

WEBVTT

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00:06:13.320 --> 00:06:17.150

Solivan, Erik: Okay, Jeff, do you wanna kick it off? It's 4 o'clock.

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00:06:21.000 --> 00:06:21.450

Jeff Scott: Okay.

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00:07:12.340 --> 00:07:18.799

Jeff Scott: well, good afternoon, everybody, and thank you for joining us. My name is Jeff Scott, and I'm with the city of San Jose housing department.

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00:07:19.238 --> 00:07:25.709

Jeff Scott: I believe there are still a few people that are continuing to join the meeting. So I'll admit those people as they as they come online.

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00:07:26.090 --> 00:07:33.150

Jeff Scott: But I want to thank you all for being here. This is the 1st meeting of the Housing Department's new Community Engagement series.

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00:07:33.420 --> 00:07:40.729

Jeff Scott: We'll be hosting meetings like this every month, and they're going to be on a wide range of topics. Those topics will vary from month to month.

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00:07:41.240 --> 00:07:52.739

Jeff Scott: and our intention is to share information about new regulations, new policies, and upcoming changes in our department, and we want to give community members an opportunity to ask questions and to provide feedback

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00:07:53.440 --> 00:08:07.009

Jeff Scott: in the interest of transparency. An invitation to this meeting went out to several 1,000 people in the community. In fact, more than 10,000 people who have asked to be kept up to date on changes and policies in our department.

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00:08:07.370 --> 00:08:12.660

Jeff Scott: We also promoted this via email via social media and a number of number of other channels.

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00:08:13.670 --> 00:08:17.030

Jeff Scott: and I also want to let everyone know that this meeting is being recorded.

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00:08:17.230 --> 00:08:34.369

Jeff Scott: and after this meeting in the next day or so we'll post the recording of this meeting as well as the presentation from from today's meeting online, so that people can use that as an archive and go back and review that, or watch that

video if they're not able, if they're not able to watch any or all of the meeting today.

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00:08:35.830 --> 00:08:43.020

Jeff Scott: and in just a moment. I'm going to hand things over to Eric Sullivan. He's going to lead today's meeting. Eric, of course, is the director of our department.

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00:08:43.520 --> 00:08:47.769

Jeff Scott: and I just want to let everyone know that if you would like to submit questions for Eric.

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00:08:48.020 --> 00:09:07.010

Jeff Scott: the best way to do so is to use the chat function. And so I have access to the chat function. And if you submit questions there, I can pass those. I can pass those questions along to Eric, and he'll be able to answer those. And if we are not able to answer all the questions today, if we don't get to all the questions today.

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00:09:07.010 --> 00:09:19.329

Jeff Scott: then we will post answers along with the recording that I just mentioned in the presentation. We will also provide answers to all the questions or any of the questions that we're unable to get to today.

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00:09:19.550 --> 00:09:22.591

Jeff Scott: So our our intention really here is to

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00:09:23.060 --> 00:09:30.430

Jeff Scott: is to make sure that we give as much information as possible to you, and if we're unable to answer your questions, say that we follow up

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00:09:31.890 --> 00:09:38.860

Jeff Scott: And with that, Eric, I'm gonna hand it over to you, and I'm going to share my screen and bring up the presentation for today's meeting.

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00:09:39.410 --> 00:09:40.899

Solivan, Erik: Great. Thank you. Jeff.

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00:09:41.270 --> 00:09:41.950

Solivan, Erik: Yeah.

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00:10:27.880 --> 00:10:29.369

Solivan, Erik: Jeff, is there technical.

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00:10:29.370 --> 00:10:29.870

Jeff Scott: Yeah.

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00:10:29.870 --> 00:10:30.800

Solivan, Erik: Challenge, okay.

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00:10:30.800 --> 00:10:34.430

Jeff Scott: Yeah, yeah, hold on. I'm just having difficulty sharing my screen here. Sorry.

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00:10:34.430 --> 00:10:37.110

Solivan, Erik: Okay, yeah.

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00:10:37.990 --> 00:10:53.420

Solivan, Erik: Well, while Jeff is doing that, I'll just make a quick introduction. So we are looking to start this series that Jeff had mentioned, in order to provide just a more consistent forum open to all parties, interest groups, organizations

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00:10:53.420 --> 00:11:11.290

Solivan, Erik: interested in the work of the housing department. As many of. You know, the work of the housing department spans a broad spectrum from our work around homelessness and outreach and engagement management of interim housing. Our Application utilization of Federal grants and funds

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00:11:11.290 --> 00:11:26.340

Solivan, Erik: to our work around asset management, housing, production, housing, finance across the spectrum from affordable housing and our work around market rate housing. And so we have a broad spectrum of

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00:11:26.750 --> 00:11:56.579

Solivan, Erik: charges, initiatives, programs, and investments. And the intent of this starting new Monthly series, we're gonna do is to provide information about ongoings and happenings within the department about upcoming as well as past. The 1st few that you'll see here will be about initiatives and programs that have recently passed the housing department have recently been passed by city Council and the mayor, and then some

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00:11:56.860 --> 00:12:20.940

Solivan, Erik: projecting out of upcoming regulations programs and initiatives. That department is working on both under a charge and a direction from city council and mayor, and those items that I have seen is since entering this position here in May of 2024. That department needs to improve upon

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00:12:20.940 --> 00:12:31.419

Solivan, Erik: whether that is our work around regulations to key programs that we operate, or it is regulatory updates

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00:12:31.440 --> 00:12:39.710

Solivan, Erik: to better reflect new direction from council and mayor changes in state law changes in federal law.

