all built up this expertise of how we can go in there and purchase these homes and renovate them and make them available for affordable housing and it would be a shame to let that all go to waste, not go to waste but end before the problem is solved.

>> Councilmember Pyle: Absolutely. I wanted to ask in reference to that problem and many others as well that lack of housing, et cetera, have any of you gone to Sacramento and testified in reference to any of these problems or written letters and/or any other possibilities? I see a couple of heads bobbing so would you like to -- would you like to go first?

>> The answer is yes. I think one of the last times was, I think it was senator de Sal beingsinier recording fee and I know I was on the panel that went up and testified at the hearing.

>> So we attended that hearing as well. There were several hearings last year, that document recording fee went through three committees and there was a very strong kind of industry presence. I was on a panel, for the assembly housing committee about a year ago, it was December of last year, that was very similar to this one, kind of a study session typesetting, trying to look at the demographics and the needs across the state that assembly woman Torrez pulled together talking about the same sort of strategies.

>> Councilmember Pyle: Has there been any with the governor in reference to redevelopment?

>> No. I'm not aware of anybody in our industry who has gotten one meeting with the governor on redevelopment. Theoretically Mr. Steinberg and Mr. Perez are maybe talking to him but he has been absolutely zero accessibility on this question.

>> Councilmember Pyle: There is something that we could talk to our individual representatives about and stress the need for that.

>> Absolutely.

>> Councilmember Pyle: Yeah. If you have any written materials that you've put together I would definitely like to have a copy of that and I'm sure my fellow councilmembers share that thought too so we can be helpful with it as

well. And just a couple of other things. I'd like to give tremendous praise to Matt Huerta again because of our LEI program that we are working with, meaning the responsible landlord engagement initiative, that you have done so much for us in Hoffman Via Monte, it really looks cleaned up and a lot of the problems have been somewhat solved. Although we can never take our hand off that pulse because I can turn at all times. It is very fragile and so are the people that are living there. So I wanted to talk for a second about the accumulation of equity. When you go to move on to a higher level of housing, you build on the equity. That was the old fashioned way that I grew up with. And one that I've been able to take advantage of. But today, that doesn't seem to be the case. So as people don't rise, there's less room on the bottom for people to come in. Could you talk to that issue at all? The accumulation of equity, where along the path in the very low income or low income is there -- is there an opportunity for some accumulation of equity, so they have money to put toward the next higher level of home?

>> Absolutely. And you know I think the trick is that there's just such an out of whack imbalance here in our region to get there. So I'm from the Central Valley originally and you know, my folks never made more than 50,000 but I never noticed because we left and had just about anything we needed. That obviously isn't going to get you very far here. So when you have that kind of economic reality for folks you know, candidly my experiences, there's very little saving going on. There's very little saving going on for folks earning six figures, as Kevin said. Other people. It comes down with financial development helping people get a handle on their expenses. So sure path and other credit counseling folks, we don't necessarily do that, we refer many clients to those specific capacity building opportunities for credit analysis. But more and more I think you're going to see that lenders, especially, are seeing this, that in order for us to build a realistic pool, they look at it as mortgage readiness but we look at it as folks surviving, so it's a matter of people getting handle on their expenses, finding enough to carve out sending their kids to good schools, to afford health care, transportation, these things that help sustainable, health communities achieve what they need to achieve so I don't think there's a silver bullet, I don't think there's a specific threshold. It's financial condition and financial health is so micro, you know, everybody's needs are different. Everybody has different health needs, everybody has different things so the key is to again provide opportunities for the capacity-building so that everyone gets the customized type of attention that everybody needs.

>> Councilmember Pyle: In reference to that are we combining with the county to take advantage of some of these services that they offer? Training, for example? And/or the community colleges, or what kind of off shoots, and that's really not your job but I just need to know that it's being done somewhere.

>> Yeah, I think there's probably several other nonprofits here in the room or Jennifer you're looking at me, maybe you have some, okay, maybe you don't but refer to several other nonprofits that are engaged in that space that the county is active in, and that the housing department here, your housing department, as well as the health department, there's a ton of collaboration going on that none of us really fully appreciate, so I think you can assume that that's happening but I think you can also assume that there can be improvements to that. So I think it's great that you're asking those questions and it's incumbent upon us as nonprofit leaders and other community development professionals to make sure those dots are being connected.

>> Councilmember Pyle: Well, kudos to all of you. You are just doing a phenomenal job and I really appreciate today's presentation. Thank you.

>> Mayor Reed: Let me give you a time check. It's now 11:30. We originally hoped to be done by 12. We're not going to make a 12:00 time. We've e-got at least 20 minutes of public comments, plus we have another session to go through and I suspect council is going to talk about policies programs and actions over the next five years so I see us going to about 12:30 and breaking and coming back at 1:30. It is nice to have this done, there is a closed session we wanted to take up at 12 colon 30 but won't go back 12:30 before we take a break so everyone can get some lunch. Councilmember Rocha.

>> Councilmember Rocha: Thank you mayor and I'll join in on the thank yous to all the folks who participated on this today, it is a great benefit to me and I always look at these study session as viable for more for this council that be anybody else, for you folks to take the time out I greatly appreciate it. I also want to thank the mayor for his support of the study session, some of his work as well. Let me personally thank some folks who took some time outside this meeting to talk with me about the work they're doing. Silicon Valley leadership group, Rome, care, working partnerships, charities housing, trust, destination home, a lot of these folks talked to me about the

work they're doing and what they see is potential solutions, I height to use that word, opportunities to increase our affordable housing stock here in San José. And you have my commitment to that effort. And what I don't want this to be is another study session where we all show up and walk away and we go back to our jobs and we don't focus on this issue so to Shiloh's point about making that statement as a council and a city that we're committed to affordable housing, I'd like to do that, put you on the spot and say what kind of -- how can that be done in your mind? And is that just a one statement we all sign it right here today and hand it to you or what are you looking for out of that statement since you offered it up?

>> That's a good question. Put me on the spop spot. I'm envisioning bumper stickers, I heart affordable housing, San JosØ hearts affordable housing or something like that.

>> Councilmember Rocha: Can you get that on a bicycle? Where do you put that?

>> We can figure it out, have a nice basket on the front. I don't know does staff have a recommendation on, Jennifer?

>> I do. Don't do any more affordable housing projects without 15% ami units would be one way for deeply targeting -- sorry, for deeply targeting the lowest income residents.

>> Councilmember Rocha: So out of that I guess we'll get to that partly later as far as the staff side. But I'm really looking to more the advocate side.

>> So if you're open to it prior to this job I ran housing programs in San Francisco so I think this is a great question and one that in my experience if there were a policy statements, of the values and the priority and maybe some of the broad objectives of the council in this area, my experience is that that can be very powerful for Leslye and her team than when they're working with her partners whether it's the Planning Department or you know building or some of their county partners, it's, I wouldn't underestimate the power of a policy statement. And particularly, if it's one that you know that you all revisit periodically. And look for reports on how the progress has

been made. I mean, I like Shiloh's framing of this a lot that if you can figure out ways to empower the department here you've got one of the best staffs of any city we work with and that I've ever seen and I think that can go a long, long ways.

>> Councilmember Rocha: Well, thank you, thank you for that.

>> Can I now that I've had a couple of minutes to think about it. I'm thinking back, under previous administrations and when I started doing this work, I think it was mayor Gonzales who had just come into office and he set some really clear numerical goals around housing which I think really sent a statement. And it said we are going to achieve these numbers and of those, X number need to be affordable and on an annually basis we are going to set those goals and behind me this machine behind me made it happen. Hix, first thing that comes to mind seems to me a very effective way of communicating the values and priorities of the council.

