



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Harry Freitas
Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: March 3, 2016

Approved

Date

3/3/16

SUBJECT: ACCEPTANCE OF THE ANNUAL PROGRESS REPORT ON THE IMPLEMENTATION OF THE SAN JOSÉ GENERAL PLAN HOUSING ELEMENT UPDATE

RECOMMENDATION

Accept the Calendar Year 2015 Annual Progress Report on the Implementation of the San José 2014-23 Housing Element, which includes as an attachment the Fiscal Year 2014-15 Housing Successor to Redevelopment Agency Annual Report, per reporting requirements of Senate Bill 341 Redevelopment.

OUTCOME

The Council's acceptance of the Annual Progress Report is required prior to submitting the State-mandated report to the California Department of Housing and Community Development (HCD) and the Governor's Office of Planning and Research (OPR). Submittal of the report should allow the City to remain eligible for important State funding for housing, community development, transportation, and parks.

BACKGROUND

The Housing Element is an important State-mandated requirement of the General Plan. The Housing Element establishes comprehensive goals, policies, and programs to meet a jurisdiction's share of Regional Housing Needs Allocation (RHNA). The determination of regional housing need begins with the HCD and California Department of Finance (DOF), which first calculate statewide housing needs based upon population projections and regional population forecasts used in preparing regional transportation plans. The Statewide need is then distributed to regional Councils of Government (COGs) throughout California, who work with

cities and counties within their purview to assign each jurisdiction its share of the RHNA. The RHNA itself is divided into five income categories that encompass all levels of housing need.

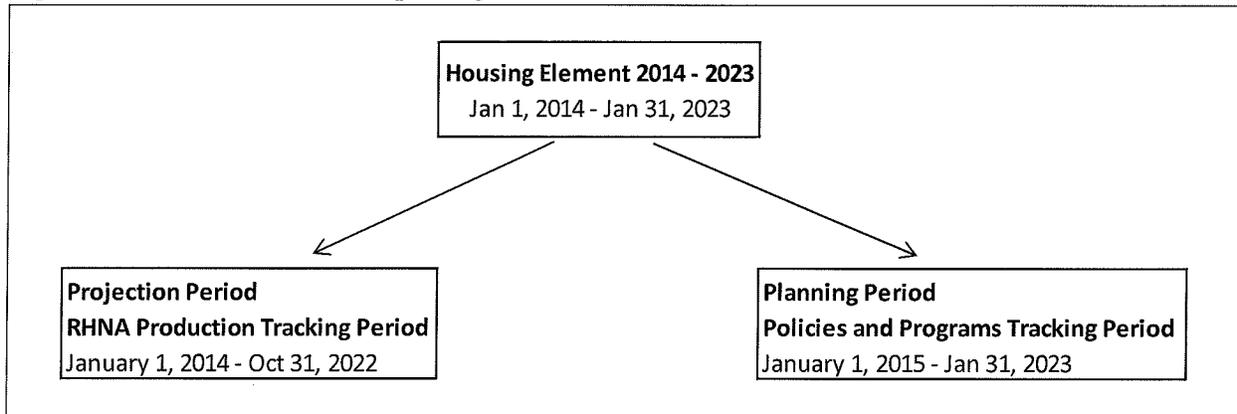
The City of San José is a member of the Association of Bay Area Governments (ABAG), the Bay Area’s COG, which is composed of nine counties and 101 cities. ABAG is responsible for distributing the RHNA to the Bay Area local governments through an allocation methodology that is consistent with development and growth patterns. San José’s RHNA for the current 8.8-year projection period from January 2014 through October 2022 is 35,080 housing units and is equivalent to an annual production rate of 3,986 units. (This is slightly higher than the previous 2007-14 RHNA cycle allocation of 34,721 units.) A large portion of San José’s current RHNA goal (42%) is focused on the categories of Extremely-Low Income (ELI) households, Very-Low (VLI) Income households, and Low Income (LI) households, as defined by HCD and as shown in Figure A below. These categories serve those households with the greatest housing need but are also the hardest to build because of the significant subsidies required to develop these homes.