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00:12:39.790 --> 00:12:47.710

Solivan, Erik: So this is an opportunity and a forum to sort of engage in those series of changes spanning the entire scope

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00:12:47.830 --> 00:13:16.129

Solivan, Erik: of the work that the department does, and to have an open forum. So the goal of this, as Jeff had mentioned, is to provide the information, receive questions, answer as much of the questions as we can get to here in the next hour period here, after short presentations, and then we'll be posting and recording all of these sessions on our website alongside our responses to all the questions that may have been asked, so that we can keep the public informed

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00:13:16.310 --> 00:13:23.489

Solivan, Erik: about these changes, and keep an open and running dialogue with all constituencies and groups.

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00:13:24.216 --> 00:13:29.449

Solivan, Erik: So, Jeff, do you want me to potentially do the sharing here?

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00:13:30.210 --> 00:13:31.729

Solivan, Erik: You have some challenges there.

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00:13:40.610 --> 00:13:44.049

Solivan, Erik: Okay, 1 min. See? Okay? Well, you send me the email here.

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00:14:49.450 --> 00:14:58.933

Solivan, Erik: So we've worked out our technical difficulties. So I'm in fact, going to share from my screen. So I will do this now and kick off the presentation. Then afterwards

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00:14:59.540 --> 00:15:03.490

Solivan, Erik: we'll be able to kind of engage in some questions here.

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00:15:07.920 --> 00:15:09.450

Solivan, Erik: So

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00:15:52.430 --> 00:16:07.839

Solivan, Erik: okay, alright. So, due to a technical difficulty in the setup this. And this is always the challenge. When we're starting a new communications platform. We're not gonna be able to share it simultaneously. So Jeff is making the link available now

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00:16:07.890 --> 00:16:33.769

Solivan, Erik: in our website so that folks can follow along. And I will walk through. It's a very brief presentation that talks through 2 of our incentive programs for multifamily production. That Council and Mayor have passed recently. One is the downtown incentive program which was passed in June of 2024.

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00:16:33.800 --> 00:16:47.839

Solivan, Erik: The second one, which was passed in December of 2024 is the growth areas multifamily incentive program. So we'll walk through very briefly. What are some of the key components of each of these programs.

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00:16:47.910 --> 00:17:07.610

Solivan, Erik: And, as you will see in the presentation when you have an opportunity to download it online and view it

online. You will also see a brief schedule of upcoming other programs that we intend to make a part of this monthly Communications dialogue

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00:17:07.829 --> 00:17:20.550

Solivan, Erik: today's multifamily housing production incentive program in April. We're going to be talking through our draft, moderate income housing strategy that is currently in production and in draft form.

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00:17:20.550 --> 00:17:38.960

Solivan, Erik: In May. We will be coming back to talk through updates to our underwriting guidelines for financing the development of affordable housing, as well as what are the key components of the request for proposals for affordable housing production. So that'll be in May.

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00:17:39.040 --> 00:18:01.660

Solivan, Erik: Throughout the course of the balance of the year, we'll be bringing forth through this Channel updates regarding our department performance dashboard, as the Department has responded to both State audits and city audits on the need to clarify the performance. Metrics of the housing department across the entire range

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00:18:01.750 --> 00:18:28.410

Solivan, Erik: of the housing continuum that we serve. And we have developed new dashboards, and we'll be bringing forth those for consideration and feedback from this community communication channel, followed by our work around the inclusionary Housing ordinance, particularly the regulation side of it. As we're going to look to streamline some of the operations. We're looking and analyzing the fees.

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00:18:28.590 --> 00:18:35.299

Solivan, Erik: We're also to wrap up this series for this plan year, going to be doing updates

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00:18:35.310 --> 00:18:56.460

Solivan, Erik: to our tenant protection ordinance regulations. So just on the regulatory side, not on the ordinance side and the apartment rent ordinance regulations as well looking to clean up and streamline the regulations on both aspects in response to various activities and challenges and projects.

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00:18:56.460 --> 00:19:05.849

Solivan, Erik: as well as initiatives that have occurred over the years. And now, since both regulations, the tenant protection ordinance and the apartment rent ordinance

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00:19:05.880 --> 00:19:32.050

Solivan, Erik: have are close to a decade old or more, it's time to just do some refreshing and some revisions. And so we'll bring those updates and those proposed changes to this community channel. So we can receive comprehensive feedback from the community here. So that is the kind of the goal and the objectives of this. And for this 1st one, as I had mentioned, we're really focused on our 2 incentive programs.

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00:19:32.440 --> 00:19:44.570

Solivan, Erik: The first, st as I mentioned, is in June of last year, was a downtown High Rise incentive program, which was adopted by Mayor and Council as a way to spur more production in our downtown area.

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00:19:45.143 --> 00:20:04.780

Solivan, Erik: I will note a key trend throughout both programs that were passed by mayor and Council to incentivize housing production was the following fact, in 2024 0 new starts of construction had occurred in multifamily market rate production.

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00:20:05.030 --> 00:20:29.020

Solivan, Erik: Given the city's Rena goals to achieve over 62,000 new housing units in the city. We have to find ways to get some momentum around production in our downtown core hoping to bring more high rises into the space as well as. And this is the second part, which is our growth. Areas. Housing, production, incentive

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00:20:29.130 --> 00:20:41.800

Solivan, Erik: get new production and units occurring in areas of growth like in North San Jose, in areas surrounding the downtown. So we can get more units under production.

