

WEBVTT

1

00:02:13.880 --> 00:02:15.720

HSG Webinar: Alrighty, well...

2

00:02:15.770 --> 00:02:27.440

HSG Webinar: Thank you all for joining us today. This is the October iteration of the Housing Department's monthly community engagement series, and today's topic, we're going to be talking about

3

00:02:27.460 --> 00:02:43.199

HSG Webinar: proposed changes and updates to the City's Inclusionary Housing Ordinance and the Downtown High Rise Program. And in just a moment, I'm going to turn this over to Eric Sullivan, the Director of Housing for the City of San Jose.

4

00:02:43.250 --> 00:02:52.250

HSG Webinar: But before I turn it over to Eric, I just want to go over a couple of quick, logistical details here.

5

00:02:52.430 --> 00:03:01.940

HSG Webinar: If anybody would like to ask questions, we ask that you use the chat feature, and you can send your questions to me.

6

00:03:03.410 --> 00:03:12.280

HSG Webinar: It's listed as HSG Webinar, Housing Webinar, and you can chat directly with me. You can send your questions to me, and I will,

7

00:03:12.730 --> 00:03:24.079

HSG Webinar: ask those questions of Eric, or we have several other staff members, on this Zoom call, and so we'll route it to the appropriate person to answer it for the entire group. So again, please,

8

00:03:24.090 --> 00:03:34.430

HSG Webinar: send those questions, via chat to me. My name is Jeff, but for purposes of this Zoom, I'm HSG Webinar, and

9

00:03:35.030 --> 00:03:39.519

HSG Webinar: With that, I'm going to turn it over to Eric Sullivan, our Director of Housing.

10

00:03:40.680 --> 00:03:48.680

Solivan, Erik: Great, thank you, Jeff, I appreciate it. And we'll go through today the initial draft of the proposed changes

11

00:03:48.680 --> 00:04:02.700

Solivan, Erik: to primarily the regulation sides of the Inclusionary Housing Ordinance, but also some amendments to the existing ordinance per response to Council direction received

12

00:04:02.700 --> 00:04:08.180

Solivan, Erik: during the March and June budget message, as adopted by Council.

13

00:04:08.210 --> 00:04:31.509

Solivan, Erik: So I'll flip through, providing a quick summary, first, here's how the program has performed over the last 5 years, then what are some of the proposed changes to the ordinance in response to the direction from Mayor and Council, and then we'll wrap it up with a quick summary of the proposed amendments and edits to

14

00:04:31.510 --> 00:04:41.870

Solivan, Erik: the IHO regulations, as we'll be publishing a draft for public view here in the next couple of weeks. But we wanted to begin the dialogue

15

00:04:41.870 --> 00:04:47.709

Solivan, Erik: today through this community meeting. So, Jeff, do you want to share the presentation, and we'll begin going through it.

16

00:04:47.710 --> 00:04:49.399

HSG Webinar: Okay, just give me one second.

17

00:04:59.580 --> 00:05:12.820

Solivan, Erik: Great, so we'll begin here, as this is going to go through primarily the inclusionary housing ordinance. We're not going to get into the downtown high-rise sort of updates. We'll leave that to, later, consideration.

18

00:05:12.820 --> 00:05:34.900

Solivan, Erik: So, go to the next slide, please. So, first here, on the Inclusionary Housing Ordinance updates, I'll begin by going through a quick history in the recap, as this program transitioned from the Affordable Housing Incentary Fund, or the AHIF Fund, and then became the Inclusionary Housing Ordinance back in 2019.

19

00:05:34.900 --> 00:05:38.490

Solivan, Erik: And so the next slide here just quickly captures

20

00:05:38.600 --> 00:06:03.210

Solivan, Erik: So, I'll first begin here. Let's start with the June budget message. So, in the March and June budget message, Mayor and Council had directed to find ways to streamline the IHO process, and how what is now the Department of Housing receives initial applications, we process that application, hand it back to PBCE to move forward, they move forward with their side.

21

00:06:03.210 --> 00:06:22.850

Solivan, Erik: of a deal, we receive it back to finalize the affordable housing compliance plan. And so, what are ways in which, internally, within the housing department, we can streamline those processes? That is one of the ways we looked at in looking to revise the existing IHO regulations.

22

00:06:22.850 --> 00:06:46.219

Solivan, Erik: Two, we wanted to figure out alternate ways in which we can further incentivize the use of a rather dormant provision within the IHO regarding surplus credits. And so we came up with an idea, grounded in a lot of the data analysis that had led to and fostered the creation of the regulatory updates.

