

Goals, Policies and Implementation Actions – Plan Implementation Policies



Housing Element

The City of San Jose Housing Element 2007-2014 was adopted by the City Council on June 16, 2009 and was subsequently certified by the State Department of Housing and Community Development (HCD) on July 23, 2009. State certification indicates that the Housing Element is in compliance with State law, which having a certified Housing Element maintains the City's eligibility for key infrastructure and housing funds from Federal, State, and regional sources.

State law requires cities to update their Housing Element every five to seven years. The current Housing Element addresses housing needs for the period between January 1, 2007 and June 30, 2014 and serves as a starting point for developing the housing goals and policies for the Envision San José 2040 General Plan Update.

San José has been a leader in providing housing for a growing regional population. The San José 2020 General Plan has capacity for approximately 60,000 new housing units. As currently proposed, the Envision General Plan will provide capacity for approximately 48,000 new housing units through the conclusion of Horizon 1. For 2007-2014, San José's Regional Housing Needs Allocation (RHNA), the City's share for providing housing for the Bay Area Region is 34,721 new housing units. Of those 34,721 new housing units, 13,073 units should serve low-, very-low, and extremely-low income households and 6,198 units should serve moderate-income households. The Housing Element for 2007-2014 addresses how the City can facilitate development of these new homes consistent with affordability requirements while planning for neighborhoods with parks, schools, and access to transportation, jobs, shopping, and other services.

The following text was incorporated into the San Jose 2020 General Plan as one of the items necessary to fulfill the State requirements for the City's Housing Element. This text will be included as part of the Implementation Section of the Envision General Plan Update.

HOUSING ELEMENT IMPLEMENTATION PROGRAM

In the development of the Land Use/ Transportation Diagram, those residential and housing goals and policies having spatial or locational dimensions were considered and are, to a large extent, implemented by land use designations and through the process of reviewing development proposals. Other housing goals and policies cannot be effectuated through land use decisions and require program responses as outlined in the following sections.

Quantified objectives for housing programs are for the revised time frame of the Housing Element (January 1, 2007 through June 30, 2014) rather than the 1994-2020 time frame of the

General Plan.

The following discussion is integrally linked with the goals and policies stated in this Plan. The implementation of the housing and other related goals and policies occurs through the development review process, as described earlier in this chapter. Technical information regarding housing issues in San José is provided in Appendix C (Housing) which also includes a detailed description of the housing programs listed below.

Summary of Housing Needs Analysis

In support of the 2007-2014 update of the Housing Element, the City applied available data to build on previous updates. The conclusions of the update indicate a continuation of the trends identified five years earlier. Housing costs remain high in San José and the County as a whole, relative to the State. According to the Santa Clara County Association of Realtors, the median value of a single family home in San José was \$560,000 and \$350,000 for condominium and townhomes as of August 2008. Clearly such high prices, coupled with high financing costs, can severely constrain the ability of even moderate income families and households to purchase a home. Because of spatial correlations between housing cost and employment centers, the spiraling of prices has also caused an even longer commute time for many households searching for cheaper housing both inside and outside of the region. Such commutes impact the transportation network and degrade the environment.

San Jose's population grew from 894,943 in 2000 to 989,496 in 2008- an increase of 94,553 residents. The City of San José includes over half of the county's population, and has grown slightly faster than the county as a whole over the past decade, and accounts for two-thirds of the residential growth in the county. During the last decade the City's population increased 18% while the county's increased by 17%. This growth is expected to continue into the next decade but at a much slower rate.

Average household size in San Jose has experienced ups and downs over the last thirty years, but has exhibited relative stability in recent years. According to the 2006 American Community Survey, the average household size in San Jose is 3.12 persons, compared to 2.92 in the State and 2.6 nationwide. This figure represents a decrease from the average household size in 2000 and a slight increase over the 1990 figure of 3.08 persons per household. The average household size in San Jose is relatively higher compared to the State and nationwide average. This is partially due to the increase in the number of larger families as well as rising housing costs. According to the 2006 American Community Survey, approximately eight percent of all occupied dwelling units (23,530 units) could be classified as overcrowded with a higher percentage of renters living in overcrowded conditions than owners. As greater numbers of families and households are unable to enter the ownership housing market, they turn to the rental market. The tight housing market has caused vacancy rates to range between 1.0% and 3.6% over the past several years. As further detailed in Appendix C, 53,205 renter households and 81,699 home owner households in San Jose spent more than 30% of their gross incomes on housing in 2006. Of these households, 18,714 were extremely low-income renter households (incomes less than 30% of the area median income); 14,877 were very low-income renter households (incomes between 30%

and 60% of area median); and 10,579 were low-income renter households (incomes between 60% and 80% of area median). These numbers do not include those families who are living doubled-up or who are forced to live in outlying areas and commute to jobs in San Jose.