>> Councilmember Rocha: Thank you. This is all very helpful and as we chew on this a little bit, maybe getting to the end of our presentation I'm hoping we can take some action or at least get some direction from this council. What I don't want is to have another study session in a year and we're still talking about the same things. My time here ask finite, yours might not be as much in the terms of the work you're doing. I've got two years left and I'd like to be bold in some sense and this is an issue we should be bold and willing to take a little bit of risk. I don't know if it's the public dollars we're talking about, we should be extremely careful and recognize that but I'm willing to stick my neck out for this issue and hoping my colleagues are as well. For some of the meetings I talked to folks were throwing ideas out and these are incentives and not the larger sources in terms of revenue, I'm really interested in that issue, some of the things I'm not again advocating for any of these just like my earlier comment about the reserves is I'm just suggesting some of these for consideration as we go forward. Some of the ones that were suggested to me, converting fees on a loan, use of public surplus land, outside plan check, consideration of outside bond issuance for projects, reductions for rights by affordable housing project, reconsider the remnant lands, opportunity sides, the transitional ones, two acre less exemptions raise park fee requirements, density, bonus requirements these were a number of ones that were shared with me. This whole picture is a whole menu of items. But again I don't want to spend too much time talking about them or look at them. I really

think we ought to take a look at these outside the box now we don't have that safety net so to speak for us to set by and watch and wait for something to happen. I'll save more of my comments to the end, when we get to the presentation from staff on what to do next. So thank you very much for your work.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. Also want to thank all the presenters today. And especially those people that mentioned North San José so many times. Thank you very much. Like to take this opportunity also to thank the North San José task force member, 24 of them, I think Shiloh show up in many of our meetings, for working difficultly diligently for 18 months to create the North San José plan millions of millions of dollars in North San José and also, delivered promises, internal amenity for many of those people that choose San José to live. I have one policy question, I just wanted to throw out to you all, all the people here, and the people watching, in their office or home. Is that one thing I kind of little disappointed with the North San José, you may all know that the North San José development plan is divided into four phases. Each phase will allow 8,000 residential units, however, we didn't specify how many of them should be for rent unit and how many of them should be owner-occupied. So what happened is, pretty much driven by the market, all the 8,000 units, will probably be at least a good number, 7,000 units that are being built in North San José are for rent, are rental units. So I give me question to the people that are watching that should we have a policy to really limit it or the number of for rent and the number of for sale units for the next three remaining phases on North San José development? You don't have to answer me today. But you know, I just wanted to throw that out, and I really welcomed your comment. Regarding to the for rent and the for sale unit. And also, to promote some multigeneration unit. Because the largest units being built in North San José the 8,000 units are two bedrooms. Do we need more three bedrooms, I mean is there something that should be written into our North San José neighborhood plan to make it into a policy for the future development of North San José? That would be my number one question. The second question is to the very limited resources of our homeless dollar. Do we have some kind of guideline or for different target group Guideline for how much money or percentage of the money where we should be spending, for example, the working poor families, or those victims of domestic violence, or the receipt advance that just come back from Middle East, those mental health consumers and those drug addicts? Do we have a

guidelines? Do we have a target of how many money should we spend on each of those categories, and probably more categories? That would be my two questions.

>> Councilmember, the one thing that the council does have is an income allocation policy which I briefly mentioned in the introductory statements that says that 85% of the funds must go to lower income households. But we do not, we don't, from there, divide that into the groups that you mentioned. So we don't have a skeet aside or a specific target for homelessness, for example. I do think that is something we want to talk about however. Maybe after we talk about our funding sources, because one of the things that I think we'll be recommending is that we more specifically target our limited funds.

>> Councilmember Chu: Great, I appreciate that, thank you very much.

>> If I may on the first two, if that's all right, you know, again I was in San Francisco from '04 to '08 running their housing programs, the equivalent of Leslye's job. The market was the exact opposite of what it is today. We hadn't seen a rental unit, in '04 and '08, we hadn't seen a new rental development in four or five years and everything was ownership and nowist the reverse. I think it's it's the reverse. I think it's very hard to dictate that because these market force he are so strong. My perspective, you can achieve either way with either my view of the current market as you know is that rental is quite a bit cheaper than ownership and so there is some real benefit to that. And I do think that the macro trends nationally are really headed towards more of a preference towards rental. And so I think there's a reason that's what the market is building.

>> Councilmember Chu: Great, thank you very much. And besides the affordability, I'm also concerned about overall impact and this is, the community-building. The perception is that if there are more owner-occupied units they would be more involved with their community, and compared to those people that have a shorter term attitude that would just rent here and move on. So besides the affordability, the overall impact, and the regional economic is my concern and community building. Thank you for addressing the affordability issue but I still welcome your comment regarding to the overall economic impact to the region. And I pretty much know the answer of the community-building. Thank you.

>> I would just say, I was in the Clinton administration also, I've seen the Fannie Mae machine as far as the story we have all told ourselves about home ownership. I would just posit, I think we could show you hundreds of rental communities where the residents are equally ganged, equally engaged in their community and you could really achieve this through rental housing. And I was there, I was part of that rhetoric in the late '90s about how superior home ownership was to rental and I would just say that a lot of other people who were there too I think are seriously rethinking that. You see a lot of sophisticated economies, Germany for example are over 50% renters put an equal amount of investment in their communities. I say this humbly because I was right there on that argument for years. And I just -- I just think that it's an argument that merits seasonal reexamination.

>> Councilmember Chu: Thank you very much. Can I have your phone number?

>> Absolutely.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. And thanks to everyone that's been on both panels. I think more importantly than even being here today is the work you do in the community and we're lucky to have such people in the community working on this difficult issue, I think it's something we're going to be discussing year after year for many years to come because it's a daunting task, moving forward even incrementally on some of these issues even with redevelopment going away. I think there's governor Brown's gotten criticism for just about everyone for everything he's done, showing he's done something right debt reduction and what have you and governor Brown essentially eliminated almost \$20 billion of debt and he had to do it somehow and we all in different ways felt the pain because we are actually using our housing funds in a way that was constructive we felt deprived more than most areas. But I think that with the tough decisions made, it allowed for prop 30 to pass and I think that now there's opportunity going forward with the current makeup of legislature to try to figure out how to fill some of the gaps that clearly have been created over the last couple of years. -- the last couple of years. And then you know the looking at as Dr. Levy had said earlier it's imperative for economic success to make sure we deal

with a lot of these housing issues, particularly long term housing issues but it's an economic and social issue as well, as the demographics intaited, the rich have gotten richer and the poor, poorer, that speak to a trend of towards rental versus ownership, less people have the capacity to buy and that's a trend that I don't think is in our better interests in the long term regardless whether someone chooses to rent or not. I think Doc Levy also preeivelings talked about how to previously talked about how banks aren't lending anymore and it's no surprise that some of the programs put forward that you had the bankers association is the one that steps out in opposition. And we the taxpayers build out the banks and yet they turned the faucet off when it comes down to lending to get people back into homes to the point where in some cases it is more expensive to pay rent than it would be for mortgage, if there was an ability for people to get into homes. So I think that we really need to kind of work at all levels as have been mentioned by the various speakers and I do want to thank Matt is as well, because we worked very closely on the responsible landlord initiative that as well as the bharchg owned homes and kind of the blight, those are issues that as we are trying to figure out the long term those are short term issues that we have to take care of. And I think ultimately they raise the property values but create neighbors where people want to live in. So I look forward to seeing how we can move forward in trying to make sure that we do have homes accessible to our entire population including those that are on the bottom rung of the -- bottom rung of our economic ladder and I'm so thankful and grateful to the voters for voting in prop A, the county tax to ensure that some of those critical services that we talk about for disabled mental health substance abuse can continual forward and that they pass a minimum wage. Because I see how ridiculously expensive it is to live here and just a little bit of boost can be the difference between someone being crofn cli homeless or someone having a stable roof over their head.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. Thank you all in the past, owning a home has been the American dream. And I think it's a lard, a hard one to let go of hard one to let go of for a lot of people because that's been a consequent sense part of Meece of us most of us here at least over 40 is something we've grown up with and expected. And I think that I'm hearing what you're saying in terms of rental housing and that the belief that we can't have quality neighborhoods without home ownership I believe you when you say that but I just want

to state that I think that this idea of owning a home is a very big farther of the value that drs part of the value that I think many of us hold. One of the things I'm concerned about is housing for families. For young children. In terms of having quality housing and opportunities for recreation, with those children and having the right amount of space. So those of you who are talking about affordable housing can you help me understand some I understand it's not groam demographic but we have a lot of folks now that are struggling with adequate housing who have children. When we are looking at high density spaces I have a difficulty understanding how that's going to meet the needs of families with children. I just wanted to to talk about that a little bit.

