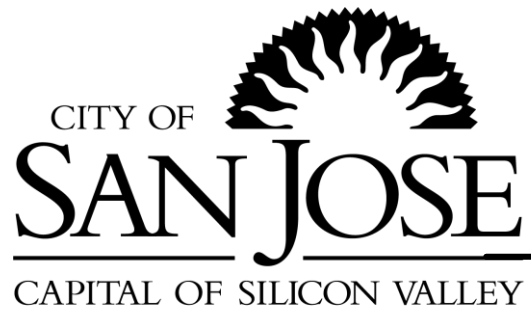




HOUSING DEPARTMENT

DRAFT

**MODERATE-INCOME/
WORKFORCE HOUSING
STRATEGY**



DEFINITION

Housing

City of San José's 2023-2031 Housing Element

- **Housing Element addresses the critical need for housing across all income levels, including those considered moderate-income**
- **Strategy P-15**
 - Complete study and implement City Council-approved strategy to further rental and homeownership opportunities for moderate-income residents
 - As part of the Housing Element APR and the Housing Catalyst Team Work Plan processes, identify additional sites for moderate-income housing, making the necessary General Plan and zoning changes for their inclusion in sites inventory
- **Regional Housing Needs Assessment projects a need for additional 10,711 moderate income workforce housing units by 2031 (Housing Element Chapter 1, Table 1-1)**

Income Levels

- Moderate-income households of 4 earning 81% to 120% of Area Median Income (\$145,040 - \$217,560 per year)
- Average San José public employee income is \$115,701
- Staff Salaries (non-management) in Housing Department go up to \$155,000
 - Examples of jobs include police officers, firefighters, librarians, legal analysts

2023 Income Limits	1-person household	2-person household	3-person household	4-person household
Lower Income Households (0-80% of Area Median Income)	\$0-101,520	\$0-116,000	\$0-130,560	\$0-145,040
Moderate Income Households (80-120% of Area Median Income)	\$101,521-152,280	\$116,001-174,000	\$130,561-195,840	\$145,041-217,560
Above Moderate-Income Households (120+% of Area Median Income)	More than \$152,280	More than \$174,000	More than \$195,840	More than \$217,560