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00:20:41.940 --> 00:20:50.380

Solivan, Erik: And so those are the 2 we're going to talk about today. And first, st I'll just begin with the downtown High Rise incentive program.

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00:20:50.880 --> 00:21:13.399

Solivan, Erik: So this program has been around for a number of years the program did not perform to expectations in terms of producing the amount of units that were included in the initial projections from a couple of years ago. And so we brought forth this consideration to Mayor and Council in June of last year.

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00:21:13.400 --> 00:21:31.459

Solivan, Erik: with the intention of How do we create modifications. How do we revise some of the incentives within the program to hopefully get some production going in acknowledging 2 important factors? The 1st is in the current economic environment.

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00:21:32.091 --> 00:21:40.209

Solivan, Erik: There are lots of headwinds to the production of multifamily units. Those headwinds include one

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00:21:40.450 --> 00:22:05.440

Solivan, Erik: ever increasing treasury yields. So I will note just in the last couple of weeks yields have been dropping interest. Rates were at the time in June on a trend downward, and have sort of plateaued at this point, and that is a continuing headwind, while at the same time the cost of materials, the cost of construction has continued to rise

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00:22:05.520 --> 00:22:28.600

Solivan, Erik: in our current economic environment where we see increasing tariff taxes on imports and exports throughout, we're gonna see additional headwinds to multifamily production. And so what the downtown High Rise incentive was designed for is, how do we provide incentives to help developers

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00:22:28.830 --> 00:22:39.280

Solivan, Erik: meet some of those costs and still make projects financially feasible. So the goal, and the recommendation that came from staff

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00:22:39.370 --> 00:23:07.749

Solivan, Erik: was to target a world of about just over 4,000 units that have been entitled and are looking for production within the city to do a 2 phase program, and I'll walk through some of the summaries of that steps to provide additional reductions in our construction taxes in order to catalyze more of those entitled properties into production, to reduce some of our parks, fees.

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00:23:07.750 --> 00:23:22.430

Solivan, Erik: obligations that apply to these units, and then to then come back to council through better and more cohesive tracking. By August of this year, in 2025, with an update

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00:23:23.135 --> 00:23:34.479

Solivan, Erik: so those were the charges around the downtown High Rise incentive. And how we look to modify the program in response to some of the current economic climate.

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00:23:34.790 --> 00:23:38.229

Solivan, Erik: and so on the construction taxes. Side.

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00:23:38.837 --> 00:23:51.680

Solivan, Erik: The entire program sort of had 4, 3 primary pieces to it. You have your construction taxes, you have your inclusionary housing ordinance, as your 2 primary piece, and then your park fees.

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00:23:51.840 --> 00:23:55.779

Solivan, Erik: Beginning with the 1st fee, which is construction taxes.

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00:23:56.410 --> 00:24:10.480

Solivan, Erik: We wanted to find a way through this program to reduce that tax liability to new product to new sites on their production in order to hopefully mitigate some of the other headwinds that I discussed

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00:24:10.600 --> 00:24:29.920

Solivan, Erik: interest rates, cost of construction, cost of materials. So this program, what was proposed was designed to take for any of the projects proposed, and I'll talk through some of the eligibility of the projects in terms of height. Again, this is a high Rise incentive program.

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00:24:30.060 --> 00:24:33.450

Solivan, Erik: was looking to create the following senses

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00:24:33.660 --> 00:25:01.979

Solivan, Erik: under construction taxes first, st under phase, one of the project, a hundred percent reduction of both the Crmp and Bns. So building instruction versus construction road and maintenance program taxes that are administered through the city's department of transportation. And then phase 2 would move that reduction of a hundred percent down to 50%.

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00:25:02.030 --> 00:25:16.829

Solivan, Erik: And this, based on some of the initial projections that went into the program, had a hopes of having significant impacts and reductions to the tax liability and hopefully getting some projects to move forward.

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00:25:16.980 --> 00:25:22.439

Solivan, Erik: The second part of this, so construction part is part one second part of it is park fees.

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00:25:22.720 --> 00:25:30.080

Solivan, Erik: This, too, had a two-step approach whereby the parks fees were going to be reduced by 50%,

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00:25:30.160 --> 00:25:48.219

Solivan, Erik: or roughly, \$7,300 per unit in the phase one which has a time period through August of 2025 to get and incentivize more projects to move forward the phase. 2 part of the park fee reduction is roughly 30%.

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00:25:48.220 --> 00:26:03.339

Solivan, Erik: So that way again, to find ways in which to motivate some of the entitled projects. As in the downtown area, there are thousands and units that are entitled. And this was a way to reduce some of those fees. The 3rd part of

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00:26:03.340 --> 00:26:13.820

Solivan, Erik: the downtown program incentive was a reduction in the inclusionary Housing ordinance in lou fees. Right now the inclusionary Housing Ordinance is

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00:26:14.160 --> 00:26:33.549

Solivan, Erik: designed to provide options for developers who choose to build units that are affordable up to a hundred percent ami on the site or in the off site, or, as another alternative, pay a fee in lieu of creating the affordable units.

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00:26:33.920 --> 00:26:43.810

Solivan, Erik: What we have done with the downtown incentive program is to waive that in lieu fee, providing an additional financial incentive

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00:26:43.940 --> 00:27:04.570

Solivan, Erik: for the new projects to build up to 5% of the affordable units on site and take the benefits of the construction tax reductions and the park fee reductions to hopefully move their projects forward the phase. One of this, with the higher reductions and construction taxes and park fees.