>> Maybe I'd speak to that. So again we're a developer of affordable housing and about two-thirds of the housing that we develop is family housing. And it's increasingly very high density. So the last several family developments we've done have been very proximate to transit, within a few blocks. And in that position we're building 60 to 70 units to the acre. That looks like often a partially submerged parking kind of zero lot line all the way to the end of the line and about four or five stories of housing. So it's very dense. And this is -- I would say the main thing we are focused on is the question you raised when we are working with our architects is how go we maximize the utility of this space so it's a highly livable environment for families. And we feel we've been very successful in that, there are a few keys. One is to be close to other amenities, close to parks and playgrounds and the other places families can go, transportation so they can access everything in their city and region, public transportation. Secondly we do some little things, every unit in our family development has their own private outdoor space either a patio or a debt. We pay a lot of attention to the storage space, something that gets overlooked a lot but very important to families. Minimum storage requirements in the unit and ofnlg down in the garage as well, additional storage kind of the equivalent of your garage if you own a home if you will. And then it's always with the kids in mind. Where we tend to be pretty generous in our common areas, both indoor in terms of resident services space and meeting after school program space and also common areas, externally in courtyards and other areas. And it's the kids are always the primary focus. And I think there are just -- this is a really prominent area of expertise in the design community. And there's just a lot of great thinking about how to do this, how to do higher tensy housing with families. Someone mentioned Vancouver before, they have all sorts of high rise family housing but they do it incredibly thoughtfully. There are parks nearby other amenities and just a lot of thought going into the design. If you would be interested we would love to take you out and show you some of

these communities. Because we really think that we've collectively as an industry figured out a lot of things as to how to strike that right balance.

>> Councilmember Herrera: And that is one of the questions I had, looking at other communities in this country and elsewhere, that are doing this, that are going through this, and in creating communities that are quality for neighborhoods. So I think that's -- I think we need to look at those other communities too to inform us as to where we are trying to go. Again in termination of the demographic shift that we've talked about the seniors, maybe downsizing and making that move and the young couples, are there things we can do to help seniors and those in that stage? Because I'm aware of a lot of folks that live in their homes and they might like to downsize but they don't have the money to even fix up their homes. They're sort of paralyzed in a single family neighborhood out there. Maybe they don't have kids to help them. They don't have other resources, they're on fixed income and like it has been said, if they were to buy their own home now they couldn't afford it. So they're living in this home that they don't really have the wherewithal to stay care of anymore and they probably don't have the idea of how they would make that transition. I think there needs to be some programs put in place or some thought about how do we help those folks who actually do want to make that transition, free up that housing create that opportunity so those homes can be rehabilitated and those folks who want to downsize can do so? Is there any thought about a strategy like that? And this again is for single family homes. But I think we still need to mobilize all of the housing resources, all the housing types I think, and kind of look at the demographic shift and go with it and sort of if that's happening how can we take note of that and then utilize that in some ways to free up housing or our opportunities there?

>> So I apologize, I feel like I'm monopolizing some of this. My brief statement, this is a really good question, when I was in San Francisco, we used to look at this, earlier question by Councilmember Chu about unit size, if you were to look at your housing stock in San José you actually have enough large family housing. The problem is you don't have the right people living in the right housing, right? Bought you have a lot of typically older folks who are probably overhoused if you will from a purely economic sense. They have earned that house it's their right, I do any this is a big problem. I would just confirm though, I was look at Matt a little bit because I think this is an area for counseling. I do think a lot of times folks need a little bit of help with steps down the road to look at

alternatives. There is a lot of inertia about our ownership choice because it's comfortable and we're used to it. Any national conference I go to, the demographics are whoaj as well as a lot of seniors saying what they want is the more active downtown living but I appreciate your point, sort of seeing that at a macro trend nationally and knowing people that are having trouble taking those steps are you know both things are kind of happening at the same time.

>> Councilmember Herrera: My point is there's a lot of folks out there that may be in their homes but are overwhelmed by even the ability to maintain those homes because they may have much reduced income.

>> Yes.

>> Councilmember Herrera: And so their circumstances change but they're sort of trapped in those homes and maybe not even knowing how they could get to a better place. So I think we need to think about that in terms of those folks who might want to make a change. And you know the idea of having some of that population end up downtown I think is a great thing. I think actually having more of a diverse population living in all these areas is great, having older people, younger people, different ethnicities, I think having that vibrancy in Downtown San José including more of those senior folks who want to come down here actually improves our community.

>> Just wanted to hit on a couple of pieces since Matt wanted to pass me the baton on it. One thing that wasn't mentioned necessarily was just the whole aspect of universal design and that's something that folks have kind of integrated into the laundry list of green building but universal design means there's architectural design features integrated into the plans that take into account aging in place. And whether that's the knobs that are used, being able to roll under, if God forbids someone -- that doesn't necessarily take an act of just aging, you can have an accident and be wheelchair bound. That's the thick, where universal design comes about. If it's good for seniors it's probably good for other folks that need that kind of assistance as well. So I'm sure there's a lot of architects that are integrating that but I think that kind of fell off the lower end of the list. On green building because you know for cost purposes or anything else but I think there's ways to integrate that into the discussion. And then just to hit on the whole idea of, affordable housing in and of itself is essentially the prototype place based strategy. A

leaders in this is okay we're going to focus our resources our scarce resources in three or four key areas. That's exactly what affordable housing has been doing forever. Leveraging those resources so those low extremely low income households have an access to a multiple of resources. The delivery model is to deliver it at that site and so many of the units and developments that mid Penn and other affordable housing developers have put in for San José and other, have food closets, computer labs they screen for diabetes, they have these other resources that would have taken those families time and energy and resources to get in their car and go find it if they could and pay for it down the street or across town. Now that's being delivered right onsite. So we have a lot of models to work with and a lot of learning that's already been done and the city can help champion that going forward.

>> Councilmember Herrera: Thank you math. I guess I was looking at stock that's sitting there how to free that up. Because I'm looking at all different housing types and I think we need to look at everything we have to offer in San José. The other thing I wanted to say was how important I think that NSP program is Kevin, to Kevin's point and I hope that we can -- I certainly support continuing that. I've seen the benefits of that in our community, houses being rehabilitated. Home ownership being offered to folks who otherwise wouldn't have it. I think all of these things are really important. I also am heartened by the fact that it looks like we might have some progress on the state level to at least help bring back sft many funds that we lost with Sandra, I think it's really really important. I thank you for all your presentations today and sharing your expertise. Thank you.

>> Mayor Reed: I think we're almost done with this section. I do have people who want to speak. I want to get those in before lunch so we're he now past 12:00. That means we're going into the lightning round which means answers from our panlts have to be one minute or less so we can get this section done and take the public testimony. I would each we would adjourn 12:30 come back into session at 130 way it can be done. Councilmember Campos had some questions on this section.

>> Councilmember Campos: Just a couple of comments actually. One I wanted to thank you all for the presentation. It was very informative and if anything, it's also it keeps this issue front and center because we really shouldn't lose sight of the struggles that we're all going through, especially you know what's happened at the state. But at the same time, I think we need to remind our selves the necessity of government staying involved

because it is a responsibility for governmental to provide the safety net. And to support those out there that are providing this safety net like you all are. A couple of things I wanted to point out and perhaps Leslye you might be able to comment on this. With NSP since it's so fresh in my mind, with the Taylor oaks, rancho Verde, Lanai. Complexes I bring that up because what those did is it took affordable housing and actually made them more sustainable and even respectable places for people to grow up and feel safe. And you know when you do that, you have -- you know you have kids that are not growing up in an environment that you know it's cold, it's super-cold in the winter and you know it's unbearably hot in the summertime. And you know people have a good place to live. But that does create another dilemma and one that when you have good managed properties you're not having families living on top of each other and renting subletting rooms. So it does bring, you know, keep in the forefront that you know, we can't lose sight that we do have to make sure that we keep our focus on bringing more ELI K LI and VLI housing stock on the market. I think the big question is what's next after redevelopment. I know that when we went to Taylor oaks, assembly member was able to join us and Leslye you both had a pretty good conversation as to you know, putting our desires of the city out there that you know we can't stop. And you know I think it's unfortunate that not -- there aren't a lot of cities in the state that are as aggressive as we have been. And you know how do you see this playing out, Leslye? And that will be my only question, knowing that we're short on time.

>> Leslye Corsiglia: So playing out at the state level, I think it's going to be challenging. We're going to have to see how things go based on the election results. The day after the election, the governor did reiterate that he does not want to see any tax increases that don't go to the vote of the people. Some of the things that are being discussed may be seen as tax increases, and several of the panelists have talked about the permanent source, and the transfer fee tax idea as a way to get money to replace redevelopment. I think the question will be whether or not the speaker and the pro tem are able to convince the governor to sign such a bill. If we were to get it through both house he of the legislature. But I do think there's some other options as well that we need to focus on. There is the potential for a cap and trade. A lot of press lately for the first auction is happening this year. Over the course of the next year there's going to be a lot of conversations about how those funds are used. And that's going to be decided administratively. That's going to be the air resources board to tackle that. Some of that money needs to be used, I believe the figure is 20% is required to be used for disadvantaged communities and the

housing world is look at that as an opportunity for housing funds, especially high density housing along transportation corridors. So those options, there is also -- I know I'm past my one minute, mayor, that redevelopment 2.0, senatorsteinberg is going to reintroduce that bill and we are looking hopefully at an assembly version, of 2.0 as well is since senator Steinberg's bill does not work for San José.