Under State law, the Association of Bay Area Governments (ABAG) determines the fair share allocation of housing need for all Bay Area communities. For San Jose, the housing need is 34,721 dwelling units between January 2007 and June 2014. Of this number, 3,876 are needed for extremely-low income households, 3,875 for very low income households, 5,322 for low income households, 6,198 for moderate income households and 15,450 for above moderate income households. This fair share allocation is limited to the projection of future housing need; it does not take into account households living “doubled-up” or who have been forced to live in outlying areas due to the lack of affordable housing in San Jose due to limitations of official data sources. However, the City’s housing programs are intended to address needs of lower-income households. The City’s housing programs also seek to create affordable housing opportunities at the deepest affordability. In addition, the City's Housing Department, under its current Notice of Funding Availability (NOFA) for project developments has a requirement that affordable housing financed by the City must incorporate a minimum of 25% ELI units. Moreover, in accordance with the adopted Five-Year Housing Investment Plan, the Housing Departments must target 30% of its Low and Moderate Income Housing Funds (20% funds) to ELI households.

Determining an Appropriate Program Response

The City of San José has traditionally provided the bulk of housing in Santa Clara County with a large range in price variation including the largest number of affordable units. The needs analysis contained in the Housing Appendix, however, clearly indicates a large and complex housing need which exceeds the resources of the City to meet.

In determining an appropriate program response, the City seeks to maximize its resources towards the area of greatest need and to utilize available State and Federal programs. Recently, however, Federal and State resources which address housing needs have diminished, while needs have increased, particularly for low income rental apartments.

In order to implement the City's housing programs more effectively, the City Council consolidated the Housing and Neighborhood Development Division of the Department of Neighborhood Preservation with the Housing Development section of the Redevelopment Agency in the fall of 1987 and created the Housing Department. A Mayor's Task Force on Housing was created to develop housing policies to guide the City in addressing affordable housing needs. A comprehensive Housing Needs Assessment was prepared by a consultant and reviewed by the Task Force; together with input from the community, the Housing Needs Assessment formed the basis for the five- year Housing Program. The Mayor's Final Report outlines the following City housing policy goals:

Goal 1: Increase the supply of affordable housing, preserve the housing stock and reduce the cost of developing affordable housing.

Goal 2: Utilize available resources to address priority needs for housing.

Goal 3: Increase the funds available for the preservation and development of affordable housing.

Goal 4: Disperse low income housing throughout the City to avoid concentrations of low income households and to encourage racial and economic integration.

Goal 5: Encourage greater involvement of public and private sectors to increase and preserve the stock of affordable housing in San José.

Based on these policy goals, a series of recommendations was made relating to land use planning, site acquisition, residential development tax exemptions, Single Room Occupancy housing, the conversion of assisted units to market rate rentals, long- term affordability requirements, targeting of funds by income level and need for new or rehabilitated housing, development policies for rental and ownership housing, last resort housing and other issues.

The City has systematically addressed these issues and has implemented the individual recommendations outlined in the Final Report. These goals continue to shape the program directions implemented as a part of the City's Consolidated Plan.

The Housing Assistance Program objectives outlined below include the City's funding resources (numerically identified in the text) as well as available Federal and State monies. Because of uncertainties in dollar projections and recent legislative action at the Federal level, these objectives can only be considered as numerical representations of what the City anticipates can be achieved for low and moderate income housing.

The housing program objectives set forth below represent the results of a number of analyses. The construction activity projections are based on the City's annual construction activity forecasts used in the development of the Capital Improvement Program.

The other program objectives are based on: 1) the City's experience with affordable housing programs which will be monitored annually and updated in conjunction with the Consolidated Plan goal setting process; 2) the rates of success in implementing the Housing Element program goals incorporated into the General Plan in 1978, 1981, 1983, 1984, 1988, 1989, 1994, and 2003; and, 3) State and Federal Government funding resources available to the City. The objectives for the "Additional Programs" listed on the following pages are based on the need to promote additional housing opportunities and to expand existing programs.