23

00:06:46.220 --> 00:06:53.270

Solivan, Erik: As well as kind of the ordinance updates. And so we'll talk a little bit about how that idea is being brought forth.

24

00:06:53.350 --> 00:07:00.199

Solivan, Erik: For putting some muscle behind the surplus credit exchange that already exists in ordinance.

25

00:07:00.200 --> 00:07:24.329

Solivan, Erik: Three, we're going to make some revisions to the AMI band applicable to this program, per Council direction, expanding it out to 60%, and then all the way up to 100%... 20% of AMI, which just about captures a lot of the affordable units kind of being brought online. And given where the AMI levels are in the city of San Jose as a family of

26

00:07:24.330 --> 00:07:31.140

Solivan, Erik: is now at 100% AMI at \$195,000,

27

00:07:31.140 --> 00:07:44.719

Solivan, Erik: per year for the household, our AMIs continue to rise, which creates challenges as well as some opportunities. And then we'll talk lastly here about how we're going to exempt 100% affordable housing projects

28

00:07:44.720 --> 00:08:04.660

Solivan, Erik: out of the IHO, the past practice has been for those projects that were not directly subsidized by the city, they still had to go through an IHO process, which didn't quite make a lot of common sense. And so we're going to be exempting those projects, and I'll talk through that process here next.

29

00:08:04.820 --> 00:08:10.900

Solivan, Erik: So on the next slide here, it gives a quick summary as to what has been the prior program performance data.

30

00:08:10.900 --> 00:08:26.930

Solivan, Erik: So, as I mentioned, from 2019 to 2025, that's our period of review. What we're now going to refer to as sort of IHO Phase 1, as we're going into this Phase 2 section of the IHO, looking to make process and policy improvements.

31

00:08:26.930 --> 00:08:36.369

Solivan, Erik: During that period of time, from 2019 to 2025, over 400, just about 400 total applications came in for review.

32

00:08:36.390 --> 00:08:49.569

Solivan, Erik: But only 43, so just about 10% of those projects actually got built. And out of those 43 projects, or 10% of the total applications that came in.

33

00:08:49.570 --> 00:08:59.599

Solivan, Erik: Just about 1,400 units were built, which roughly equalates to about 288 units a year over the 5-year period.

34

00:08:59.600 --> 00:09:16.350

Solivan, Erik: And then breaking down those 43 projects that actually got built a little further, we see just about 28 of those projects built affordable units, and you can see kind of where the AMI band breakdown was for those units, with the majority, over 56% of them.

35

00:09:16.350 --> 00:09:24.020

Solivan, Erik: Primarily prefacing unit creation for the band of 60% to 120% of AMI.

36

00:09:24.020 --> 00:09:39.819

Solivan, Erik: The other 15 projects paid into an in-lieu fee. So over this 5-year period, the city collected about \$47 million in in-lieu fees, but the overwhelming majority of that fee came from just 5 projects.

37

00:09:39.820 --> 00:09:54.759

Solivan, Erik: And so some of our key takeaways in looking at this program performance data was that this program is certainly promoting and supporting more workforce housing at the affordability range, at 60% AMI and above.

38

00:09:54.760 --> 00:10:09.019

Solivan, Erik: That developers strongly favor building units, so we want to find more ways to encourage the building and development of more units, and they prefer that unit creation rather than paying in-lieu fees.

39

00:10:09.020 --> 00:10:22.250

Solivan, Erik: And then three, program unit production pretty much parallels our department's gap financing program for deeply affordable units, where we produce just about 300 units a year.

40

00:10:22.250 --> 00:10:38.049

Solivan, Erik: through our various GAP financing programs. So together, if we are able to make process improvements that speak to developer needs, we could potentially energize more production of housing units, which is our end goal.

41

00:10:38.270 --> 00:10:53.969

Solivan, Erik: And so the next slide here gets into more of the details about what it is we're proposing in terms of ordinance changes. So first, as I mentioned, per direction from Mayor and Council in the June and March budget message.

42

00:10:53.970 --> 00:11:10.379

Solivan, Erik: We are increasing the ban of the AMI and focusing it more on the workforce sector. Moving the ban from what was 50 to 100% to 60% to 110% of AMI, which, as the data has shown, that's where the majority of the units were being built

43

00:11:10.380 --> 00:11:23.780

Solivan, Erik: Anyway, and then really beginning to think about, on the for-sale side, how do we look at ways

by increasing the AMI level to 120, as we see roughly about 4 or 5 different for-sale projects.

44

00:11:23.780 --> 00:11:38.550

Solivan, Erik: that come through the program and application, not necessarily being billed, on an annual basis. And so this adjustment to the AMI blend reflects the council direction received in March and June.