>> Councilmember Campos: Thank you. I wanted to make a comment regarding seniors and how the single family housing stock how it turns over. In my district it's very residential, majority is single family detached and you have a demographic as Councilmember Kalra was explaining, that you know some of them came from urban environments in different parts of the world and their desire is to pass their property on to their kids, so that their kids have that same opportunity. And so one, I'd hate to see our city, you know, neglect the reality that the vast majority of folks that live in this city, that's their desire. They want -- they want that front and backyard. They want the freedom to you know, to move around and not have someone living on top of them or sharing a wall. And you know, if I took a poll of my -- of homeowners in my district, I would be very surprised if there's a large percentage that would say you know I desire to live in a 20-story high rise or you know, or a four-story flat you know on a transit line, I mean that's just the reality. But I think the thing that we need to keep in mind is that it's their kids and the kids of those kids that are going to start looking at different ways of you know of living and that should be you know also part of our focus. And I'm glad that you know we're staying on that path. Because we do have to plan for the future. Thank you.

>> Can I make a comment to that.

>> Mayor Reed: One minute.

>> It's come up a couple of times. Yes I agree with all that and I wanted to highlight an article in the registry this week, where they were talking about Silicon Valley and San Francisco and whether San Francisco was going to be the new Silicon Valley. Because what they are finding is all the hipsters are preeferl to live in San Francisco and they get on the google bus and come down here. Another point of information as we're looking at the

demographic changes and more high tech jobs are seeming to want to be gravitating towards San Francisco where the hip young generation prefers to live.

>> Mayor Reed: Going to take some public testimony now so everybody that came this morning gets a chance to speak before we break for lunch. I limit everybody to one minute so make sure everybody gets a chance to speak. Please come down when I call your name, Louise H. housing authority of county of Santa Clara. Jerry Mungai, Katherine Haraz.

>> Louise Hoffmeister, housing authority of Santa Clara. I'd like to make a brief statement permanent rental assists to nearly 2400 homeless families and individuals. I have time to breathe. At a cost of approximately \$58 million. Using our flexibility we created a direct referral mechanism to create prompt access to permanent housing. We work closely with the city, the county, and other homeless providers. Including housing 1,000 to coordinate housing search and other case management services in connection with set asides of tenant-based and project-based vouchers for the chronically homeless. In addition, our effective work with the Palo Alto VA, has led to invitation is from HUD to apply for VASH vouchers for the chronically homeless veterans. With successive awards now totaling 535 veteran individuals and families who receive housing subsidy.

>> Mayor Reed: .

>> Mayor Reed: Sorry, your time is up. Time is short.

>> I'm going to submit a handout so you can get additional information.

>> Mayor Reed: Great, the clerk will make sure we get that. Jerry Mungai, Katherine Haraz, Patty Bennett, come on down if I call your name.

>> Good morning I'm Katherine Harris, I'm the deputy executive director for the housing authority. Housing authority is commonly known for its section 8 program but we're also an affordable housing developer. The

housing authority has build and maintained 2500 housing units county wide approximately 1400 of which are in the City of San José. The city was a lender on many of these projects and we continue to work with the city on our mutual interests, general partner responsible for the property management and maintenance and the City's interest as the lender and stake holders we recently had made some funding available to the Ford and Monterey project, we lent \$6.5 million to Eden housing for that project. We also have a two acre site on park avenue bordered by Sunol which we intends to develop into a mixed working with the city as well.

>> Mayor Reed: Sorry, your time is up.

>> I also have a handout.

>> Mayor Reed: Pass that over to the clerk. Patty Bennett Martha O'Connell, Melissa Morris.

>> I'm coops and I'm here just to make sure that domestic violence is on the table and one of your targets. In 200944% of 27 states, cities that were surveyed through the conference of mayors identified domestic violence as one of the three primary causes of homelessness. There are several agencies that address hunger and homelessness in the county, but they do not address or have protocols for victims of domestic violence nor do they necessarily use gender based lens providing services. As a result homeless women who are victims of domestic violence may not necessarily address issues services safely. Many shelters do not provide domestic violence services. Not only also require services that address their experience with domestic violence, domestic violence has causes their homelessness. .

>> Mayor Reed: Sorry, your time is up.

>> Thank you.

>> Martha O'Connell Melissa Morris, Jennifer Simmons.

>> I stand on the side of however since we're talking about taxpayers money and not private dugs in a club I feel it's very important that the public be actively involved. Last weaning I attended the housing commission meeting. I was the only member of the public. These and two additional pages, which they skimmed, before they passed were asked to pass the motion to spend \$670,000 of taxpayers money. The previous month there was a six-minute meeting which a motion was made to spend \$10,000. These things need to be online, they need to be given to the commissioners before they go to the meeting and there needs to be sufficient discussion of these issues in which the public is involved. Thank you.

>> Mayor Reed: Melissa Morris, Jennifer Simmons, Eileen Richardson.

>> Hello? My name is Melissa Morris and I'm an attorney at the law foundation of Silicon Valley. I'm here today to speak on behalf of our programs fair housing law project and to build a little bit on what Matt Huerta mentioned earlier regarding fair housing. Affordable housing is certainly one of the biggest impediments to housing choice that our clients face. I really cannot stress enough how the lack of affordable housing affects individuals and families ability to live in the housing that they choose. But I'd like to discuss some of the other issues that affect our clients' ability to either access the housing of their choice or remain in the housing of their choice. We work in coalition with a lot of other organization he some of whom you have heard today and receive funding from the City of San José for our fair housing work and also for our foreclosure mitigation work. Some of the fair housing issues that we see have to do with discrimination on the base I of ethnicity on the base of sex especially discrimination in the Force form of sexual harassment by landlords and property managers.

>> Mayor Reed: Sorry, your time is up.

>> That was fast.

>> Mayor Reed: (saying names).

>> Thank you Mayor Reed and councilmembers and thank you so much for discussing this I'm Jennifer Simmons and I'm with Habitat for Humanity and we build housing for low income families and as a lifetime resident of San José I just was recalling through the hearing how much I appreciated growing up here, where not only was there an ethnic diversity in my neighborhood but also an economic diversity. We lived in a single family home, Bascom and Hamilton and my neighbors' families we weren't all engineers. There were you know people who worked at the drugstore and at the post office. I see now especially through this discussion how that is not the case going forward. That only the richest of the rich are going to be able to afford to own and I encourage you that as we look at this continuum of housing need that we also look at a continuum of solutions and providing different types of solutions for people in every economic level. Thank you.

>> Mayor Reed: Eileen Richardson, Michael Selso or Kelso dye 'ann fisher.

>> One minute Good thing I'm from New York. My name's Eileen Richardson executive director of the streets team brought to San José about a year ago for site like people like Councilmember Liccardo housing department destination home and environmentally services. We clean up Coyote creek, a four mile stretch of it and are trying to bring home and housing down there so that we can house 50 people in this pilot project. Today we've housed 17. Those 17 people now having housing means that's over \$1 million that our local governments were spending on homeless folks, just those 17 people. So one of the things I really urge you to do is to set aside housing for the people that are below 15% of AMI, make it mandatory in all new construction. Thank you.

>> Mayor Reed: Michael Selso, Diane fisher, Marci Gurston.

>> Hello, thank you mayor Chuck Reed for letting me speak. You guessed right the first time it is pronounced Selso. I'm the housing and personal assistance specialist with the Silicon Valley independent living center. The reason I'm here today is to talk about the need for housing for disabled population. The most common amount that I see of supplemental security income is \$854.40. As you can imagine it's completely impossible based on the projections of the average studio apartment of approximately \$1300 to live on that income. Also subletting renting a room is you know it's not a good for most people. That is a suitable you know solution for college

students. Not for adults, not for disabled people. You know older adults. So I would just like to urge the council, when they build new developments, to set aside units for people at 15% ami. There is a great need for that and the need will not go away. Thank you.

>> Mayor Reed: Diane fisher, Marci Gurson.

>> Hello I'm Diane fisher director of the Jewish community relations council in Silicon Valley. And I represent the organized Jewish community here and am part of a national coalition as well. The Jewish council of public affairs which is this week across the country as part of fighting poverty with safe initiative taking up affordable housing so I'm so glad that the council is part of this national conversation. So we're here not as housing experts not as finance experts but simply representing the faith community's concern for safe decent and affordable housing in our community. As been discussed today we know it stabilizes families allows children to thrive but most importantly it's the right thing to do, where our represents what we believe and what we hope you believe as well.

