City of San Jose
Task Force for Envision 2040 Four-Year Review

Affordable Housing Policies

Thursday, February 25, 2016
San Jose City Hall Wing Rooms 118-120
Presentation Goals

• Provide contextual information
• Identify key themes and issues
• Share results of regional housing needs allocation (RHNA)
• Review proposed affordable housing policies/actions
For-Sale Housing Costs Have Recovered - SJ

San Jose Median Home Price ($) vs. Time (Jan-00 to Jan-15)

- **Single Family**
  - Jan-00: $825,000
  - Jan-15: $825,000

- **Condo**
  - Jan-00: $465,000
  - Jan-15: $465,000
Rents at All-Time Highs - SJ

Average Monthly San José Rents

- Studio
- 1bd/1bath
- 2bd/2bath
- 3bd/2bath
- Average

<table>
<thead>
<tr>
<th>Year</th>
<th>Studio</th>
<th>1bd/1bath</th>
<th>2bd/2bath</th>
<th>3bd/2bath</th>
<th>Average</th>
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</thead>
<tbody>
<tr>
<td>1st Qtr-2000</td>
<td>$800</td>
<td>$1,000</td>
<td>$1,200</td>
<td>$1,400</td>
<td>$1,225</td>
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<td>$2,000</td>
<td>$2,200</td>
<td>$1,950</td>
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<td>$2,200</td>
<td>$2,400</td>
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<td>$3,000</td>
<td>$2,750</td>
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<td>1st Qtr-2009</td>
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<td>$2,800</td>
<td>$3,000</td>
<td>$3,200</td>
<td>$2,950</td>
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<td>1st Qtr-2010</td>
<td>$2,800</td>
<td>$3,000</td>
<td>$3,200</td>
<td>$3,400</td>
<td>$3,150</td>
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<td>$3,200</td>
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<td>1st Qtr-2012</td>
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<td>$3,400</td>
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<td>$3,550</td>
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<td>1st Qtr-2013</td>
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<td>$3,600</td>
<td>$3,800</td>
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<td>$3,750</td>
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<td>1st Qtr-2014</td>
<td>$3,600</td>
<td>$3,800</td>
<td>$4,000</td>
<td>$4,200</td>
<td>$3,950</td>
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<tr>
<td>1st Qtr-2015</td>
<td>$3,800</td>
<td>$4,000</td>
<td>$4,200</td>
<td>$4,400</td>
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</tbody>
</table>

SOURCE: realAnswers – Q4 2015 - Data only includes rental projects with 50 apartments or more
## Housing Costs & Minimum Incomes

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Median Price</th>
<th>Minimum Income</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>$465,000</td>
<td>$109,000</td>
</tr>
<tr>
<td></td>
<td>$825,000</td>
<td>$160,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rental</th>
<th>Average Rent</th>
<th>Minimum Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>$1,779</td>
<td>$71,160</td>
</tr>
<tr>
<td></td>
<td>$2,209</td>
<td>$88,360</td>
</tr>
<tr>
<td></td>
<td>$2,750</td>
<td>$110,000</td>
</tr>
<tr>
<td></td>
<td>$3,275</td>
<td>$131,000</td>
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</tbody>
</table>

Source: Median prices from Santa Clara County Association of Realtors, December 2015; Average rents from RealFacts, 3rd Quarter 2015
History of High Housing Costs in San Jose

Ratio of Median Housing Value Compared to Median Income

Affordable Ratio

$\frac{261,000}{87,000} = 3$

Actual Ratio

$\frac{661,000}{87,000} = 7.6$

Source: US Census
## Income Categories for Affordable Housing

<table>
<thead>
<tr>
<th>Income Category</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low (0-30% AMI)</td>
<td>$22,350</td>
<td>$25,550</td>
<td>$28,750</td>
<td>$31,900</td>
</tr>
<tr>
<td>Very Low (31-50%)</td>
<td>$37,250</td>
<td>$42,550</td>
<td>$47,850</td>
<td>$53,150</td>
</tr>
<tr>
<td>Low (51-80% AMI)</td>
<td>$59,400</td>
<td>$67,900</td>
<td>$76,400</td>
<td>$84,900</td>
</tr>
<tr>
<td>Median (AMI)</td>
<td>$74,400</td>
<td>$85,050</td>
<td>$95,650</td>
<td>$106,300</td>
</tr>
<tr>
<td>Moderate (81-120% AM)</td>
<td>$89,300</td>
<td>$102,050</td>
<td>$114,800</td>
<td>$127,550</td>
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</tbody>
</table>
Regional Housing Needs 2007-14: County ex-SJ

59% of RHNA is Affordable

41% of RHNA is Market-Rate

<table>
<thead>
<tr>
<th>Income Level</th>
<th>RHNA</th>
<th>Permits Issued</th>
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</thead>
<tbody>
<tr>
<td>Very Low</td>
<td>6,127</td>
<td>2,024</td>
</tr>
<tr>
<td>Low</td>
<td>4,245</td>
<td>1,654</td>
</tr>
<tr>
<td>Moderate</td>
<td>4,809</td>
<td>2,227</td>
</tr>
<tr>
<td>Above Moderate</td>
<td></td>
<td>22,889</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>25,617</td>
</tr>
</tbody>
</table>

25,000

20,000

15,000

10,000

5,000

0
Regional Housing Needs 2007-14: San Jose

56% of RHNA is Affordable

34% of RHNA is Market-Rate

Very Low: 7,751
Low: 5,322
Moderate: 6,198
Above Moderate: 15,450
Total: 34,721
### Regional Housing Needs 2007-14: Summary