45

00:11:38.550 --> 00:11:44.569

Solivan, Erik: The next slide... That gets into... oh, go back a slide here. I think we skipped one there.

46

00:11:44.940 --> 00:11:47.019

Solivan, Erik: Yep, so the next line after that.

47

00:11:49.940 --> 00:12:02.500

Solivan, Erik: Okay, so then the next slide here just gets into, sort of, the streamlined process for 100% affordable developments. Included in the March and June bus and meshes was to find ways in which we can further

48

00:12:03.960 --> 00:12:10.859

Solivan, Erik: the development and expansion of already restricted affordable units, and I'll talk about what's an example of that.

49

00:12:10.860 --> 00:12:28.859

Solivan, Erik: We have seen an uptick over the last two years of projects that are fully market rate, that are not being subsidized by the city, that do not have low-income housing tax credits in it, but are targeting an AMI range of 60 to roughly 100% AMI.

50

00:12:28.870 --> 00:12:42.589

Solivan, Erik: Although they are coming in as deed-restricted affordable, they were still having to go through the traditional IHO process. And so what we're going to look to do with those projects that are already accepting deed restrictions.

51

00:12:42.590 --> 00:12:49.600

Solivan, Erik: that are 100% or below an AMI targeted for households, so these are affordable units

52

00:12:49.600 --> 00:12:55.749

Solivan, Erik: for workforce is to streamline them pass through by the provision of just a regulatory agreement.

53

00:12:55.760 --> 00:13:17.950

Solivan, Erik: So that way, as the projects come from PBCE, they check their door, PBCE sends them to the housing department, we can quickly turn them around with a standard regulatory agreement for them to sign without having to go through the entire IHO affordable housing plan compliance process. We can give them an AR to continue their process forward at PBCE.

54

00:13:17.950 --> 00:13:30.739

Solivan, Erik: And in addition to that, we are going to look at the affordability period for rental inclusionary

units, benchmarking it to 55 years, which is where state law currently is for the majority of their affordable housing projects.

55

00:13:30.740 --> 00:13:31.770

Solivan, Erik: programs.

56

00:13:31.770 --> 00:13:43.300

Solivan, Erik: Thereby creating alignment between local and state law on the affordability restrictions. And so those are the proposed ordinance changes. And now on the next slide here.

57

00:13:46.120 --> 00:13:47.709

Solivan, Erik: We'll get into...

58

00:13:47.740 --> 00:14:02.749

Solivan, Erik: an area of the existing ordinance that has not really had much sort of muscle and energy behind it. And we want to try to put forth a program to give this area of the ordinance some life.

59

00:14:02.750 --> 00:14:09.649

Solivan, Erik: and see if it works. And so what we're looking to do is, right now, an existing ordinance, if a developer builds

60

00:14:09.650 --> 00:14:14.079

Solivan, Erik: More units than they are required to under their plan.

61

00:14:14.080 --> 00:14:33.539

Solivan, Erik: Which, as we saw from the data in the past 5-year performance, majority of developers want to just build the units rather than pay an in-lieu fee. If we can get more surplus units on the affordability scale, which is now going from 60% to 120% of AMI,

62

00:14:33.540 --> 00:14:50.909

Solivan, Erik: They can use and get a credit for those additional surplus units, above and beyond what the Affordable Housing Compliance Plan had required. And we can effectively bank those surplus units to then use going forward into the next project, or

63

00:14:51.300 --> 00:15:03.080

Solivan, Erik: Create an opportunity where the housing department will establish an exchange where they can exchange those units to other developers who are building other projects in the city.

64

00:15:03.180 --> 00:15:14.909

Solivan, Erik: The end goal for the creation of this and this proposal for a surplus credit program is to get to a more abundant housing stock. And where could we provide another tool

65

00:15:14.910 --> 00:15:29.850

Solivan, Erik: within the plethora of tools in the existing toolbox for mixed compliance plans that come under the IHO to further incentivize developers to continue to build in San Jose.

66

00:15:30.010 --> 00:15:38.599

Solivan, Erik: And so the next slide... Gets into, sort of, how we're envisioning the setup of this program.

67

00:15:38.610 --> 00:15:48.669

Solivan, Erik: Which is, number one, we want to make sure that as the surplus credits are entering into the exchange, that we're focused on equivalency and transferability.

68

00:15:48.670 --> 00:16:08.640

Solivan, Erik: Meaning, on the equivalency side, we want to make sure that we're matching unit types. If we have a surplus one-bedroom unit, we want to make sure that that is traded or credited towards another surplus one-bedroom unit, and we're not getting inequality in bedroom sizes of trying to exchange a studio for a three-bedroom.