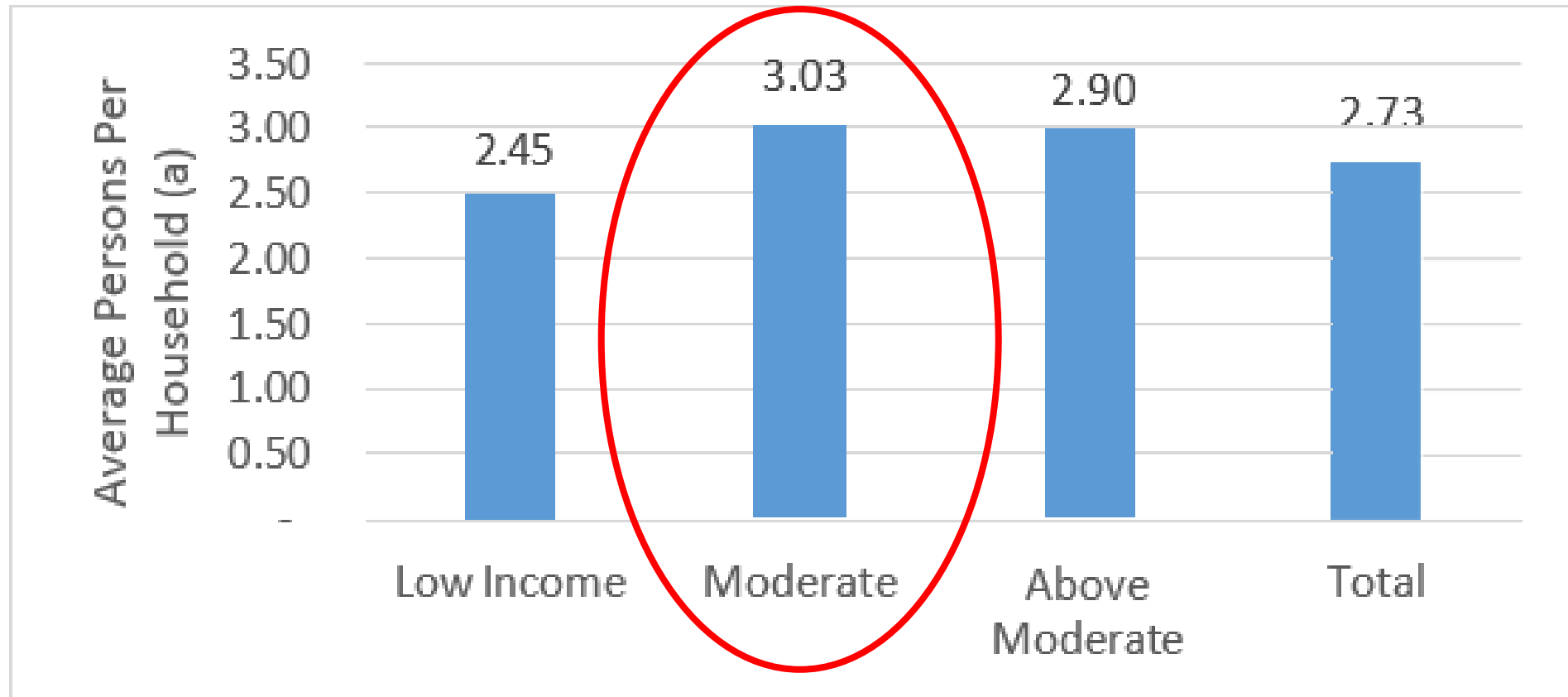
Demographics & Affordability

- Homeownership remains out of reach for workforce-income households in San José

	Low-Income		Moderate-Income		Above Moderate-Income		All Households	
	Total	% of Total	Total	% of Total	Total	% of Total	Total	% of Total
Renter-Occupied	89,418	59%	26,387	45%	29,891	26%	145,696	44%
Owner-Occupied	62,289	41%	32,621	55%	87,136	74%	182,045	56%
Total	151,707	100%	59,008	100%	117,026	100%	327,741	100%

Household Sizes

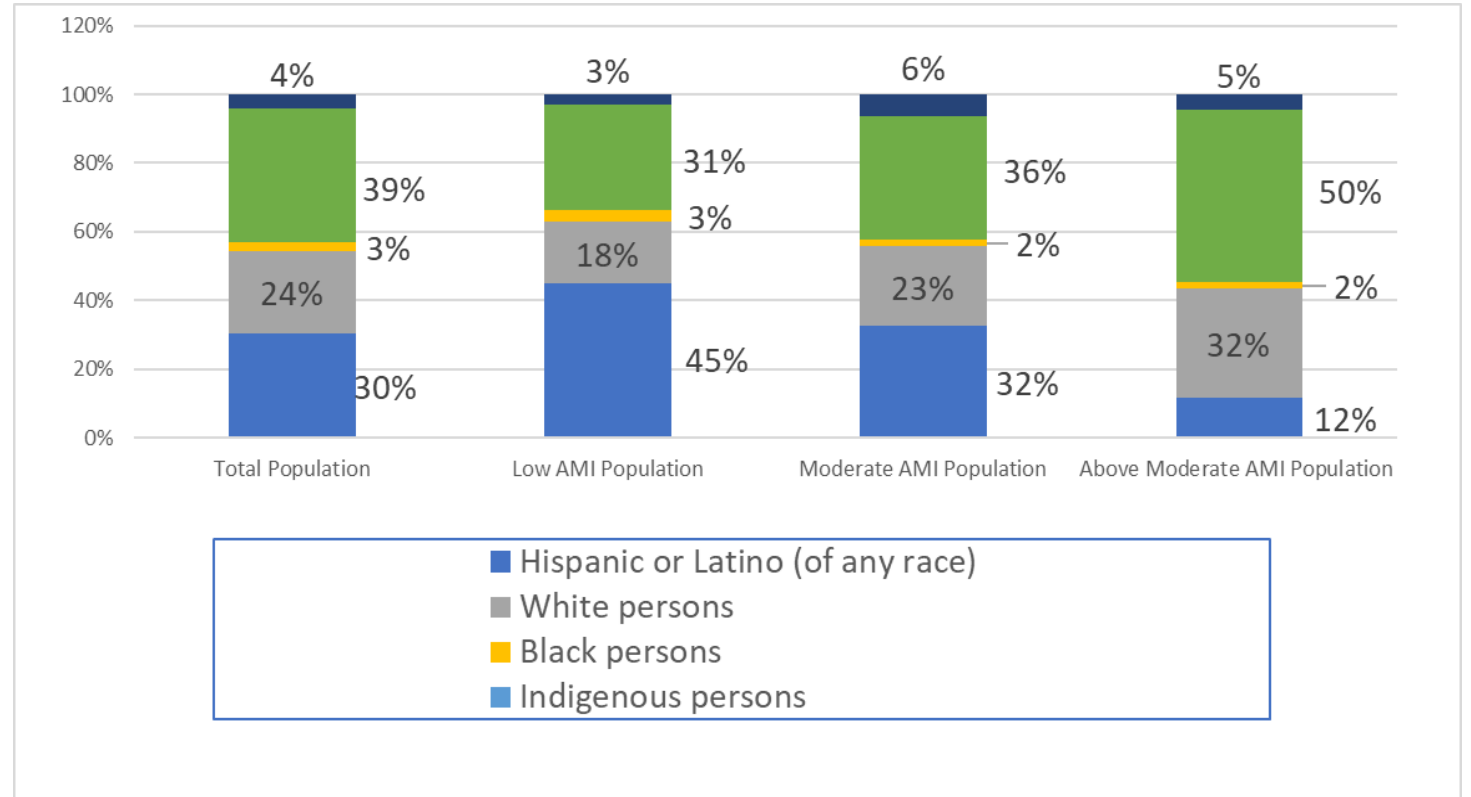
- Mod income households slightly larger than average