Figure A – HCD 2015 Income Limits for Santa Clara County

Income Level % of AMI	Household Size							
	1	2	3	4	5	6	7	8
Extremely Low Income (30% AMI)	\$22,350	\$25,500	\$28,750	\$31,900	\$34,500	\$37,050	\$39,600	\$42,150
Very Low Income (50% AMI)	\$37,250	\$42,550	\$47,850	\$53,150	\$57,450	\$61,700	\$65,950	\$70,200
Low Income (80% AMI)	\$59,400	\$67,900	\$76,400	\$84,900	\$91,650	\$98,450	\$105,250	\$112,050
Median Income (100% AMI)	\$74,400	\$85,050	\$95,650	\$106,300	\$114,800	\$123,300	\$131,800	\$140,300
Moderate Income (120% AMI)	\$89,300	\$102,050	\$114,800	\$127,550	\$137,750	\$147,950	\$158,150	\$168,350

The City Council adopted the 2014-23 Housing Element on January 27, 2015, and submitted it to HCD for approval on January 30, 2015. HCD certified the Housing Element on April 30, 2015. The Housing Element establishes a comprehensive policy framework to implement San José’s residential strategies and outlines the City’s plan for meeting community housing needs. There are two reporting periods associated with the Housing Element, as shown in Figure B below. While the permits goals will be measured against an 8.8- year projection period from January 1, 2014 to October 31, 2022, the policies and programs will be tracked (starting in 2015) against an 8.1-year planning period from January 1, 2015 to January 31, 2023.

Figure B – RHNA 2014-23 Reporting Periods



State law requires jurisdictions to prepare an annual progress report each calendar year to detail the implementation of their Housing Element and to submit it to HCD and OPR. Although charter cities are not required to submit the report, all jurisdictions including charter cities must submit annual reports to qualify for certain State funding programs, such as the Housing Related Parks Program, Infill Infrastructure Grant, One Bay Area Grant and Building Equity and Growth in Neighborhoods (BEGIN) program. Accordingly, San José has consistently provided annual progress reports to the State on the implementation of the mandated Housing Element. The report provides:

- A description the City’s accomplishments toward achieving its share of the RHNA, and
- An update on the progress of implementing the Housing Element workplan. Key implementation items include: increase, preserve and improve the supply of affordable housing; invest in activities to end homelessness; promote equitable development; and create healthy, sustainable, communities and neighborhoods.