69

00:16:08.640 --> 00:16:11.859

Solivan, Erik: As an example. So there's equivalency

70

00:16:11.860 --> 00:16:16.970

Solivan, Erik: in the types of units and unit size. And then two, transferability.

71

00:16:16.970 --> 00:16:35.499

Solivan, Erik: we would want to target to ensure that as with a broader band of 60% AMI to 120% AMI, we want to make sure that a one-bedroom unit that's at 70% AMI is being exchanged for a one-bedroom unit of similar AMI range.

72

00:16:35.500 --> 00:16:55.280

Solivan, Erik: And so we've bucketed the ranges on 60 to 80, and then 81% up to 120 to create some transferability of the unit that also encompasses some equivalency of the unit types and household income targets. And so some of the benefits that we foresee

73

00:16:55.280 --> 00:17:05.169

Solivan, Erik: In this light setup of a regulatory plan for giving this section of the ordinance some life is that it creates some flexibility.

74

00:17:05.170 --> 00:17:23.319

Solivan, Erik: for developers, to encourage them to build more affordable units today, where market conditions may be more favorable for the production of more units, and then be able to take that credit later on when market conditions and financing opportunities may be less favorable.

75

00:17:23.319 --> 00:17:33.650

Solivan, Erik: Two, it presents an opportunity for more efficiency, as it'll be easier to balance, sort of, how projects get done, and, since this is another tool in the toolbox

76

00:17:33.650 --> 00:17:51.730

Solivan, Erik: for projects looking at mixed compliance, it creates a complementary lane to existing mixed compliance opportunities. And then third, it incentivizes and creates more opportunities to synchronize with the shifts in capital markets on any given day.

77

00:17:51.730 --> 00:18:03.650

Solivan, Erik: And thereby looking at better ways to link our land use policy requirements to existing capital markets, and figuring out how do we foster a more abundant housing stock.

78

00:18:04.240 --> 00:18:05.919

Solivan, Erik: And so on the next slide...

79

00:18:08.160 --> 00:18:18.059

Solivan, Erik: This is a quick summary of just the regulatory updates that we will be doing. So what I mentioned before in the first couple of slides is here are changes to the ordinance.

80

00:18:18.060 --> 00:18:33.579

Solivan, Erik: Followed by, here is an area of existing ordinance that we're going to give some regulatory life to by establishing this exchange. And now, this is a quick summary of the streamlining we have done on the regulation side for the IHO program.

81

00:18:33.580 --> 00:18:53.680

Solivan, Erik: Number one, we have cleared pathways for selecting compliance options. If you want to come in and do your traditional compliance plan and consider some mixed compliance options, that process will get streamlined, much clearly articulated within the regulations, so as you interact with staff.

82

00:18:53.680 --> 00:19:12.650

Solivan, Erik: It is a much more efficient conversation about how do we get your project to move forward into construction. So that way we can turn that existing application rate of projects that become built from 10% to hopefully closer to 50%, or even higher.

83

00:19:12.830 --> 00:19:17.160

Solivan, Erik: Two, we're going to look for and provide more detailed guidelines

84

00:19:17.160 --> 00:19:33.040

Solivan, Erik: for compliance options, so as you consider the various ways in which to utilize the tools within the mixed compliance or in straight compliance program, it is much clearer to understand and to factor those options into your performance.

85

00:19:33.090 --> 00:19:49.119

Solivan, Erik: Three, we're going to provide more visual exhibits to better illustrate some of the requirements under the IHO program, as the ordinance sometimes has areas of gray, and we want to clarify those areas of gray so we can have a more efficient execution.

86

00:19:49.310 --> 00:19:55.310

Solivan, Erik: Number 5, we're looking at ways in which we can interactively calculate for obligation estimates.

87

00:19:55.310 --> 00:20:17.319

Solivan, Erik: Meaning, as you look at how do I achieve my 5%, 10%, 15% compliance across the broader

AMI band, how you can better calculate those options, and how can the department help facilitate that, including the new tool we will add around surplus credits, so that as you're processing through the department.

88

00:20:17.320 --> 00:20:21.860

Solivan, Erik: It becomes more predictable, it becomes more consistent.

89

00:20:21.860 --> 00:20:40.810

Solivan, Erik: And it allows for more opportunities to get to yes on how to further your project. And lastly, we're going to have more ready-to-use templates, applications, and agreements, so that each time an application comes through, you're seeing a more standard, consistent.