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00:27:05.100 --> 00:27:25.260

Solivan, Erik: as well as the 0 of in loop fees, goes until December 31, st 2025. So to the end of this year. So we gave it a 18 month run from June, when the program was adopted by Council to December 31st of 2025 to hopefully start production.

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00:27:25.270 --> 00:27:41.230

Solivan, Erik: I will say we have yet to get a project to quite go. But Staff is working hard and with our development community. And we're hoping through more communication channels about this incentive, we're able to move some projects forward.

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00:27:41.320 --> 00:28:05.650

Solivan, Erik: So that's phase one, the phase 2, which takes the reductions in construction taxes from 100% to 50% takes the park fees from 50% to 30%, but maintains a \$0 of in lieu fees. So a complete waiver of the inclusionary housing in lieu fees goes through January 2026.

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00:28:06.070 --> 00:28:08.460

Solivan, Erik: So there's 2 part step

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00:28:08.580 --> 00:28:16.330

Solivan, Erik: was designed to hopefully incentivize some of the thousands of units that are under a title in our downtown to get going

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00:28:16.540 --> 00:28:19.709

Solivan, Erik: and to move forward with this production.

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00:28:19.730 --> 00:28:33.360

Solivan, Erik: and that was our downtown incentive program, and while we were bringing forth that program to council, we were then charged as staff to come back later in the year, which we returned in December

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00:28:33.360 --> 00:28:50.070

Solivan, Erik: with a growth areas incentive program that builds off some of the incentive work that was done for downtown incentives. And that's what created our growth areas multifamily incentive program.

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00:28:50.460 --> 00:29:04.612

Solivan, Erik: So in December and from June through December we worked with developers to best identify those pressure points in an ever changing economic environment. During those 6 months

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00:29:05.150 --> 00:29:15.610

Solivan, Erik: that are needed to be addressed in order to help spur some investments in our growth areas. Again, thousands of projects under entitlement.

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00:29:15.640 --> 00:29:35.279

Solivan, Erik: We were trying to be specific and tailored in the way in which to get some of these projects opening. So we did some modeling around how best to incentivize, worked closely with a number of developers to identify those key areas, and then devised the following through

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00:29:35.490 --> 00:29:54.429

Solivan, Erik: changes to our growth areas incentive program that again builds off the work from our downtown incentive program. So similarly, we have our 3 primary areas, our park fees. So that's very limited in the growth areas one. But that's a part of it. Our construction taxes and then our inclusionary housing ordinance

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00:29:54.700 --> 00:30:04.540

Solivan, Erik: in the con in construction taxes. The again, we divided into 2 phases. So phase one is the 1st sort of 12 month sprint

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00:30:04.620 --> 00:30:34.580

Solivan, Erik: right through December 31, st where it's a 50% reduction in your building and services tax your bns, and then your Cmp tax. And we capped the total amount of units that can qualify from a list of eligible projects into that program. And that's phase one with construction taxes for phase 2, that 50% reduction came down to 25% reduction.

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00:30:34.580 --> 00:30:49.649

Solivan, Erik: So that's the 1st part construction taxes. The second part dealt with the inclusionary Housing ordinance and similar to the downtown incentive program. We eliminated the in lieu fees and then scaled

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00:30:49.900 --> 00:30:54.209

Solivan, Erik: some of the differences in the

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00:30:54.420 --> 00:31:04.050

Solivan, Erik: strengths of the markets within our growth areas whereby a strong market area which traditionally has a

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00:31:04.410 --> 00:31:32.460

Solivan, Erik: sort of fee based on the square footage in that area, we allowed for a 5% creation of units on site. In both our strong market areas, and then our moderate market areas. The differences between those 2 are more technical in nature. But a similar approach applied whereby we eliminated the in lieu fees and then allowed for

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00:31:33.050 --> 00:31:45.070

Solivan, Erik: both a 5% onsite reduction, a 5% onsite production of affordable units up to a hundred percent of area median income.

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00:31:45.390 --> 00:32:02.179

Solivan, Erik: So this similar to the downtown program, the multifamily growth areas incentive was trying to target ways in which we can spur some production of housing units, the last component of the growth areas incentive program.

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00:32:02.410 --> 00:32:12.799

Solivan, Erik: Again, a smaller piece, but really focus on some of the disparities in fees in our North San Jose Park fees.

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00:32:13.470 --> 00:32:39.739

Solivan, Erik: What the growth areas incentive program did was to allow for private recreation credits up to 50% of the total amount of fee imposed, and then also reduced the rate in order to bring the our park fees in line to all of the other fee assessments throughout other areas of the city.

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00:32:40.324 --> 00:32:59.800

Solivan, Erik: As you'll see in the presentation, once you get a chance to download it, that the delineation of the various fees throughout the city, and how this reduction in the fee, just in a particular zone in North San Jose created that alignment, and was able to

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00:33:00.910 --> 00:33:06.830

Solivan, Erik: capture a number of projects that were on the verge of moving forward.

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00:33:07.330 --> 00:33:34.420

Solivan, Erik: but needed some incentive to progress. And what we've seen thus far with the growth Areas incentive program is that a number of projects have moved forward. There's already a notice, public notice of a public meeting regarding the 1st project to come forward in the multifamily housing incentive program for our growth areas. And that project is at 905 North

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00:33:34.420 --> 00:33:39.489

Solivan, Erik: capital. There'll be 2 other projects that I'll be quickly taking up

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00:33:39.520 --> 00:33:48.619

Solivan, Erik: these incentives in order to move production forward and hopefully bringing thousands of units online. Here.