<table>
<thead>
<tr>
<th></th>
<th>ELI/VLI</th>
<th>Low</th>
<th>Moderate</th>
<th>Above Mod</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>County ex-SJ</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,024/6,127</td>
<td>1,654/4,245</td>
<td>2,227/4,809</td>
<td>22,889/10,436</td>
<td>28,794/25,617</td>
</tr>
<tr>
<td></td>
<td>33%</td>
<td>39%</td>
<td>46%</td>
<td>219%</td>
<td>112%</td>
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<tr>
<td><strong>SJ</strong></td>
<td>1,774/7,751</td>
<td>1,038/5,322</td>
<td>144/6,198</td>
<td>13,073/15,450</td>
<td>16,029/34,721</td>
</tr>
<tr>
<td></td>
<td>23%</td>
<td>20%</td>
<td>2%</td>
<td>85%</td>
<td>46%</td>
</tr>
</tbody>
</table>

*San Jose counted permit data through 2014, while other cities counted through September 2015.*
Divided Workforce

Above Moderate-Income
31% of Workforce
$89,301 - $155,000
 (>120% of AMI)

Median wages by occupation from California Employment Development Department, May 2015
* Area Median Income (AMI); income levels from 2015 HCD Income Limits for one-person household in Santa Clara County
Steve, Shop Technician & Metalworker
Robert, Artist & Former Machinist
60% of 2014-23 RHNA is Affordable

40% of 2014-23 RHNA is Market-Rate

- **2007-14**
  - Extremely Low/Very Low: 7,751
  - Low: 5,322
  - Moderate: 6,198
  - Above Moderate: 15,450
  - Total: 34,721

- **2014-23**
  - Extremely Low/Very Low: 9,233
  - Low: 5,423
  - Moderate: 6,188
  - Above Moderate: 14,231
  - Total: 35,080
Jobs-Housing Fit

- Jobs-housing *balance* indicator of overall jobs and housing/employed residents.

- Jobs-housing *fit* measures availability of housing types relative to worker incomes.
  - Ratio of # of Low-Wage Jobs: # of Affordable Homes.

- SJ has jobs-housing fit of 4.37:1.
  - Deficit of 21,200 affordable homes.

- Considerations
  - One high-wage worker induces demand for four additional low-wage jobs.
  - Desire for additional sales tax, retail jobs are usually low-wage.
Market Demand for Urban TOD

- Continued market demand for urban, walkable, transit-oriented communities.

- 2016 Emerging Trends in Real Estate - ULI
  - Suburbs 2.0: More Main Street Living, including transit-oriented development
  - “Existing parking represents a suboptimal use of land.”
  - New housing options and ideas: “Developing improved housing options for everyone, however, is passing from the realm of “nice to do” to “must do.” That’s going to be shaping the housing trends going forward.”
Areas Susceptible to Displacement
Proposed General Plan Policies

• Facilitate new affordable housing opportunities, especially in key development areas – such as in Urban Villages – where the market would otherwise price them out.

• Preserve existing affordable housing opportunities.

• Mitigate/prevent displacement of low-income residents.
100% affordable housing in Urban Villages may proceed in an Urban Village ahead of a growth horizon, or in a Village in current horizon that does not have a Council-approved Village plan if:

- Must be for low-income residents who are extremely low-income (up to 30% AMI), very low-income (up to 50% AMI), or low-income (up to 60% AMI)

- Project does not exceed 25% of total residential capacity of the Urban Village. For Villages < 500 unit capacity, max of 125 units of AH could be developed, not to exceed total planned housing capacity.

- Development is consistent with Village plan (if one has been approved by Council).

- Does not need to pull from the residential pool.
Continued:

- Development that demolishes and does not adaptively reuse existing commercial buildings should replace the existing commercial square footage with an equal or greater amount of new commercial development either in vertical or horizontal mixed-use format.

- Project is not located on identified key employment opportunity sites, which are sites generally 2 acres or larger, located at major intersections and for which there is anticipated market demand for commercial uses within the next 10-15 years.

- Deed-restricted affordable housing built under this policy does not need to pull from the residential pool.
Proposed General Plan Policies: Urban Villages

• As part of preparation of an Urban Village Plan, establish a goal of a minimum of 25% of the residential capacity be for deed restricted affordable housing, with 15% of the units targeting households with an income below 30% of AMI.
Proposed General Plan Actions: Preservation

- Mobilehome parks.
  - Deferred by City Council February 23, 2016.
- Existing affordable housing opportunities.
Proposed General Plan Actions: Anti-Displacement

- Identify neighborhoods/planning areas undergoing change:
  - Market-driven
  - Infrastructure investment

- Identify, assess, and implement potential tools, policies, and programs to prevent or to mitigate displacement of low-income residents.
Proposed General Plan Policies: Other

- Allow conversion of commercial property if following conditions are met:
  - 100% deed-restricted affordable housing development.
  - Site is 1 acre or less.
  - Site is vacant or underutilized.
  - Residential uses adjacent on at least two sides & development would be compatible with surrounding neighborhood.
  - Would not impact viability of surrounding commercial or industrial properties or businesses.
  - Site is located within ½ mile of existing transit line.
  - Development integrates commercial uses that support the affordable housing development and/or surrounding neighborhood.
Proposed General Plan Policies/Actions: Other

- Prioritize and facilitate affordable housing in other key areas such as infill areas and transit areas.
- Work with partners to develop regional mechanism for affordable housing.
- Explore, analyze, and implement innovative programs, policies, and partnerships that lead to new housing solutions/products.
- Periodically analyze City’s jobs-housing fit.
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Affordable Housing Policies

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