Housing Assistance Program Objectives

Construction Activity Projections

The City of San José has projected a total dwelling unit production of approximately 24,700 units for the January 2007- June 2014 time frame of the Housing Element. These figures assume an average of 3,800 new building permits approved each year, reflecting the recent trend of housing construction in San José. The City projects approximately 7,300 units of affordable housing production for the fiscal year 2000/ 01 - 2005/06 time frame. Between January 1999

and June 2006, approximately 8,900 affordable housing units were produced.

Local Assisted Housing Programs Objectives

The City of San José’s extremely-low, very low, low and moderate income housing goals for the 2005-2010 Consolidated Plan are summarized on Figure 21 and 22 (see next page). In addition to the five-year housing production goals shown in Figure 21, the City has goals for the conservation of existing affordable housing units. For example, there are 10,585 mobilehome units in San José as of 2006 and all but about 200 of these units are located on sites zoned RM-H (Mobilehome Park District) or are under a Planned Development zoning which allows only mobilehome parks as a permitted use. These zoning districts are designed to encourage the preservation of mobilehome parks and give them some continued protection from speculative conversion to other units during the 2007-2014 planning period because of the increased stability provided for mobilehome parks through these zoning districts.

Figure 21 indicates that the goals for new construction of assisted housing units includes the acquisition/rehabilitation of "at- risk" units (federally assisted rental units that could be converted to market rate rents). The City's Housing Department will use a variety of programs identified in the Housing Appendix to conserve these units. Over the time period of the Housing Element from July 1, 2009 to June 30, 2014, the City anticipates funding commitments for 2,750 units with an emphasis on Extremely Low- and Very Low-income households. The City does not anticipate allocating funding in order to preserve its at-risk housing units, as this housing stock is primarily owned and managed by non-profit organizations that are committed to preserving the affordability restrictions. Figure 22 breaks down the production goals according to income levels for identified priority groups.

Figure 21. Proposed Five-Year Production Goals 2009-2014

Targeting	New Construction	Acquisition/ Rehabilitation	Preservation	5-Year Total
ELI	563	125	0	688
VLI	1462	325	0	1787
LI	225	50	0	275
Mod	0	0	0	0
Market	0	0	0	0
Total	2250	500	0	2750
Source: City of San Jose Housing Department, 2008				

Figure 22. Affordable Housing Production Priority

Priority Housing Needs – Households	Income Levels # of Households	Priority Need Level – High, Medium, and Low
Small Related Renters (0-80%) - 20,974	0-30%MFI (7,470)	H
	31-50%MFI (7,365)	H
	51-80%MFI (6,139)	M
Large Related Renters (0-80%) - 12,968	0-30%MFI (4,600)	H
	31-50%MFI (4,715)	H
	51-80%MFI (3,653)	M
Elderly Renters (0-80%) - 8,182	0-30%MFI (5,659)	H
	31-50%MFI (1,685)	H
	51-80%MFI (838)	M
Other Renter Households (12,533)	0-30%MFI (4,955)	H
	31-50%MF I (3,454)	H
	51-80%MFI (4,124)	M
Total Owner Households (0-80%) (19,123)	0-30% MFI (10,755)	H
	31-50% MFI (4,715)	H
	51-80%MFI (3,653)	M
Total		

Source: City of San Jose Department of Housing Consolidated Plan, 2005-2010

Small Households = Four persons or fewer

Large Households = Five persons or more

Existing and New Programs

The following actions will be taken in implementing the goals of the City of San José's Five-Year Housing Strategy:

The Use of the City's 20% Redevelopment Housing Fund

Under the requirements of California Community Redevelopment Law, as provided in Section 33334.2 of the Health and Safety Code, 20% of the tax increment funds from merged, amended, or newly created redevelopment areas utilizing tax increment financing must be set aside for housing purposes for low and moderate income households. These funds may be used for a variety of purposes such as land or building acquisition, construction financing, subsidies, land improvements, development of plans and paying the principal or interest on bonds and loans. Given the economic downturn, the Housing Department anticipates that its 20% funds will stay even with its FY 2008-09 amount of \$37,000,000, and does not expect an increase. The 20% funds are used to finance all aspects of the Housing Department's activities, including new construction and acquisition/rehabilitation programs for family and special needs housing, ownership and rental developments, and predevelopment funding assistance.

