



Memorandum

TO: CITY COUNCIL

FROM: Mayor Liccardo &
Councilmember RochaSUBJECT: AFFORDABLE HOUSING
INVESTMENT PLAN

DATE: June 2, 2017

Approved

Jan L...
RH Don Rocha

Date

6/2/17

RECOMMENDATION

- 1) Approve the staff report.
- 2) Direct the City Manager to continue prioritizing funds for the development of very low and low-income rental housing.
- 3) Return to Community and Economic Development Committee with a moderate-income housing strategy that focuses on policy development options such as:
 - Legislative actions that could facilitate development; and
 - Encouraging “affordable by design” housing that is smaller and more efficient; and
 - Densification in key opportunity development areas; and
 - Leveraging private corporate funds, particularly with anticipation of new federal tax legislation.
- 4) Direct the City Manager to draft a letter to the County providing input on Measure A implementation. Staff should present their recommendations to the City Council for approval and secondly, send the letter to the Board of Supervisors and appropriate County of Santa Clara staff before the July legislative break.
- 5) Direct the City Manager to return to Council with a baseline affordable housing stock analysis for each Urban Village. Information collected as part of that baseline could include:
 - Total number of deed-restricted affordable housing and their dates of expiration; and
 - Total number of rent-controlled units; and
 - Total number of mobile homes; and
 - Other information that staff believes useful.
- 6) Direct the City Manager to provide in the next Housing Element an analysis, to the extent feasible, that compares the projected need for affordable housing (according to RHNA or some

other source) with the projected number of affordable units that that we could reasonably expect to produce with existing funding sources, for the purpose of trying to understand whether additional funding sources are needed to fully meet demand, and if so, what the magnitude that additional funding need would be.

COMMENTS

Recently, we have engaged in many debates where we have heard and discussed the devastating effects of the housing crisis on our community members. To enable our civic leaders to address this issue, last year the residents of our County decided that this issue of affordable housing supply was important enough that they voted to tax themselves through Measure A. As we can see from the staff report, one of the main components of our funding strategy is leveraging Measure A funds. Given the interdependence of our housing strategy and Measure A funds, we believe staff should further assess components of the investment plan that will rely on Measure A funds.

While the City has submitted initial comments on the Measure A guidelines on the staff level, it would be beneficial for us to prepare a formal letter to our County representatives regarding Measure A while they are still in this important implementation stage. As the largest city in the County, we should provide formal feedback on how we'd like to see these funds used and how we'd like to collaborate on projects as they go forward. Ideally, staff should return to Council with this letter for approval before the July legislative break.

Some of the topics staff should consider addressing in this letter:

- Opportunities to leverage City funds with Measure A funds.
- The dispersion of projects throughout the County.
- Encouraging mixed-population and mixed-income developments.
- Plan for supportive services, particularly for 100% supportive and 100% ELI.
- Whether Measure A money should be available for funding all stages of an affordable housing project (such as: pre-development, land acquisition, and construction) or if it should be targeted toward specific stages.
- Use of Measure A funds for temporary and transitional housing vs. permanent housing.
- The proportion of matching funding that should be expected in Measure A funded projects and the option of 100% Measure A funded projects.
- The ability to use Measure A dollars to build affordable units as a component of an otherwise market-rate project.
- Plan for community engagement.

Housing staff is working on updates to our dispersion and anti-displacement policies as a part of their work on affirmatively furthering fair housing. This will be important work, particularly for areas of forthcoming development. Given our planned growth in Urban Villages, staff should deliver a baseline analysis of our existing affordable housing stock in those villages. We can make the Urban Village plans be more responsive to the existing housing needs in each of these communities rather than doing so as an afterthought.

Lastly, in calendar year 2016, the City issued building permits for 2,088 units of new residential construction consisting of 1,774 market-rate and 314 affordable units. This represents about 110% of its

annualized market-rate goal of 1,617 units and 13% of its annualized affordable housing goal of 2,370 units. This imbalance is due to many factors, including cost of development, need for multiple revenue streams and lack of infill development sites available, but it is clear that we must direct staff to continue to be highly strategic with our limited funds and remain focused on the development of very low and low income housing. We acknowledge the need of affordable housing at a range of incomes, but it would be nearly twice as expensive to fund moderate income rental developments than it would be to subsidize low-income rental housing. We can encourage and spur moderate income housing via a number of potential policy and legislative actions.

The Affordable Housing Investment Plan gives us an opportunity to ask ourselves if we are implementing a winning equation when it comes to our affordable housing supply question. Are we planning for enough affordable housing? Are we gaining more affordable housing from building and preserving than we have in the past? Do we have enough resources to meet our goals after the passing of Measure A, or are additional funding streams needed? We need to have clear answers these questions as we plan for the future, or else we can expect to continue to fall short on meeting our resident's needs.