>> Mayor Reed: Marci Gurston.

>> Good afternoon, I'm also here wearing my hat today as chair of the JCRC, the Jewish community relations council of silicon Valley am this year it just so happens to be affordable housing. And we I wanted to come today to applaud you as our city council for engaging in this study session. I wanted to encourage you to continue to work through these very, very tough issues and publicly take an ethical position on this issue. And basically offer our board and our community to you as a resource to the extent that would be helpful. We -- bottom line is we thank you for addressing this issue here in San José. Where the economic disparity and need for affordable housing could not be clearer. Thank you.

>> Mayor Reed: Thank you. That concludes the public comments section. We still have policies, programs and actions for the next five years to take up this afternoon. So we're going to adjourn until 1:30. We'll come back into closed session at 1:30 and I anticipate an hour in closed session before we finish up with the other matters. So we're on recess until 1:30. [ Recess ]

>> Welcome back, everyone. We are going to continue our study session from this morning. I believe we're on the last part of the study session. Leslye, you may begin.

>> Great. We're going to start off here by going over our funding sources and letting you know what our budget is and give you a sense of what our project pipeline looks like. So our 2012/2013 funding categories are on the screen right now. On the left hand column, these are the funds that the housing department administers. So these are the funds we budget and program every year on an annual basis based on their availability. The funds are broken into three main categories, which include our federal funds, state, local, and then we have these other competitive funds that we actually apply for. So the first group of funding, which is our federal funds, the city is a direct recipient of HUD entitlement grants, which include CDGB, HOME, HOPWA and SHG. We have a five-year plan in which we program these funds. We check in annually to make sure the priorities are still relevant and needed, and we check in with the community. Last year we did make adjustment with the funding priorities, and you all approved limiting our resources to initiatives that aligned with our city priorities. We're going to come back at the end of this year for our 2013/2014 funding plan. We also have two large competitive grants that are included under this federal category. Again, you've heard of our \$25 billion from the NFP-2 program, which we were awarded with the housing trust and the neighborhood housing services program. We also have a \$3 million mobile home seismic grant. Under the state category, these have been competitive awards as well. They're very limited. We have very limited prop 1C funding available, which went to Cal home, which funded home ownership and rehab activities. And then the begin program. The city of San José has received over 18 grants totaling over \$27 million. We have been the largest beneficiary of the begin program in the state of California. In terms of our local dollars, we -- our major funding category here are loan repayments from our 20% loan fund and also other programs, as stated earlier, our portfolio is reaching \$800 million worth of loans, and we receive loan repayments from that portfolio. We also receive bond fees on an annual basis, and we receive those fees on issuing bonds. And then lastly, under the other category, we have these other one-time competitive funds that we go after. On the right-hand side, we leverage our funding with other funds that are available in the community in order to make projects go forward. The biggest one is under the federal side, which is the low income housing tax credit program. This provides private market with an incentive to invest in affordable rental housing by providing tax credits that are awarded to developers of qualified projects. They then sell these credits to investors and help

them to raise equity for their projects. This is, by far, the number one primary source of funding for our low income affordable housing projects. We also have state tax credits as well, and then there's private equity that developers provide, and then our local lenders who play a major role as well. So the big question has been so how can we use these funds? What are they -- what's the eligibility for them? And the majority of our funding all has a specific outcome that it's tied to, and it has to be spent for an eligible funding requirement. So this chart illustrates that. The first column shows you what funding we can use for land acquisition. The housing funding at the beginning of the first column is our loan repayment from the 20% fund. CDBG can be used for land acquisition. You can't use ESG, HOPWA, home, and our miscellaneous revenue, which is bond income, can be used for land acquisition. The key here is that none of these funds can be used for land banking. All those same funds can be used for new construction except for CDBG, which does not allow new construction for affordable housing. All the funding can be used for rehab except for ESG. All the funding can be used for home buyer assistance, and those are typically loans made to home buyers, except for ESG and HOPWA. For rental assistance, you can see we can use ESG, HOPWA, home, and our bond fees. But the other distinction is for services. The majority of our funding can only be used for capital, for building acquisition, rehab, and we have very limited resources to provide for services. The bond fees which make up those miscellaneous revenues are really our primary source for homeless services on an annual basis. CDBG plays a major role in providing support for homeless services, public services, and again community development infrastructure, so that includes things like sidewalks and lighting and nonprofit rehab, infrastructure, sewer, all kinds of things that help to support the fabric of our neighborhoods. This slide gives you a sense of our funding levels. So this is our budget for 2012/2013, and the next column shows you what we anticipate will be our ongoing funding. We have made it our number one goal to be self-sufficient and ensure that we have no impact on the general fund. We continue to strive to be more efficient, nimble, and responsive to the needs of our customers. So as I said, the first column is our current year funding, and the second column, which is the best of our knowledge what we project an ongoing budget would look for us. The primary source of our funding long-term will be program income, and we're looking at how we can really maximize that program income when projects meet their 15-year tax credit requirement. And so that might give us an ability to refinance deals and to pull cash out. The federal entitlement funds have been greatly reduced over the last five years. CDBG suffered a 14% reduction last year with over a 25% reduction over the last five years. And home was cut by 41% last year. So we see some major challenges still

facing us on the federal funding scene. We have to deal with sequestration and not knowing what's going to be happening with the budget and how that will impact our federal funds, and as you know, CDBG is also repaying the HUD 108 debt. The housing department has been very successful, as I said before, in competing and applying for one-time funding. And so this 28 million that we project as ongoing can and we hope will continue to grow as we see more funding opportunities. But when we're usually applying for those competitive funds, we're applying for a very specific program. We wanted to give you a sense of what we're working on now. So we have over 462 units under construction. With over \$26 million that we've already committed to affordable housing. Of that, it's a range of housing that's being built. 95 of those units are targeting 30% or less of the area median income, and 33 of them are targeting 80% of the area median income with a midrange of 324. That are the 40s, 50s, and 60s, which we said is really our primary target. This table doesn't include a couple of projects that are moving forward without our assistance. They're using 4% tax credits in order to do that. They total over 200 units, and, again, they're going to move forward without any additional investment from the housing department, and they're able to do that now because we have very low interest rates for financing, and there's a very competitive tax credit rate available. So given those two conditions, developers are finding ways to move forward with higher income affordable housing in those 50s and 60s ranges without our help. But the important point that we want to make is that they're not able to meet those lowest income ranges that we talked about earlier, which were the below 30s, 40s, and they can't serve -- they can't reach that low of an income range. Lastly, here's what we have in our pipeline. We've been working on some of these projects for a long period of time. We have over 1,000 units that are still waiting for financing. We've committed over \$20 million worth of funding, most of that going to land or to predevelopment. So the land is either controlled by the developer, or it's under the housing department's control. But in order to move these projects forward, we need close to \$42 million in order to do that. We have some of that funding available, but we don't have all of it. But these are clear priorities for us because we've already started those investments. So to wrap up -- and then what we'd really like and what we're hoping for is any comment and direction you can give us as we move forward and develop our next five-year plan. This morning Dr. Levy began his statements by saying that housing is an economic prosperity imperative. We talk about our economy and jobs often, but we need to be cognizant that every job holder and every job we create requires a place for that person to live. I like to quote Carl GUARDINO, who always says housing is where jobs sleep at night. I think that's really true, and it's something that we need to keep in mind as our economy starts to

pick up. The decisions that we make about our housing stack have direct impact on people's decisions on whether to take a job, whether to move away, whether to live in units that are too large or too small, to drive long distances, or to overpay for housing. When people overpay for housing, the money they have available for goods and services is reduced, and that too impacts our economy. So housing is important as a community asset. In addition to the economy, it has an impact on our community and our neighborhoods. It has an impact on our transportation and our environment. We know that, as people drive long distances to work, they can't live near their job, that impacts our commute. That impacts our community. It impacts our environment. We know that people who live on our creeks and can't afford to live inside impact our environment. There are also other things that are an impact that we don't think of as often, but studies have shown that people who are well housed have better health and better health options. They eat better. They have better education because they have a place to study and to learn, and overall housing is key to many of these other important features that we try to work towards. So going forward, the question was this morning what the city should do about affordable housing and about housing in general, and I think that it's important the city is an active player in addressing a variety of different needs. We need an active housing program. We really cannot let the state's action to dissolve redevelopment harm our resolve to be a place where people can live, work, and play. We need it to make sure our children can live here, that our parents can live here, and that we have a place where employers can attract the talent that we want. Other cities have gone forward recently and developed plans. San Francisco voters last Tuesday approved a new housing trust fund. Los Angeles just approved a boomerang program, which Shiloh mentioned earlier, which takes redevelopment funds that have been returned and brings them back to the city to focus on housing. That's also being considered by the counties at Alameda and San Mateo. Mountain view is in the process of embarking on a housing impact fee. A lot of cities are grappling with this issue, and they've got a variety of different responses and we need to look at our response as well. So as we talked about this morning, the housing market is tough even for people with a six figure income. So there isn't really a one size fits all solution. We need to look at all of these needs and determine the best way to determine people's housing needs. Not of just current residents but of future residents. The one thing I would like to say is we talked a lot about affordable by design this morning, and I think that's a great thing. Bow which will never be able to design a unit in this valley that reaches the lowest income folks in our community without some sort of government assistance. Just as supply and demand is simple economics, so is the economics related to housing and development. It