In order to maximize the impact of 20% Funds, the Housing Department issues bonds against those funds. The bond proceeds are used to finance the Department's housing programs. The Department's tax increment then goes to repay those bonds over time. In this way, the Housing Department is able to leverage each \$1 of tax increment into approximately \$10 of bond proceeds, for a 1:10 ratio.

San Jose Housing Trust Fund

In June 2003, the City established a Housing Trust Fund (HTF) as a way to create a permanent source of funding for the City's housing and homeless programs. The HTF is a vehicle through which the City will seek and compete for external funding sources otherwise not available to the City. Currently, the HTF is composed of various funding sources, including: bond administration, tax credit application review fees, in-lieu housing fees (see next funding source below), and other miscellaneous revenues. The Housing Department continues to explore ways to strengthen the HTF in order to ensure a dedicated revenue source for the Department's housing programs.

In-Lieu Fees

The City's existing inclusionary housing policy implements the requirements of state law for redevelopment project areas and requires developers with projects in the City's redevelopment areas to set aside a portion of their residential development as income-restricted units. However, developers have the option to pay a fee in-lieu of building the affordable units. These fees are reviewed annually to ensure they are set at an appropriate level. In-lieu fees go to the Housing Department, which are then used to further the Department's affordable housing goals.

Community Development Block Grant Funding

The Community Development Block Grant (CDBG) program provides federal funding to develop viable urban communities by providing decent housing, a suitable living environment, and economic opportunities, principally for persons of lower-incomes. The Housing Department targets CDBG funds for moderate and substantial rehabilitation of Extremely Low-, Very Low- and Low-Income renter and owner-occupied units, and relocation of occupants during the rehabilitation phase, as needed. CDBG funds will further be used to fund projects in specially designated neighborhoods, to support the City's predevelopment loan program for nonprofit housing sponsors, and to assist in the permanent relocation of households.

2007-2014 Housing Element Implementation Programs

The City has begun implementing various measures to mitigate identified constraints to development and housing production. These measures facilitate housing production by streamlining the permitting process, reducing costs, or providing a level of predictability in the development process. Some examples of these programs include:

- Transit-Oriented Development/Mid- and High-Rise Residential Design Guidelines
- Enhanced High-Rise Design Review Process
- 2007 California Standards Code Outreach and Training
- Live Telephone Customer Service
- Preliminary Review Application Process
- Housing Department Notice of Funding Availability (NOFA) Process and Underwriting Guidelines
- Improvements in the Building Division to facilitate streamlining of the permitting process
- Elimination of the Planned Development Zoning process requirement for certain Mixed-Use Development projects
- Option to Use Discretionary Alternate Use Policies through a Use Permit
- 2008 Zoning Ordinance Streamlining Amendments

In addition, implementation of the 2007-2014 Housing Element will require the City to update existing land use policies in the General Plan as well as adopt new ordinances and revisions to the Zoning Ordinance in order to comply with State law. These actions include adopting a Density Bonus Ordinance, establishing a higher-density multi-family residential zoning district, and revising several General Plan land use designations to establish a minimum density of 30 dwelling units per acre. Descriptions of these programs the relevant General Plan policies that guide their implementation are listed in Figure 23.

Equal Housing Opportunities

The City of San José is committed to providing equal housing opportunities for all persons wishing to reside in San José. City policy is to distribute housing units affordable to various income levels throughout the City to create economically diverse neighborhoods. The City has a

variety of programs to avoid discrimination and to resolve discrimination complaints.

The City of San José encourages equal housing opportunities through its rent relief/stabilization program. Apartment tenants and mobilehome residents seeking relief from rent increases may request a public hearing.

The City funds the Legal Aid Society of Santa Clara County's Housing Project with CDBG monies for the provision of fair housing services to landlords and tenants. Legal Aid provides help with evictions, rental repairs, deposits, rental agreements, leases, rental disputes, mortgage delinquency, home purchase counseling, housing discrimination and other housing related issues. Legal Aid staff is responsible for fair housing counseling, conciliation, fair housing education, referrals, investigations and audits. These responsibilities may extend to monitoring of HUD subsidized complexes on a request basis.