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00:33:48.620 --> 00:34:09.710

Solivan, Erik: As I mentioned, the 1st phase through December 31st of the growth areas program is capped at 1,500 units. And so we're seeing good uptick. And we encourage any of the developers participating in this call to reach out to the housing department to get your project kinda going, and hopefully take advantage of this, as that

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00:34:09.750 --> 00:34:16.729

Solivan, Erik: cap of units. 1,500 also has a time period ending, which is December 31st of this year.

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00:34:16.949 --> 00:34:37.330

Solivan, Erik: So both of our incentive programs are downtown incentive or growth area incentive has 2 different phases, the 1st phase of which is the highest of the incentives, and it expires on December 31st of 2025, and then there's a phase, 2 that continues on at lower incentive rates.

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00:34:37.429 --> 00:34:56.010

Solivan, Erik: And these programs were designed to hopefully spur some housing production to get what was 0 market rate unit starts hopefully, get that going forward and based on the performance we've seen thus far for the growth area incentive program. We're getting some good results.

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00:34:56.519 --> 00:35:08.259

Solivan, Erik: And we're hoping to Max out that cap of 1,500 unit availability to participate in the Max reductions of taxes and fees.

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00:35:08.300 --> 00:35:33.809

Solivan, Erik: So that's a quick summary. Again, apologies for the technical difficulties and not being able to provide the Powerpoint presentation. But it is posted online. Welcome you to download it. And if you have any questions now, happy to receive questions here. And if you have additional questions, Jeff, that there's an email online that they can email additional questions is that correct in response to the presentation.

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00:35:34.800 --> 00:35:55.402

Jeff Scott: Eric, I'll I'll put my email address in the chat so people can send emails directly to me. And yeah, as Eric said, you can post questions in the chat, and I'll I'll have Eric answer as many as we can right now, and I also just want to apologize again. For this. For the problem, not being able to

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00:35:56.270 --> 00:36:04.010

Jeff Scott: share the share the presentation in real time. That was just a mistake I made in configuring zoom for this, so I apologize.

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00:36:04.720 --> 00:36:09.969

Jeff Scott: Alright, Eric, so we do have a couple of questions just to get things rolling.

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00:36:10.790 --> 00:36:16.359

Jeff Scott: The 1st question is about in lieu fees, and the question is

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00:36:16.470 --> 00:36:22.770

Jeff Scott: because, allowing in lieu fees, defeat the goal of sprinkling affordable housing throughout the city

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00:36:23.180 --> 00:36:26.369

Jeff Scott: rather than concentrating it in one area or one building.

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00:36:27.840 --> 00:36:53.989

Solivan, Erik: Well, that's a good question. And now provide some broader context before I provide the specific answer. So in looking at the design and the history of the inclusionary housing ordinance. There are, if you span sort of the municipalities and the region throughout the State who have inclusionary housing ordinances. There are ways in which you can design it to push developers towards

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00:36:53.990 --> 00:37:17.770

Solivan, Erik: paying of in lieu fees. And I'll talk about the past revenues received which are relatively meager. It's contributions to our overall affordable housing program that aspires housing, or you can encourage through the design of the inclusionary Housing Ordinance to build units on site or to build units off sites

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00:37:18.250 --> 00:37:26.469

Solivan, Erik: within the context of the inclusion and housing ordinance. The goal is to get market rate development, to include affordability up to a hundred percent

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00:37:26.680 --> 00:37:41.299

Solivan, Erik: the payment of fees. And here are some of the facts to it. Over the last few years the inclusionary housing fee, because the production rates have been so low on the market rate side, we've only received just under about 5 million dollars.

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00:37:41.560 --> 00:37:53.999

Solivan, Erik: That is a minor component of the city's affordable housing, lending program. The majority of the

revenues received by the city to lend into affordable housing projects

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00:37:54.000 --> 00:38:18.020

Solivan, Erik: comes from our measure. E. Sources are low to moderate income fees are Cdbg and Federal sources. So in the totality of available programs to invest in the creation of affordable housing through gap, financing, the inclusionary housing fees paid into through the Inloo fee structure is relatively minor.

129

00:38:18.780 --> 00:38:43.560

Solivan, Erik: 2. When you look at the total production of units that are affordable, the city has seen an ever increasing rise in the one. The cost of the total amount of units to the cost of the total amount of gap financing on a per unit basis that is needed in order to produce affordable housing. As an example.

130

00:38:43.560 --> 00:38:58.139

Solivan, Erik: If you go back to our nofas, beginning in roughly 2020, some of our per unit. Subsidies to deals that were approved by mayor and council were between 90,000 and a hundred 10,000

131

00:38:58.430 --> 00:39:09.580

Solivan, Erik: that has raised over the years based on the 2022 nofas to 174,000 up to 207,000.

132

00:39:09.580 --> 00:39:34.209

Solivan, Erik: And now, as we're going forward and bringing in an Rfp. And a notice of funding ability for the next round of potential funding. We're seeing those per unit subsidy rates rise above 225,000, and the cost of units growing from which was 2020, roughly 600,000. Now up to roughly 900,000.

133

00:39:34.240 --> 00:39:45.569

Solivan, Erik: So your totality of cost is increasing, your totality of per unit subsidies is increasing. So when we look at the utilization of the inclusionary housing ordinance

134

00:39:45.610 --> 00:40:02.670

Solivan, Erik: that's roughly about there. You get roughly about 5 million. You divide that out by where future application into units you're going to get at roughly about 225,000 on an average basis, your total amount of units being produced

135

00:40:02.740 --> 00:40:28.620

Solivan, Erik: from the inclusionary houses. Just that lane of funds actually turns out to be less than the total amount of units we can get if we were to waive the fee and then allow for developers to produce with 5% minimum of affordable housing units on site more units because they're able to get the additional equity and capital to bring into the financing stack.