costs a certain amount for land, for construction costs, for labor costs, for financing that dictates what the cost is of rent and housing costs and to purchase a home. I think the bottom line is it costs a lot to develop housing in San José. So if you look at this line on income ranges that we have that shows the rent that people can afford, and you look at the four-person household at 50% of median income, it shows that they can afford a rent of \$1,313 a month in rent. The median rent is \$2,402. So it's very unlikely the market is going to create opportunities that will reduce a rent from \$2,100 to \$1,300 without some sort of government assistance. So what do we do? My recommendations to you are we target our resources. Where in the past we could focus on a variety of programs, now we need to focus more specifically on what we want to accomplish. The slides that Jackie showed, this year it showed we have \$56 million in program money. We'll be looking at about half that next year if we cannot find additional revenue sources. And that \$56 million is down from past years. There were some years we had \$80 million to \$90 million a year for our housing program. That's when we were able to finance the vast majority of the 20,000 units we mentioned had been built in the last 20 years. So looking at the slide that's up now on the four different categories I really think we need different strategies for meeting these needs. When you look at our homeless and those on fixed incomes, and to give some perspective, one of our speakers mentioned to focus on SSI, who make \$800 a month. To be able to serve someone who earns \$800 a month, we need to -- we need a lot of money. We need a lot of subsidy. These are the most expensive units, were we to build units in this category. The most expensive units to build because they can afford to pay so little. And it doesn't even cover the operating costs, much less any mortgage that might be required. So the best way of serving people in this group is use of vouchers. We have done some of that through the housing authority, and the council has on many occasions requested vouchers for the homeless. We've also done -- provided what we call are coupons, which are similar to vouchers, but they're shorter term. We have done this in conjunction with the county in some targeted ways. So one example is the St. James park project, where we are providing 15 coupons to move folks out of St. James park in conjunction with the county services. In addition, we recently had 40 coupons we offered for the people living in the encampments. So we are trying to use that. That's essentially a rent subsidy, which provides the difference in the rent that someone can afford and the cost of the unit for a period of time. The other idea is supportive housing, and Stacy this morning mentioned an interesting idea that we better use our existing stock by making sure that people who are living in the small number of supportive housing units we have in our community that really need that housing, but even if we were to do that -- and I do

think we need to look at that -- it's not going to meet the need of all of the folks that we're trying to house. We can also look at shared housing opportunities. Jennifer loving mentioned this morning the idea of 15% of units that we fund being set aside for the homeless, but let's remember that, if we can get to a point of assisting 500 units, if we can find the money for that on an annual basis, that's 65 units, it's, again, a small amount. We are proceeding with looking at motel and hotel conversions, looking at SROs, and amending the SRO ordinance, which is essentially a way to allow us to do some of those smaller units. Right now our SRO ordinance doesn't allow us to build some of the smaller units we'd like to build. And we've been concerned about our ability to tackle these problems. We had conversations recently on the encampment issue, and we know that we need to address that, but we really are going to have to figure out this housing nut because, I'll tell you, it's just not going to happen without a place to house people. This weekend I had the opportunity to walk downtown. I walked from my house to the post office and was pretty amazed at the number of homeless people that I encountered. I was actually struck by the number in wheelchairs. It's certainly something that we can't ignore. We need to figure out how to deal with this. We will be continuing our work with destination home and housing 1000 to find housing options, and we'll be continuing to work with the water district VTA and other partners on the encampments, but housing is that challenge. On a good note, we did recently hire an encampment coordinator, and he will be starting after Thanksgiving. His job will not be to look at how we clean the encampments, but how we solve the bigger, broader problem in bringing all the partners together to do that. So we're real excited about that. Looking at the next category of working poor, this is an area where most of the units that we have provided up until now have been for folks in this category. It's the place where we can leverage things like tax credits and other financing that Jackie mentioned, and it's -- these are the units that we provide for the most part are for people who do work who have steady incomes. They just can't afford the rents in San José. The money that we have available to continue to build and finance developments is the funds from these repayments and some negotiations, developer agreements that we've been able to enter into where developers provide subsidy for development. In the past, we've had some inclusionary opportunity. We talked about this morning, that being limited because of both a lawsuit that we have and also because of the project based. Matt mentioned the use of project based vouchers in the subsidy, and this is a really important concept. Project based vouchers, section 8 vouchers are like gold to a project. So it's like having money. So depending on the development, for every ten vouchers, it can add \$1 million or \$2 million of subsidy to the project. It's really very helpful. Our first -- to me, the first priority is to fund

those pipeline projects that Jackie mentioned that are there that we've invested a lot of time in. Many of these are already zoned and ready to go, can add to the economy, and can build units very quickly. And I was interested in some of the other ideas that came out of this morning's discussion about how developers can lower the cost of developments, which will reduce our subsidy, and also the need -- and I think we do need to relook at development incentives for this kind of housing as well as for the market rate housing as we've been providing. Whether you go to the support economy, we talked about affordable by design. This is where affordable by design works. I think, if we can create smaller units, that there will be opportunities for folks to live without any government intervention. Deals can happen without our assistance. Jackie mentioned a couple of projects that we didn't have up on the screen that are moving forward with 4% bond. And those projects will target people at 50% to 60% of median income. So it's sort of in this support economy area, and it's definitely something that we can do right now because interest rate environment is so good. There's also opportunities for some mixed income development, what are called 80/20 deals or 60/40, where there's mixed market rate and affordable, and those are projects that we can facilitate by issuing bonds. Habitat for humanity has worked, definitely falls in this category. We are looking at partnering with habitat on some projects coming up this year. They are small but mighty. They won't provide all of the units for the support economy, but their work is very important. And then I think, again, development assistance perhaps for mixed -- or excuse me. For increased density is something we need to explore. Then lastly, the driving industries, focusing on the small units to meet the specific things. I like the phrase I've been hearing lately, the need to attract hipsters to San José. We do need to not forget that that's an important housing need. We want to work to make our urban villages successful, and to do that, we need to ensure there are mixes of unit types and affordability. So that's very important. We can act as a facilitator to developers and to the development community to help them transition. We talked a little bit again this morning about how we transition people from the suburban model to a more urban, dense environment, and maybe how we condense people who are over housed to transition to something that's a better size for their family, opening up an opportunity for a larger family. Their for sale programs are those offered by others in our community, and so I do think going forward, as we evaluate where we target our limited funds, the housing trust and neighborhood housing services have very good housing programs for first time home buyers, and we'd like to support those. So then we'll move forward to new sources and tools. I'm going to try to make this quick here. We talked this morning about some state initiatives that are happening, and one of the things that Shiloh mentioned was that

we've been working on the permanent source for affordable housing for many years, and it's true, we were. So at that time, we were working on the permanent source, we had redevelopment funding. The permanent source was never intended to be a replacement for redevelopment. It was intended to be additive, and it was replacing proposition 1C funds at the state level that are now almost gone. So we do need to be looking at local and regional sources as well in order to continue our production. We've looked at this before. We looked at what kind of funds there were when we came forward on the inclusionary ordinance. The most promising one that we're looking at right now is the housing impact fee. There is the potential to look at this regionally, and in order to do that, we would need a nexus study. We're also on our inclusionary ordinance that will be decided in July, if we're lucky, but we can also proceed there with a nexus study on that. In recent years, we've given away some tools that have helped reduce the cost of affordable housing, things like exemptions for taxes and fees. We've reduced the park land fee exemption. We used to provide expedited processing, and now that's gone. We've looked at surplus lands, and we really don't have any. We really have done a good job as a city of disposing of our surplus lands. So there aren't many opportunities. We can look at value capture. That was mentioned this morning. It's actually one thing that I think, in retrospect, had we been thinking about it many years ago, when we rezoned properties for residential, we could have done what some communities are doing, which is capturing some of that value that the land owner received for that change in zoning. But to the extent that we do that in the future, that is something that we can look at. If you give, zoning decisions do create value. We want to continue exploring our partnerships and looking -- I mentioned the housing trust and NHS and habitat for humanity, rebuilding together. The whole host of folks in our community that are our partners. And I think we need to look to them to help us with the pieces that we no longer can afford to do. We also need to look at our regional possibilities and our partnerships with the county, with the housing authorities in other cities, where we can leverage our resources and be more effective by targeting where it is we're trying to make change. I think there's really some opportunities right now given the current environment for us to do things differently, not just in San José, but in the county and in our region. We do need to consider legislative options that will increase housing opportunities. There's a lot going on. How much will get done in the short time, I don't know. I think San José needs to continue to have a voice in making sure that the state is not just handing out numbers for us to build and plan for, but giving us the tools and the money to be able to do that. I did also want to mention neighborhoods and issues like fair housing and foreclosures, which we didn't spend a whole lot of time on this morning, but that is something that

