



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: June 26, 2017

Approved

D. D. Syl

Date

6/26/17

COUNCIL DISTRICT: 1

SUPPLEMENTAL

SUBJECT: STEVENS CREEK URBAN VILLAGE PLAN BASELINE AFFORDABLE HOUSING STOCK ANALYSIS

REASON FOR SUPPLEMENTAL

Pursuant to direction received at the City Council meeting on June 6, 2017, the Housing Department prepared this supplemental analysis regarding affordable housing stock in the Stevens Creek Urban Village Plan ("Urban Village Plan" or "Plan") area.

OUTCOME

This supplemental memorandum will inform the City Council and the public on baseline housing affordability data in the Stevens Creek Urban Village Plan area. This analysis clarifies future affordable housing production need, identifies gentrification risks, and promotes better understanding of the applicability of the City's new tenant-related ordinances. Consideration of this analysis may also serve as a basis for the City Council to further direct to staff to develop Plan area-specific affordable housing strategies or recommend housing implementation policies.

BACKGROUND

In San José, 38% of the City's households have incomes that qualify as Extremely Low-Income, Very Low-Income, or Low-Income. However, only 6% of the City's current residential inventory is income-restricted affordable housing.¹

On December 13, 2016, the City Council added new goals to General Plan 2040 with the objective of building income-restricted affordable housing in Urban Village areas. Goal IP 5.1.7 established an Urban Village-wide goal that, with full build-out of the planned housing capacity of a given Village, 25% or more of the units built would be income-restricted affordable housing, with 15% of total units targeting households with incomes under 30% of Area Median Income.

On April 25, 2017, the City Council adopted the Ellis Act Ordinance. This Ordinance applies to all apartments covered by the Apartment Rent Ordinance. It provides requirements for landlords removing rent-stabilized apartments from the rental housing market. In San José, the most frequent use of the Ellis Act Ordinance is likely to be the demolition and redevelopment of existing rent-stabilized housing. The Ellis Act Ordinance provides the following requirements:

- 1) Noticing – All households must be provided with a minimum of 120 days' notice. Special populations, including residents over the age of 62, disabled, terminally/catastrophically ill, and residents with school-aged children, may request up to one-year's notice.
- 2) Relocation Benefits – All tenants are eligible to receive relocation benefits. Special populations, including low-income residents, residents over the age of 62, disabled, terminally/catastrophically ill, and residents with school-aged children, are eligible for additional relocation benefits.
- 3) Right to Return – If the apartments return to the rental market within 10 years, tenants have a right to return to their apartments. If the apartment is demolished and rebuilt, the right to return does not apply.
- 4) Subject to the Apartment Rent Ordinance – If a property owner demolishes existing rent-controlled apartments, all new apartments built and rented within five years of the date of withdrawal of the original building from the market will be subject to the City's Apartment Rent Ordinance.

Additional information regarding the Ellis Act Ordinance can be found on the Housing Department's website.²

¹ Includes households with incomes less than 80% of Area Median Income adjusted for family size. Excludes homeless shelters and temporary housing. (HUD CHAS Data, 2007-2011)

² <http://www.sanjoseca.gov/index.aspx?NID=5517>

On May 9, 2017, the City Council approved the Tenant Protection Ordinance, effective immediately. The Tenant Protection ordinance requires that any properties with three or more apartments provide a just cause for eviction when asking a tenant to leave an apartment. Additionally, relocation benefits are required for tenants displaced as a result of substantial rehabilitation to the apartment building.

On June 6, 2017, Housing staff presented the Affordable Housing Investment Plan to the City Council. In a memorandum dated June 2, 2017, Mayor Liccardo and Councilmember Rocha directed staff to analyze baseline data on existing affordable and rent stabilized housing in Urban Village areas. The direction was incorporated into the City Council's approval of the Housing Department's Affordable Housing Investment Plan, which identified anticipated funding commitments in fiscal year 2017-18 and related policy issues. This Supplemental Memorandum was written in response to this direction. The memo also addresses requests to receive additional data on existing housing conditions in Urban Villages from stakeholders interested in fair housing issues during the City's recent Analysis of Impediments outreach process.

The draft Urban Village Plan includes a count of existing housing stock. However, the Plan does not specify the existing mix of income-restricted affordable, rent-stabilized, mobilehomes, and market-rate housing within the Plan area. In addition, the Plan does not calculate the number of new income-restricted apartments that would be needed to meet the 25% affordability goal if the Urban Village were built to its maximum residential capacity. This supplemental information provides that context, which will better guide future development in this Plan area.

ANALYSIS

Stevens Creek Urban Village Area

The analysis below provides specific information relating to the following factors for the Stevens Creek Urban Village Plan area:

- Existing housing stock
- Planned housing
- Affordable housing goals
- Rental housing market
- For-sale housing market
- Vulnerability of residents, and
- Ellis Act and Tenant Protection Ordinances' relevance.

Existing Housing Stock

Table A summarizes the existing stock of housing within the Stevens Creek Urban Village boundary. It indicates that this area contains a slightly higher proportion of apartments that are subject to the Apartment Rent Ordinance (34%) than the Citywide proportion overall (33%).

This Plan area also contains slightly a slightly higher proportion of income-restricted affordable apartments (8%) than the Citywide proportion overall (6%).