136

00:40:28.770 --> 00:40:34.120

Solivan, Erik: And because the Iho was such a small part of the window of

137

00:40:34.590 --> 00:40:49.440

Solivan, Erik: various sources that we have going into Nofa's, and you'll see that as we come back later in this month to

month production, as I mentioned, at the top of it, where we're gonna release the next Rfp and the next nofa, which we're

138

00:40:49.540 --> 00:41:11.209

Solivan, Erik: targeting is probably over 50 million at this point of the next wave of funding that's going to come through just our our cost of unit, our cost of subsidy per unit, continue to go up. We want to continue to provide that vital source of production. So we get both affordable units being produced and market rate units being produced

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00:41:11.210 --> 00:41:20.660

Solivan, Erik: and better in line for achieving our goal of abundant housing stock in the city, which is our chief charge under the housing element.

140

00:41:23.240 --> 00:41:24.359

Jeff Scott: Alrighty, Eric.

141

00:41:25.110 --> 00:41:28.379

Jeff Scott: We have a few more questions already. The next one is.

142

00:41:28.700 --> 00:41:36.130

Jeff Scott: are the fee reductions that you've discussed? Are they applicable to repair permits, and are permits for adus or not.

143

00:41:37.610 --> 00:42:07.560

Solivan, Erik: That is a good question. I will tell you the downtown incentive one would not be applicable to adus because one of the areas I forgot to cover was, you have to build a building to certain heights. So adus would not be eligible under the downtown incentive program for the growth areas multifamily incentive program. I do not think they're eligible as well. But we'll confirm that in a follow up posting of a complete response to the question.

144

00:42:07.940 --> 00:42:08.640

Solivan, Erik: yeah.

145

00:42:11.340 --> 00:42:12.864

Jeff Scott: All right. And this one

146

00:42:13.390 --> 00:42:18.651

Jeff Scott: this gets into policy. It's a little bit off of what we've been talking about today, but it's housing policy, and that is

147

00:42:19.130 --> 00:42:24.344

Jeff Scott: Why doesn't the city use vacant housing? Or is the city able to use vacant housing?

148

00:42:24.830 --> 00:42:26.430

Jeff Scott: as affordable housing.

149

00:42:29.110 --> 00:42:33.719

Solivan, Erik: So I think if I understand the question completely, so

150

00:42:33.930 --> 00:43:01.489

Solivan, Erik: vacant units, how do we effectively sort of acquire, and then convert those into affordable units. If that is the question, please, you know. Put it something in the chat, and we can make sure we're refining it. So that's a good question. You know, when we look at the housing reports that the department produces on a quarterly basis. The 4th quarter report will be released by next week

151

00:43:01.620 --> 00:43:12.489

Solivan, Erik: it'll show that amongst class C properties our vacancy rate is actually 4%, which is extremely low.

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00:43:12.720 --> 00:43:27.289

Solivan, Erik: So although we see some vacant homes throughout the city. Our totality of classy rented units of, you know, buildings of all sizes that fall within our class. C property. That vacancy rate is extremely low.

153

00:43:27.420 --> 00:43:30.610

Solivan, Erik: We then look at our class, a properties. So

154

00:43:31.000 --> 00:43:38.039

Solivan, Erik: our most expensive market rate properties, that vacancy rate has climbed

155

00:43:38.210 --> 00:43:48.989

Solivan, Erik: to above 6%. I think it's about now, 6.7% up from 6.3%. So we're having some more vacancy at the higher end of our scale.

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00:43:49.850 --> 00:43:58.239

Solivan, Erik: Given where that dispersion of vacancy is class A going up class C trending down.

157

00:43:58.783 --> 00:44:11.199

Solivan, Erik: There's limited opportunity there for the city to effectively acquire sort of a diversity of housing units that may be existing throughout the city. For 2 reasons, one.

158

00:44:11.680 --> 00:44:34.329

Solivan, Erik: Our cost of land and units continues to rise. So now your average sort of single family home is priced at roughly 1.5 million dollars nowadays, so the cost of acquiring a a vacant sort of small multifamily building would say 10 to 12 units or so would be very high.

159

00:44:34.940 --> 00:44:50.849

Solivan, Erik: Then the cost of rehab and improvements will also be high and then to rent those out at more moderate incomes or low to very low income sale on the ami will likely be cost prohibitive.

160

00:44:51.408 --> 00:45:04.519

Solivan, Erik: So, although there is some vacant units that are out there. The economics for acquisition, for rehab, for re-renting, then projected rents based on a affordability scale, may

161

00:45:04.680 --> 00:45:13.289

Solivan, Erik: create some headwinds to effective and economic utilization of some of that limited vacancy that exists throughout the city.

162

00:45:18.630 --> 00:45:23.701

Jeff Scott: All right. So next question I'm going to paraphrase, I've seen a couple of times.

163

00:45:24.430 --> 00:45:27.230

Jeff Scott: I guess it gets into operating subsidy.

164

00:45:27.466 --> 00:45:32.460

Jeff Scott: So for people who cannot afford housing, even affordable housing.

165

00:45:32.950 --> 00:45:36.289

Jeff Scott: How are we able to help them pay for it?