the housing department is working on, and we have -- we're implementing the new place based neighborhood strategy, which the council approved this year with the community development block grant financing. And we want to continue to focus on how we can make our neighborhoods strong, especially important because of the loss of the RDA funding to our strong neighborhoods initiative. So that's another part of our work, and, again, we didn't focus a whole lot. Matt Huerta did speak to that, that we would like to be able to going forward, to have an impact. And the very last slide is really just next steps. And I just -- our plan has been conferred with a five-year investment plan that would include policies and actions that we -- that the council would like the city to accomplish. And our plan had been to return in early 2013 for approval of that plan, but as I mentioned, when I first started, we really would like to have your input, and I know there is a memo that is up for consideration that will have us come back. I think we would like to come back with responses to that and anything that you might want us to do before we bring forward that plan. So with that, we're available for any questions you might have.

>> Thank you. Donald Rocha.

>> Thank you, vice mayor. And thank you for the work. I have a couple of questions. Through the whole presentation and given the time, I'm not going to hit them all. I'd just ask a couple of basic questions. Maybe if you could elaborate a little bit on the 80/20 mixed development, issuing bonds for those projects. Could you expand a little bit more on that.

>> Kristen Clemens, hi, project financing and policy. 80/20 refers to the fact that 80% of the units in a project would be market rate. 20% is the minimum number of units that with tax exempt bonds that you can make affordable. So you either have 20% at 50% of area median or 40% at 60% of area median. The challenge for that is that, if only 20% of your units are affordable, that means you're not going to get tax credits on all of the units, just a small segment. And so there's only certain conditions and costs and times where rates are right to have 80/20 deals work. So it's one way to do mixed income, and we saw a few of these about five years ago here, maybe two or three act rehabs that were 80/20 deals. The other alternative is to do 4% credits with tax-exempt bonds. And in general, then all of the units are restricted affordable, and those are the kinds of 50% and 60% of area median income units that we see. ROME is doing some of them right now. Pacific west is trying to

do one in district 3, I think, or district 5. So there are times when, combined with fee waivers and perhaps lower cost land obtained at an earlier time with low bond rates right now and very healthy tax credit pricing, some of these start to pencil without subsidy because prevailing wage doesn't kick in when the public dollars are not there. So without our dollars and the prevailing wages, sometimes it's better if we're only able to put in a tiny bit. Sometimes actually it's better to not have it there.

>> So our ability to make those more attractive in terms of 80/20% and the tax credit applying to all of the units isn't a local control issue. We can't touch that. That's something outside our control?

>> That's right. Those are federal IRS standards for the tax-exempt nature.

>> On the earlier slide, maybe slide 7. They're not numbered. It's the breakdown in unit by activity. 13,000 new versus 3,000 home buyer. Let me make sure I'm on the right one. Yeah, next one. No. Units by activity. There you go. So home buyer new construction -- where does rental fit into this?

>> Rental is the new construction acquisition rehab.

>> So that's all new construction. The new construction represents rental?

>> Yes.

>> Okay.

>> And acq rehab is rental.

>> Are these numbers market driven or policy driven as far as where our dollars are spent?

>> Largely policy driven because the city council has had the policy for a long time. We mentioned the income allocation policy which said that the majority of our funds would go to lowest income households, and we have from a policy basis not -- with very rare exceptions not funded a lower income home ownership. So it's kind of driven the home ownership to the moderate income side, so that 15%. The other thing is on our home buyer numbers, we have received quite a bit of money as well for specific home buyer programs. So the begin program that Jackie mentioned, we received a significant amount of state funding that could only be used for that purpose. So that's also added to our home membership numbers.

>> There's another slide, implement hearth. I'm not sure which slide that is, maybe in the 20s. The last bullet seems to suggest -- is that it? Yes, okay, that's the one. Explore kind of a joint effort here, unified funding agency. Am I reading that correctly? I was going to ask her, but we've gone so long this morning. What's the suggestion here, I guess is what I'm getting at.

>> The hearth legislation sets out that each jurisdiction needs to establish a local continuum of care board and that their -- either that continuum of care board also functions as the united funding agency or it's separate. So this is very HUD-ese sort of stuff. These are requirements of HUD. We're in the process right now of looking at who is going to function in those two different areas. The city could potentially be that unified funding agency, and the only issue there is that this is county-wide dollars, and so whether or not the rest of the county would be happy with the city in that role is the question.

>> Okay. Thank you. The other question I had is in the slide where pipeline affordable units, towards the end. Is this committed our money, or is this the total project funds?

>> The column is committed our money, and the needed is what's needed to get the project going.

>> So that doesn't represent the whole project?

>> No, it does not. The GAAP financing.

>> Got you.

>> Sorry. On this slide, do you mind if I also add? There's a couple of numbers that I omitted by mistake when doing this? North San Pedro, the value of the land that we already own together with the financing authority or the successor agency is over 3 million, and the Metropolitan, we actually have a land loan already to them as well, the \$6.28 million. So that \$20 million goes to almost \$30 million with that.

>> And you don't need to jump to the 5. I also noticed that, as far as your department, there's no general fund dollars. If anything, actually, you return somewhere around 3 million -- not return. \$3 million goes to the general fund. In what form, if you wouldn't mind elaborating on that.

>> The only general fund dollars -- we don't receive general fund dollars except for actually two positions, I believe. The place based strategy, we have some general fund money for those two positions. But under the federal income for ADMIN piece, we pay rent, we pay for other city departments, and we pay overhead. So that's to the tune of \$3 million.

>> Okay, thank you. You also made a statement -- and I want to concur with it and emphasize it a little bit more that it's important for us to be active on this issue, even given the circumstances. I would use even a stronger more. In my opinion, it's mandatory and critical that we stay engaged in this issue, and I know we talk about potential state legislation that might change the landscape a little bit or help us out, but I want to remind folks -- and this isn't a pessimistic opinion -- just how I feel, which might be pessimistic -- is game changers coming out of State to help us with anything tend to be few and far between. That's why when talking about this issue, I want us to take some leadership on this issue and find and identify a permanent source of funding, or at least a temporary for some time, really, really important to me, and I'm hoping that this council feels the same. Again, as I mentioned earlier, my comments when I had some meetings with other folks, funding opportunities that were suggested -- and, again, this is not part of a motion -- just ones that I heard, the inclusionary zoning issue was brought up. Traffic impact fee, housing impact fee, partial taxes, bonding against an asset, maybe just investing

funds, city or county-wide effort, the JPA issue came up, general obligation fund, city initiator voter approved, refinancing opportunities, assistance in the form of land acquisition or pre-development loans, traditional development, tax breaks, et cetera -- all these other items. Rather than being prescriptive when I was looking to get action items out of this study session, I wanted to leave a little bit of that -- actually, a lot of that up to the council because I'm nowhere near as well-versed on these issues as some of my colleagues or the housing department staff. That's why I suggested that we come back with some direction to bring some information back. So in the context of that framework, we might be able to provide more specific recommendations rather than try to do it off the dais today, which is sometimes difficult. I think allowing us to chew on it a little bit and maybe you to kind of gauge the council's interest and willingness and focus would probably be helpful in those two to three months. Are you comfortable with the time frame that was listed in the memorandum row? Memo?

>> Yes, I think we are. On that particular issue, some of the work we have, because we did that in the inclusionary study session, but I would like to explore some of the new ideas that you have as well, and I think we can do that by February.