AVERAGE HOUSEHOLD SIZE BY INCOME LEVEL, SAN JOSÉ, 2022.

Demographics

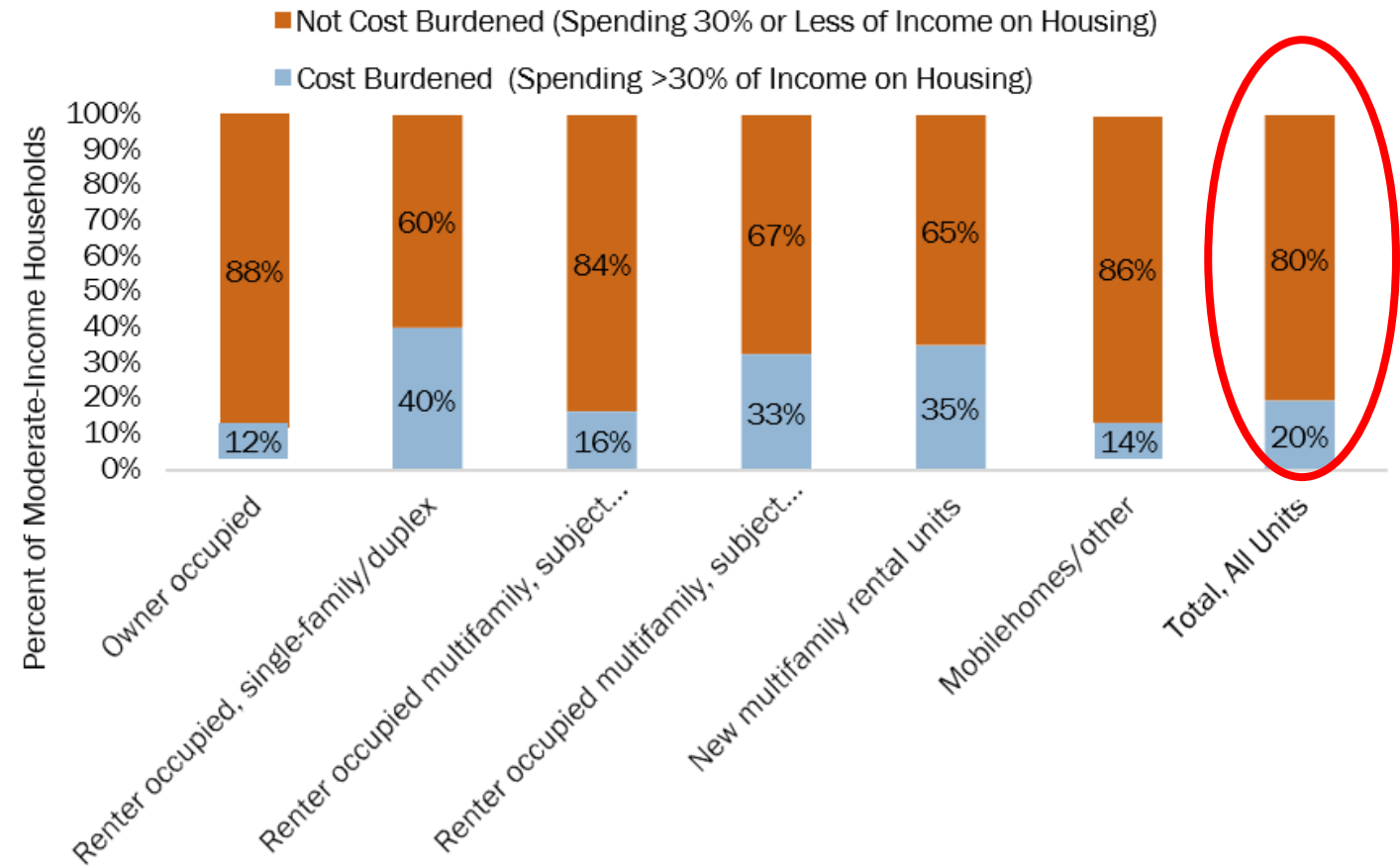
- Moderate-income households are racially and ethnically diverse, mirroring the overall composition of the City's population.