166

00:45:37.830 --> 00:45:55.090

Solivan, Erik: So the city runs a number of programs. And as I highlighted at the top of our conversation, as you see in the presentation, that's online, we're gonna be coming forth with updates to a number of different programs that provides

167

00:45:55.390 --> 00:46:07.549

Solivan, Erik: some subsidies or programs or regulations to limit kind of rent increases, and I'll give a few examples in response to the question. Number one

168

00:46:08.210 --> 00:46:19.179

Solivan, Erik: for those who are experiencing a immediate eviction or a spike in their rent that may cause them

169

00:46:19.200 --> 00:46:38.449

Solivan, Erik: to potentially enter homelessness. We have a very robust system under our prevention of homelessness, done in coordination with the county as well as other nonprofit organizations, to provide some direct cash assistance to those individuals.

170

00:46:38.790 --> 00:47:03.010

Solivan, Erik: If you are living in a rent, stabilized property subject to the apartment rent ordinance or to our tenant protection ordinance. Then the city is able to put some caps on your increases in rent in order to limit the amount of rent payments by tenants.

171

00:47:03.390 --> 00:47:29.959

Solivan, Erik: A 3rd example would be through our production of affordable housing or through our production of market rate housing, and including inclusion, housing, ordinance units or Iho units that are capped at particular ami levels. That's another way that the city provides programmatic or direct financial support to limit rents and rent increases through those areas.

172

00:47:29.960 --> 00:47:41.899

Solivan, Erik: So there are many different tools that the city can apply across the housing continuum to provide both direct and indirect assistance to individuals struggling with rent payments.

173

00:47:44.520 --> 00:47:47.319

Jeff Scott: Alrighty. Next question

174

00:47:47.630 --> 00:47:57.050

Jeff Scott: is affordable. Housing here in San Jose is affordable housing for rental only, or there affordable housing programs to buy apartments or homes.

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00:47:58.050 --> 00:48:10.409

Solivan, Erik: Yeah, so affordable housing is not rental. Only we do have under our inclusionary housing ordinance program of affordable homes for purchase.

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00:48:10.550 --> 00:48:19.095

Solivan, Erik: There are a couple of sites that have recently completed construction, and we will be announcing

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00:48:19.770 --> 00:48:32.659

Solivan, Erik: programs accepting applications it's for eligible buyers to purchase affordable homeownership units the city also administers a historic

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00:48:32.660 --> 00:48:58.149

Solivan, Erik: program, going back roughly 30 years, where we provided 1st time home buyer assistance for individuals of moderate to low income who wanted to buy an affordable homeownership unit. So there are a couple of ways in which that the city provides support for moderate and lower income families to gain affordability

179

00:48:58.160 --> 00:48:59.389

Solivan, Erik: in homeownership.

180

00:49:02.280 --> 00:49:22.450

Jeff Scott: Great. And before I go to the next question, I just want to make everyone aware that in the chat, if you haven't seen it one of our staff. Here, Kristen Clements, she posted some of the market rate statistics, housing market statistics that Eric had alluded to. So Kristen included a link there. And you guys can check that out if you want

181

00:49:22.890 --> 00:49:24.892

Jeff Scott: alrighty moving along.

182

00:49:29.270 --> 00:49:31.077

Jeff Scott: the next question,

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00:49:31.970 --> 00:49:42.150

Jeff Scott: how much of these programs that you're talking about are paid through or paid for through Federal funds. And do you foresee a reduction in that funding with the new administration.

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00:49:42.150 --> 00:49:42.690

Solivan, Erik: Sure.

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00:49:43.910 --> 00:50:07.006

Solivan, Erik: So other 2 programs we focused on today the downtown incentive program, the growth areas multifamily incentive program. Those are all subsidies provided through local taxes and fees garner through local programs. So there are no Federal fund attachments to those 2 programs.

186

00:50:07.690 --> 00:50:34.119

Solivan, Erik: The city does receive on an annual basis somewhere between 6 million to 8 million in direct Federal support for various housing programs, including the community development block grant, the emergency services, grant the home program as well as a few other programs, including housing for people with Aids and a few others.

187

00:50:34.120 --> 00:50:45.390

Solivan, Erik: So that scale of roughly 6 to 8 million we receive on an annual basis. It is difficult to predict at this time whether those sources will be continued to be renewed.

188

00:50:45.590 --> 00:51:03.619

Solivan, Erik: and as the federal budget process moves forward we will provide kind of continuing updates. And maybe, Jeff, we can sort of add a session into this series as we're opening up. You know this communication channel with the community. We can add a session on some Federal funding.

189

00:51:04.690 --> 00:51:06.960

Jeff Scott: Okay, I will make a note of that.

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00:51:06.960 --> 00:51:07.520

Solivan, Erik: Hmm.

191

00:51:08.680 --> 00:51:09.635

Jeff Scott: Alright the

192

00:51:10.710 --> 00:51:17.000

Jeff Scott: Next question, Eric, is a little change of pace. This gets it's a little bit more broad.

193

00:51:17.900 --> 00:51:32.050

Jeff Scott: so what is your approach to enforcement. We have a number of existing ordinances and regulations, and

some new ones rolling out, and so can you share with us your approach to enforcement of these ordinances and regulations.

194

00:51:32.550 --> 00:51:56.780

Solivan, Erik: Sure. So part of the work that I mentioned and what we're gonna be bringing forth through this communication series is updates to the regulations of a number of different city programs. As I mentioned the apartment rent ordinance, our Mobile Home Park ordinance, our tenant protection ordinance, our inclusionary housing fee ordinance. You know, all of those programs

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00:51:56.780 --> 00:52:07.879

Solivan, Erik: come with avenues and opportunities for enforcement in addition to the work that we do with our what's referred to as our asset management portfolio, which are

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00:52:07.880 --> 00:52:37.460

Solivan, Erik: units that we have funded historically through city funds providing loans to both construction and operating, and then are subject to affordability restrictions moving forward. So as the department improves and updates its regulatory positions on all of these programs, we're gonna be looking to be more active in the space around program compliance.