Table A: Existing Housing Stock

Type of Housing	Residences	Percentage
Market-rate Housing (Single Family and Multifamily)	953	59%
Rent-stabilized Housing	546	34%
Income-restricted Affordable Housing	125	8%
Mobilehome Housing	0	0%
Total Existing Housing Units	1,624	100%

Planned Housing

Table B indicates that land use entitlements for very few new residential have been approved in the Stevens Creek Urban Village.

Table B: Planned Housing³

Status of Residences Planned	Residences
Planned Housing Units	3,860
Approved Housing Units – Market-rate	8
Approved Housing Units – Restricted Affordable	0
Remaining Housing Capacity	3,852

Affordable Housing Goals

Table C quantifies the income-restricted affordable housing goal as proposed in the draft Plan. Slightly more than 25% of the area's remaining housing capacity would need to be income-restricted to meet the 25% affordable housing goal.

Table C: Income-restricted Affordable Housing Goal

Affordable Housing Requirements	Residences
Affordable Housing Goal (total of 25% of planned housing)	965
Extremely Low-income Housing (15%) – at or below 30% of AMI	579
Other Affordable Housing (10%) – at or below 120% of AMI	386
Remaining Housing Capacity	3,852
Proportion of Remaining Capacity to be Income-restricted Affordable	25%

³ Appendix 5 of the General Plan updated December 2017.

Rental Housing Market

Table D summarizes recent rents and vacancy levels for apartments in the Plan area. A 5% vacancy rate indicates a healthy housing market, but the average vacancy rate in this sample is only 2.9%. This indicates that the Stevens Creek Plan area has a highly-constrained rental market.

Table D: Average Rents and Vacancy by Apartment Size in Plan Area⁴

Size of Apartment	# Apartments	Asking Rent	Effective Rent	Vacancy Rate
Studio	84	\$1,764	\$1,759	1.8%
1 Bed	402	\$2,437	\$2,437	3.2%
2 Bed	444	\$3,043	\$3,043	2.7%
3 Bed	34	\$4,079	\$4,079	2.0%
4+ Bed	No Data	No Data	No Data	No Data
All Apartments	1,047	\$2,751	\$2,750	2.9%

For-sale Housing Market

The following table summarizes estimated single family home values in the vicinity of the Stevens Creek Urban Village. The chart below indicates that home values in this area are significantly higher than the estimated citywide median home value according to Zillow.com.

Zip Code	Zillow Home Value Index Zip Code ⁵	Zillow Home Value Index Citywide ⁶	Amount Above (Below) Citywide	Percentage Above (Below) Citywide
95129	\$1,541,900	\$870,700	\$671,200	77%
95117	\$1,076,200	\$870,700	\$205,500	24%

Vulnerability of Residents

The Urban Displacement Project is a research initiative of University of California at Berkeley in collaboration with researchers at the University of California Los Angeles, community-based organizations, regional planning agencies, and the State of California Air Resources Board. The Project developed a gentrification index. The index characterizes places that historically housed vulnerable populations but have since experienced significant demographic shifts as well as real estate investment.

⁴ Source: CoStar, May 24, 2017. CoStar tracks most but not all of the homes in the plan area.

⁵ Estimated median home values as of June 12, 2017 from <https://www.zillow.com/burbank-ca-95128/home-values/>

⁶ <https://www.zillow.com/san-jose-ca/home-values/> as of June 19, 2017.

Staff analyzed the Stevens Creek Urban Village Area using the Urban Displacement Project mapping tool.⁷ The tool explores displacement and gentrification at the Census tract level. The tool indicates that areas in this Urban Village are “not losing low income households” or are in the “very early stages of displacement.” This indicates that current residents may be displaced from future development, but that the risk assessment is moderate in the near-term.

Ellis Act and Tenant Protection Ordinances’ Relevance

Given that over one-third of homes in this Urban Village area consist of rent-stabilized apartments, Ellis Act Ordinance requirements will impact many residents in this area if their properties are rehabilitated and/or redeveloped. Tenants could be eligible for relocation benefits if displaced by apartment buildings’ demolition and redevelopment. However, displacement would still likely occur.

Due to the significant number of apartments in this Urban Village, the Tenant Protection Ordinance is likely to affect some tenants and landlords in this area. Existing residents will be able to stay in their homes and will be protected from no-cause evictions, despite the changing housing market.

EVALUATION AND FOLLOW-UP

Staff has prepared the above analysis for the City Council’s consideration when Council considers the adoption of the Stevens Creek Urban Village Plan. Due to time constraints, this memorandum does not include analysis of expiration dates for recorded restrictions on income-restricted affordable apartments. This information will be included in future affordable housing baseline analyses. The Housing Department will prepare similar analyses for Council consideration when future Urban Village Plans are presented for adoption to the City Council in accordance with Council’s direction on the Housing Investment Plan, Item 4.3 at the June 6, 2017, City Council meeting.

⁷ <http://www.urbandisplacement.org/map/>

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COORDINATION

This memo has been coordinated with the Department of Planning, Building and Code Enforcement and the City Attorney's Office.

/s/

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Director of Housing

For questions, please contact Adam Marcus, Policy and Planning Manager, at (408) 975-4451.