>> And I really want to emphasize again finding a funding source, I think, really critical. We've got to be bold on this issue, and we really have to do it now. I don't want to lose the momentum that we had gained, San José has gained in developing affordable housing, and if we let that gap go too long, we might see it more difficult to get financing, see it more difficult than a local affordable housing developers to stay interested in San José, and we really need to make sure that we are at the top of their list in terms of affordable projects. It's really critical to our economy, and as you folks pointed out, it's critical to me as a resident of San José. I want to thank the mayor and the vice mayor for their support on the memo, and I'd like to recommend a direction as part of the action today.

>> I don't have anyone else who wants to speak, so we can take a vote.

>> A quick question. Thank you. Two, actually. One was -- I know there had been some discussion around county-wide collaborations with cities around CDBG funding. Wondering if we've gotten any preliminary feedback

from staffs in other cities. The county seemed to be open to exploring. I'm just wondering if we're on a promising path or not in that direction.

>> I think the answer is yes. As far as our work with the county, we are having some really good conversations about ways that we can work together, and they do administer the county-wide CDBG program for nonentitlement jurisdictions as well as the county-wide home program, and they have a few other small programs. So we are talking about ways we might work together. And the other thing that we're doing with other cities, so we have started to meet more regularly with what's left of the housing program from other cities. And remember with redevelopment many of these cities had one person as a housing person. Small cities don't have big housing programs. So those folks that still remain, we're meeting with pretty regularly, and there's some real interest in working together and looking at things like the housing impact fee on a regional basis rather than just one city taking that on. I mentioned mountain view is already doing that on their own, but we might be able to get a coalition of folks.

>> I agree. That could be very promising, particularly with some of the regional initiatives that are already out there with grants and so forth. Time requirements on various funding streams too, willingness to adopt those kinds of mandates. On the impact fee itself, if we were to go it alone, are you anticipating that we would simply adopt equivalent to whatever in lieu fee we have, or is that totally driven from whatever we learn from a nexus study?

>> It would be something that we would learn from the nexus study. It would establish the new fee.

>> Okay. And to try and understand the nexus itself, the idea is we're creating usually nexus studies are assess the determined impact from an activity that somehow or another creating a need. So I guess I'm trying to get my mind wrapped around the logical nexus in this case.

>> So it's creating -- it's establishing the connection between the development of housing and the need for affordable housing that results out of that production.

>> Okay.

>> So it's really what we talked about earlier today. Kristen, I think, had the statistic that showed -- studies that show for every high tech worker that you hire, that they create a need for other folks, and it's the same concept with housing is that you build a house or a condo, and some part of the city, and it creates a need for other workers to support it.

>> I guess intuitively it feels that that's probably going to be an amount significantly lower than whatever we're inclined to get out of an in lieu fee. Is that fair?

>> Yeah, actually, the mountain view study, the study establishes a range of possible numbers you could bring forward that are justifiable. I think their number is \$19 a square foot, and inclusionary is \$17 a residential square foot.

>> You say 17?

>> Our inclusionary fees are 17 with caps, depending on what product type it is. So it depends on what the study shows. Apparently, their nexus study shows up to \$50 a square foot was actually rational, and it's kind of a community decision where you want to bring it in.

>> So it's quite commensurate. Thank you very much.

>> Council member Oliverio.

>> Coming back, do you think you'll be able to hit all six points in February, or how do you view it from your perspective at this point?

>> That's a very good question. I think it -- we will do our best to come back in February, but I need to work with our staff. We have a fairly limited policy staff that works on these issues. They're sitting here with me. So we'll do our very best to come back with what we can, and if we need more time, we will ask for it.

>> Do you believe there's any benefit in looking at every step of affordable housing financing and building to see where is it that the impediment could be removed, i.e., the cost lessened, whether it's the land use financing, which I find it complicated to explain to constituents sometimes, to regulations the city imposes or does not impose -- because I think there is costs that we have -- or a regulation that we have levity on. So do you think that's an important thing for this coming back on this recommendation as well?

>> I think it's a very important issue. As we've talked at the state level about a new state revenue source, the Governor has made that a priority. He said we need to understand the cost of housing because he believes it's too expensive to build housing. So there is a study that's happening right now that the state department of housing has commissioned, and I think that their results -- they were expected earlier, but now I think they're probably going to be ready about March time frame, and that's going to look at those components of housing cost. It will be more generic than just the San José, but it will give -- I think it will educate us on where the costs are to build a unit.

>> I'm sorry. When will that be complete?

>> We're thinking March right now. One of the things about the difference between market rate housing and affordable is that affordable does have some cost that market don't. First, we do impose prevailing wage on affordable housing and not on market rate housing. And secondly, there is a cost to the financing structure, and because that financing is so complicated with tax-exempt bonds and tax credits and multiple layers of financing and lots of attorneys and specialists, it does make it more costly. I think that's some of what will come out in this study.

>> It would seem that's almost coinciding with the February. It seems, if it comes back in February, to maybe hold off on a decision until this report comes out. If you feel it's going to be comprehensive enough, if it's one month later, I would throw that out there. It would be interesting to see you brought up an option -- you said something about the prevailing wage and what's that differential? Does that make or break a project? If that's the case, then council should see what is that differential? If it does make a case -- I think you mentioned -- someone was mentioning as well, if the city put in a little bit of money versus a lot of money, since there was no city money, that regulation wasn't in place, and therefore that project was able to go forward or could go forward, and that's -- I think -- listen, I've been on the council fairly critical of quality versus quantity. I've always sort of wanted affordable but with the park and with the road paving fees and with the annuity of property tax, but understanding there are fees by state or local that raise the cost or the cost of land or not gaining the value when we rezone from industrial to residential, which helps. So I think there seems to be ten of these are on the table, and I think having the ability to look at those -- I will still share I do have concern, though, that when we provide more than other cities or we provide the housing that there's no annuity stream to pay for city services, it's very complicated for me. So I sort of, you know, would also like to see the option, what are the options council can take to see affordable housing go forward where it's not with a nonprofit? What's that cost differential? Because if it provides annuity to pay for the services for that resident, the council needs to know that option, and if council wants to pull this lever and lower that lever, I think that would be good. So those are things I'm looking for. I'm just wondering if the maker of the motion would take into the fact of looking at all the different levels of pricing and costing that come from the city's perspective, so we at least know what these trade-offs are.

>> Very comfortable. I think the more information you have in front of you to make a decision is always the best approach.

>> Thank you.

>> I'm sorry. Is there a second?

>> I am too. However, I caution you having language in there excluding nonprofits, you actually lose an opportunity to get -- I know on the one end it triggers prevailing wage, but on the other end, with the nonprofit developer, you have access to money that a private developer doesn't have. So I just need to state that.

>> And if I may. I acknowledge that. I just want to see the council needs to make that choice. So if a project doesn't qualify because it's a for profit versus a nonprofit, but it means it's taxable and that annuity stream to the city is going to be over time "X," we should know that because from my calculations -- and that's why I've asked for an audit -- I think we've lost out on approximately \$12 million a year. So that's \$12 million that pays for -- that is our share of the property tax. And I just think we need to make those decisions in totality, and I have a difficult time -- and I'm sure we all do -- of dealing with budget constraints we have or not being able to do "X" with city staff on salary and benefits, and I just want that to be known because I think that's fair.

>> Just to clarify, this is a study session. We're not taking any action. What we can do is give direction to staff to come back with further information and analysis. So what has been outlined in council member Rocha's memo that I co-signed -- that I signed on as well as Mayor Reed, that further direction from council member Oliverio is doable. They can come back with more information on this in February. So we're not taking any action. We don't have to say yes or no to anything being brought up by an individual council member.

>> I'm comfortable. I concur with -- I'm glad council member Campos raised that issue too. There's some benefits to the community that you don't put a price tag on. Just when we view that lens, let's also remind my colleagues, just as you're reminding everybody else, to take a look through that lens and say there is a benefit outside of just pure dollars and units.

>> We don't open a library with good will. We open it with paid staff. Nor do we provide police enforcement with bail. We provide salary to pay them. All I'm saying is I appreciate you taking that so we can gather all that information and look at that as a council. But at the end of the day, we have to provide services based on the revenue and income stream. Good will and good thoughts don't provide the city service.

>> Those benefits aren't good will and good thoughts and Sundays. And I've heard you a number of times on this issue.

>> Yes, council member Rocha, I'm well aware of your opinion, and I think we need to recognize we have differences and call it a day.

>> And I'm there.

>> Okay. Well, anything else from my colleagues? Okay. I think staff, I think you've been given direction. I want to thank you again for all the work that has gone in preparation for this study session. Our meeting is adjourned. We have no one else from the public that wants to speak. So meeting is adjourned.