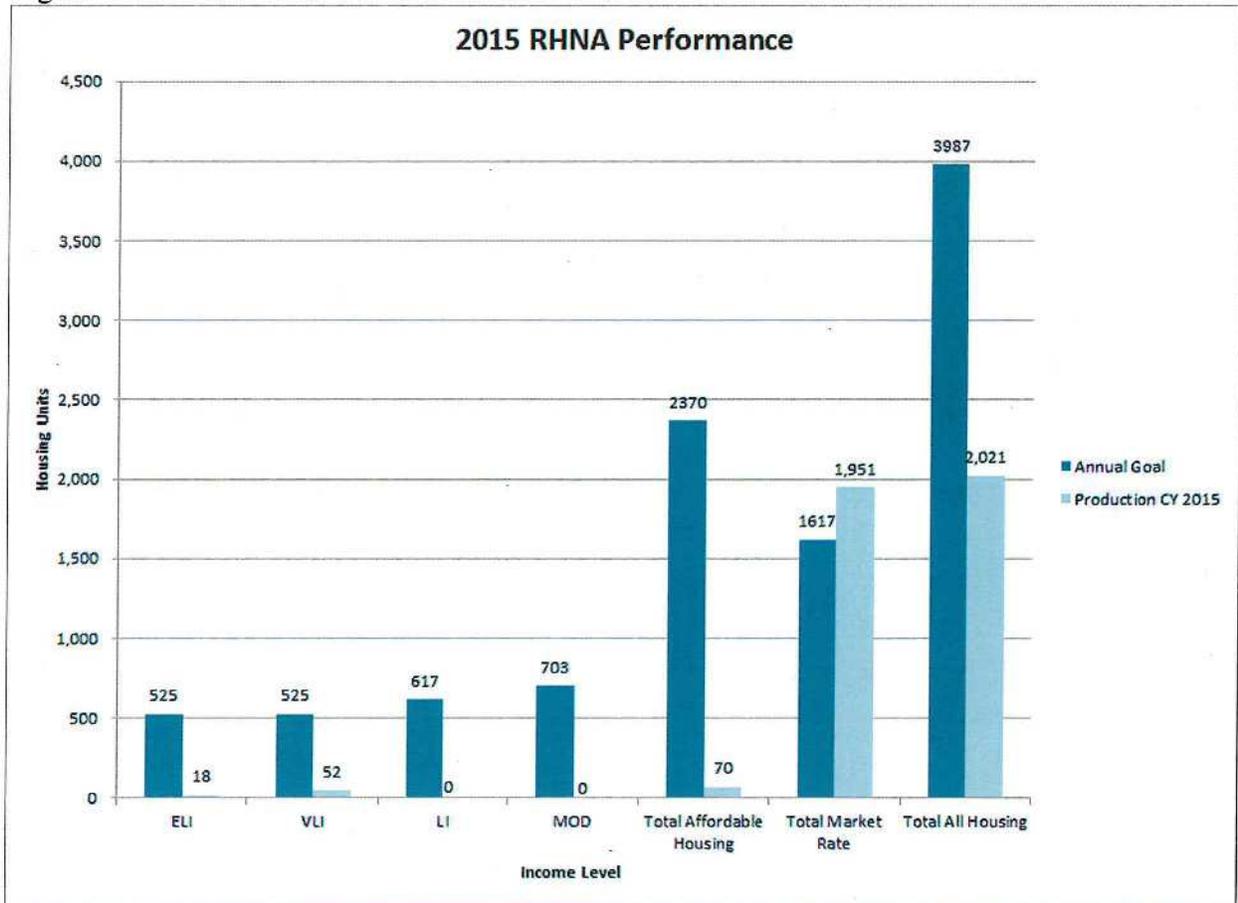
With the acceptance of a completed annual report by the City Council, the City of San José submits the report to HCD and OPR. It is important to note that certain State funding programs require an adopted and certified Housing Element, while others may also require ongoing Housing Element compliance. Not satisfying these varying requirements may impact the eligibility of the City of San José and/or developers working in San José who apply for such funding. Since 2005, San José has received more than \$106 million in State and regional grants, loans and tax credit benefits that would not have been possible without a certified Housing Element and annual updates.

Staff has also attached the Housing Successor to Redevelopment Agency Annual Report for Fiscal Year 2014-15. This report is now included with the Housing Element Annual Report to satisfy the requirements of Senate Bill 341, which took effect on January 1, 2014. Going forward, this report will be included with the annual housing element progress report to HCD.