POPULATION BY RACE AND ETHNICITY AND HOUSEHOLD INCOME LEVEL, SAN JOSÉ 2022

Housing-Cost Burden

- Approximately 20% of workforce-income households are housing cost-burdened



MODERATE INCOME HOUSEHOLDS BY COST BURDEN AND HOUSING TYPE



CHALLENGES

Housing

Primary Housing Challenges

1. Zero Market Rate multifamily housing starts in 2024
2. High cost per unit, increasing subsidies per unit
3. Rental market buy-downs
4. High mortgages rates, low unit turnover, low unit production
 - a. Limited homeownership opportunities means moderate income households are consuming rental supply, renting longer than at other points in history, thereby driving up overall housing prices
5. Inventory and production limits that may hinder diversity of financeable product types
6. Limited public subsidies at all levels

Example of Missing Middle Housing





DRAFT STRATEGIES

Housing

Proposed Actions

Proposed Policy	Strategy Category
<p>Expand Affordable ADU Ownership Program</p> <ul style="list-style-type: none">• 2024 – City Council passed ordinance allowing owners to sell ADUs separately from primary residence• Explore incentives to encourage ADU production and purchase assistance programs for prospective income-qualified homebuyers	Production Incentives
<p>Update the Inclusionary Housing Guidelines to Maximize Housing Production</p> <ul style="list-style-type: none">• Simplify regulations; establish Surplus Unit Credit Market; align AMI scale to the adopted 2025 March Budget Message	Process Improvements
<p>Reduce Approval Time and Improve Predictability by Expanding Factory Built Homes and Modular Products</p> <ul style="list-style-type: none">• Expedited approval processes to reduce costs to construction• Expand modular construction partners with pre-approved plans	Process Improvements

Proposed Actions

Proposed Policy	Strategy Category
<p>Explore ADU Density Bonus Program</p> <ul style="list-style-type: none">• Explore ADU Density Bonus Program best practices, which allow an additional market-rate ADU for every deed-restricted affordable ADU on a property	Production Incentives
<p>Support Construction Defect Liability Reform for Condominiums</p> <ul style="list-style-type: none">• California's current construction defect liability law holds builders liable for defects for 10 years, discouraging developers from building for-sale condominiums• Continue work to advance support reforms to state law	Regulatory Reforms
<p>Missing Middle Housing for the Workforce</p> <ul style="list-style-type: none">• Pursue more mid-density housing and explore additional building typologies to meet the needs of our population.• Missing middle housing includes condos, townhomes, fourplexes and bungalow courts.	Regulatory Reforms

Comments and Questions

- 1. What should we add?**
- 2. What should we expand or compress?**
- 3. What should we amend?**