197

00:52:37.460 --> 00:53:00.310

Solivan, Erik: In order to ensure that number one, our developer partners are meeting the obligations of our funding programs and number 2 that we are protecting tenants who are living in these units across the city. So hopefully through this communication channel and the next one, we'll be able to kind of share the Powerpoint presentation and work to the

198

00:53:00.310 --> 00:53:19.420

Solivan, Erik: through. Some of the kings, you know, you'll see on the available presentation online, as Jeff has posted. You know the various programs that we plan to talk about through this channel, and we'll incorporate into those discussions areas around program compliance and enforcement.

199

00:53:22.860 --> 00:53:27.440

Jeff Scott: Alrighty. Next question. We still have a couple more. Is.

200

00:53:27.630 --> 00:53:36.400

Jeff Scott: the city is having budget issues. It's been reported in the media. Do you expect those budget issues to impact

201

00:53:36.620 --> 00:53:39.590

Jeff Scott: the housing programs that you've discussed today.

202

00:53:40.910 --> 00:53:55.590

Solivan, Erik: So the 2 housing programs that we discussed today, the downtown incentive and the growth areas, multifamily incentive program will not be impacted by the city's current projected

203

00:53:55.590 --> 00:54:25.269

Solivan, Erik: operating deficit of about 62 million so strategies for reducing that operating deficit do not at this time

include any reductions or amendments to those 2 incentive programs. As you know, Mayor and Council go through the process of the budget. You know, anything is possible. However, based on all the internal conversations that we're having and

204

00:54:26.620 --> 00:54:40.900

Solivan, Erik: the projections about the impacts of those programs to the budget. I don't foresee any changes to either of the incentive programs as a result of the city's operating gap.

205

00:54:44.240 --> 00:54:56.230

Jeff Scott: Okay. So I have. I have one more question here. I'll read it in just a second. I'll remind everybody if you if you do have a question you want to ask. Please put that question in the chat, and I'll share it with Eric.

206

00:54:56.440 --> 00:55:01.790

Jeff Scott: But the last question we have currently is.

207

00:55:02.160 --> 00:55:20.219

Jeff Scott: And I have to admit I don't fully understand this. But do you see? Foresee developers making hardship claims or taking advantage of this, and making hardship claims to try to get out of some of the fees that they are required to pay.

208

00:55:23.006 --> 00:55:27.879

Solivan, Erik: I think so. If the question is getting to whether or not

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00:55:28.020 --> 00:55:54.010

Solivan, Erik: the an economic hardship during the course of construction, or during the course of continuing operations creates a persuasive case for further reductions and fees, or taxes, or anything of that sort. The answer to that question would be. No, there is a lane of

210

00:55:54.811 --> 00:56:12.879

Solivan, Erik: For lack of a better adjective lane of Appeal lane of a claim for hardships those are few and far between. There is no data to date, despite all of the sort of economic challenges and turmoil that we have been through over the last 3 or 4 years of

211

00:56:13.431 --> 00:56:36.450

Solivan, Erik: projects and developers seeking some additional reductions and fees or taxes. Because of economic hardships. We have not experienced that there's no data for that going forward. You know, there's always a a lane for that. We don't project. We're going to be experiencing a high uptick in any of those claims

212

00:56:36.450 --> 00:56:45.598

Solivan, Erik: as with any program lending particularly around our affordable housing projects. There are projects throughout the city that have

213

00:56:46.550 --> 00:57:13.590

Solivan, Erik: some financial challenges. And we're working through those challenges and cooperations with the

developers and ensuring tenant protections remain in place. So if you are aware of particular tenants who are having challenges or projects that may be experiencing some unreasonable financial hardships, you know. Please reach out to us, and we're happy to talk through some options and considerations with you.

214

00:57:15.080 --> 00:57:25.249

Jeff Scott: And actually, one other question just came in, although I don't know if it's for our department or not. It says, what are the requirements to keep a building permit valid or active.

215

00:57:25.712 --> 00:57:28.729

Jeff Scott: Are you able to answer that, Eric? Or is that for for planning.

216

00:57:29.309 --> 00:57:41.079

Solivan, Erik: I am not able to answer that, but we will get with our partners in planning, and provide an answer to that and post that answer online, along with the video of this 1st community channel.

217

00:57:41.820 --> 00:57:47.537

Jeff Scott: Great, all right. Well, I don't see any other questions here.

218

00:57:48.400 --> 00:57:52.646

Jeff Scott: but I just want to thank everybody. Thank Eric for his time. And

219

00:57:53.260 --> 00:58:15.289

Jeff Scott: yeah, thank everybody for participating. And just to reiterate on the timing. These meetings are going to be the 1st Thursday of every month, and so you'll look for the email the invites from me or from the housing department a couple of weeks ahead of time each month before each month, the 1st Thursday. We're going to

220

00:58:15.650 --> 00:58:24.223

Jeff Scott: probably keep it at the same time same day to get everyone. So everyone knows when to expect this and when to anticipate each of these meetings. So

221

00:58:24.750 --> 00:58:29.100

Jeff Scott: I guess with that. Thank you very much. All for participating. Really appreciate it.

222

00:58:30.250 --> 00:58:30.950

Solivan, Erik: Thank you.