ANALYSIS

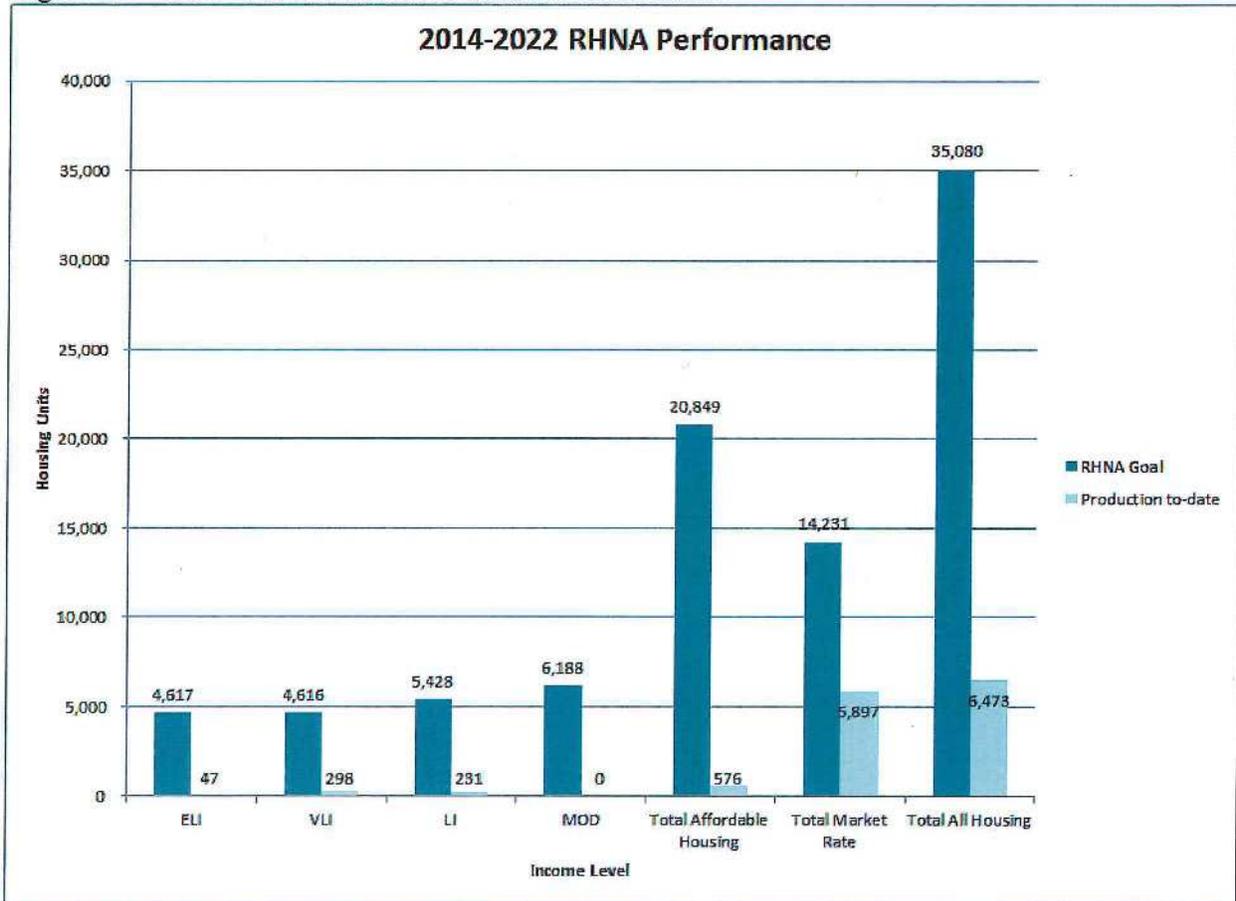
In Calendar Year 2015, the City issued building permits for 2,021 units of new residential construction consisting of 1,951 market-rate and 70 affordable units. Affordable units are those units deemed affordable to Extremely-Low, Very-Low, Low- and Moderate-Income households (as mentioned in Figure A above). The 2,021 units represent 51% of the City’s annualized RHNA goal of 3,987 units across all income categories. A closer look at the income categories shows that the City met 3% of its annualized affordable housing goal of 2,370 units and about 121% of its annualized market-rate goal of 1,617 units (see Figure C below).

Figure C – CY 2015 RHNA Production Performance



During the first two years of the 8.8-year RHNA projection period, the City has met 18% of its cumulative housing goal, as shown Figure D. By income category, the City has met 3% of its affordable housing goal and 41% of its market rate housing goal.

Figure D – 2014 – 2022 RHNA Production Performance



The San José Metro Area is the third most expensive rental market and the second most expensive homeownership market in the Country.¹ Market rents are significantly out of reach for many San José workers including teachers, construction workers, and retail salespersons. Annual rents have increased almost 10% over the past five years² and only 18% of homes that are for sale are affordable to a family earning the median income³. In addition, a national report found that housing costs continue to rise across the nation and more low- and moderate-working households are renting as opposed to owning their homes.⁴

Key tools such as the former Redevelopment Agency’s 20% Low- and Moderate-Income Housing Fund have been terminated by changes in State law, and the Inclusionary Housing Ordinance has been challenged by litigation, making it extremely difficult to facilitate the production of low- and moderate-income housing. New affordable housing tools and funding

¹ National Housing Conference, Paycheck to Paycheck Report for 2015; www2.nhs.org/chp/p2p/

² Real Answers Quarterly Statistics 2010 - 2015

³ National Association of Home Builders (NAHB) Housing Opportunity Index Q3 2015

⁴ Ault, Mindy; National Housing Conference, Housing Landscape 2016

strategies at the Federal, State, regional, and local levels are currently being explored. The City will continue to participate in efforts that will advance San José's commitment to facilitating the development of a range of housing types for different income levels and needs.

The Envision San José 2040 General Plan (General Plan), which incorporates the HCD-certified Housing Element, includes capacity for 120,000 new housing units through 2040. Within the provisions of this capacity, there is sufficient capacity to meet the requirements of the current Housing Element projection period. In addition, through the "Focused Growth" Major Strategy and other strategies, goals and policies, the General Plan supports compact, mixed-use development; preserving the Urban Growth Boundary; promoting interconnected, sustainable, and complete communities; and promoting environmental stewardship by reducing energy consumption and green-house gas emissions.

EVALUATION AND FOLLOW-UP

After Council accepts this annual progress report, staff intends to submit the approved document to HCD and OPR by the State-mandated April 1, 2016, deadline.

PUBLIC OUTREACH

This report will be posted on the City's website. The individual City programs and projects described in the attachment have had appropriate public outreach pursuant to City Council policy.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

The current certified Housing Element aligns with the City's federal Consolidated Plan. In addition it aligns with the Housing Department's Affordable Housing Investment Plan which prioritizes the majority of \$103 million in funding commitments towards the production of Extremely Low Income housing over the next two years. The City's emphasis on building ELI housing aligns with the regional "All The Way Home" campaign to end Veteran's homelessness in Santa Clara County as well as the Community Plan to End Homelessness.

Additionally, the Housing Element is consistent with the General Plan's strategies, goals, policies and actions. In particular the Housing Element is consistent with the action to increase, preserve and improve San José's affordable housing stock and General Plan's Major Strategies to:

1. Maintain a Greenline/Urban Growth Boundary;
2. Locate new housing and jobs into Focused Growth areas where existing City infrastructure, facilities, and services are located;
3. Promote the development of Urban Villages, Corridors and Regional Transit Hubs that are mixed-use pedestrian-oriented communities that include a variety of housing types in locations adjacent to transit;
4. Design for a Healthful Community by building "complete" communities where many of one's daily needs can be met by walking or riding a bicycle; and
5. Promote Environmental Stewardship, in part by reducing energy consumption and greenhouse gas emissions by locating housing close to jobs and transit, thereby reducing the miles that San José residents need to drive for commuting to employment;

In addition, the General Plan includes several goals relating to affordable housing including but not limited to the following:

1. Goal H-1 Housing – Social Equity and Diversity
Provide housing throughout our City in a range of residential densities, especially at higher densities, and product types, including rental and for-sale housing, to address the needs of an economically, demographically, and culturally diverse population.
2. Goal H-2 – Affordable Housing
Increase, preserve and improve San José's affordable housing stock.
3. Goal H-3 Housing – High Quality Housing and Great Places
Create and maintain safe and high quality housing that contributes to the creation of great neighborhoods and great places.
4. Goal H-4 Housing - Environmental Sustainability
Provide housing that minimizes the consumption of natural resources and advances our City's fiscal, climate change, and environmental goals.

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CEQA

Not a Project, File No. PP10-069 (a). Annual Report.

/s/
HARRY FREITAS, Director
Planning, Building and Code Enforcement

/s/
JACKY MORALES-FERRAND
Director of Housing

For planning related questions, please contact Rosalynn Hughey, Assistant Director at (408) 535-7911. For housing related questions, please contact Adam Marcus at (408) 975-4451.

Attachment: Annual Housing Element Progress Report – January 2015-December 2015