90

00:20:40.810 --> 00:20:47.229

Solivan, Erik: Predictable set of forms and processes in order to complete your entire compliance

91

00:20:47.230 --> 00:21:06.790

Solivan, Erik: project and plan in a much more efficient and timely basis. These changes reflect the Housing Department's overall focus on recognizing that time is money, and how do we ensure that as you bring your projects forward, we are able to further the advancement of those projects into construction?

92

00:21:06.790 --> 00:21:12.780

Solivan, Erik: And so that is a quick summary of our proposed inclusionary housing ordinance

93

00:21:12.780 --> 00:21:18.320

Solivan, Erik: and regulatory changes. And now, Jeff, I can open it up, to questions.

94

00:21:18.350 --> 00:21:20.419

Solivan, Erik: And we could take down the slide there.

95

00:21:23.010 --> 00:21:35.820

HSG Webinar: All right, Eric, thanks for the presentation. All right, just to reiterate, as I said at the beginning, if you'd like to ask questions, please use the chat function and send your questions

96

00:21:35.820 --> 00:21:47.059

HSG Webinar: To me, I'm listed as HSG Housing, in the chat, and if you send your questions to me, I will read them off for Eric and the other staff members to respond.

97

00:21:47.780 --> 00:21:52.010

HSG Webinar: Okay, first question here.

98

00:21:53.610 --> 00:21:56.490

HSG Webinar: How would rents, at the levels proposed

99

00:21:56.800 --> 00:22:14.139

HSG Webinar: compare with rents of the units under the existing policy and with current market rents? Will

the housing... and then... then, actually, there's a second part to that, Eric. Will the housing department produce this analysis before the ordinance change comes to HCDC and the City Council?

100

00:22:14.650 --> 00:22:30.120

Solivan, Erik: So, if I understand the question, HCD has already updated its rents related to the AMI schedules. That updated AMI schedules, tied to the AMI levels, 50, 60, up to 120% AMI, is already on our website.

101

00:22:33.490 --> 00:22:42.150

HSG Webinar: Okay, and then I don't know if... the first part of this person's question is, how would the rent levels, the proposed rent levels,

102

00:22:42.410 --> 00:22:51.250

HSG Webinar: compare with the rent levels and the existing policy? And are you, are you saying that, it's all based on the, the numbers provided to us by HCD?

103

00:22:51.250 --> 00:23:02.620

Solivan, Erik: Correct. So the AMIs tracked to... the rent levels tracked to those AMI levels. That's how we set affordability, at the 60, 70, 80, 120% of AMIs.

104

00:23:02.620 --> 00:23:24.860

Solivan, Erik: There are rents that we can pull from prior projects, but we just have rents at time of application, not rents at time of permanent operations of the buildings. Therefore, the best data set, and it's already available on our website, is where those existing AMI levels for rent schedules were in 2019, all the way history through up to current.

105

00:23:24.860 --> 00:23:26.180

Solivan, Erik: 2025.

106

00:23:27.680 --> 00:23:28.530

HSG Webinar: Alrighty.

107

00:23:29.040 --> 00:23:35.699

HSG Webinar: Next question. 110% AMI is very close to market rent for new construction.

108

00:23:35.820 --> 00:23:40.129

HSG Webinar: How is the city ensuring that the IHO yields a public benefit?

109

00:23:40.270 --> 00:23:44.720

HSG Webinar: Measured in terms of lower rent than other units in the building, or the average rents.

110

00:23:45.250 --> 00:23:59.800

Solivan, Erik: So, as we've seen from the past performance data over the last 5 years, the majority of projects are producing units rather than paying in-loop fees, and those units skew towards 60% AMI and above.

111
00:23:59.800 --> 00:24:07.400
Solivan, Erik: Roughly 56%, 57% of the total of the small number of projects that Astley progressed forward

112
00:24:07.400 --> 00:24:14.210
Solivan, Erik: targeted 60% and AMI and above. The balance, roughly 44%, 45% in that range.

113
00:24:14.210 --> 00:24:33.320
Solivan, Erik: or 50% of AMI. So the program as it exists in its current form, is providing support for workforce housing units at the higher AMI bands. What is proposed today, and what we'll be bringing forward to Council.

114
00:24:33.320 --> 00:24:46.519
Solivan, Erik: under the direction from Council is to expand that band to 60 to 120, and then two, figure out how do we streamline the overall processing of applications so we can raise

115
00:24:46.520 --> 00:25:01.740
Solivan, Erik: The total number of applications that go into construction, and then three, how do we flex some existing ordinance, language regarding surplus credits to provide yet another tool to achieve mixed compliance?

116
00:25:05.100 --> 00:25:21.630
HSG Webinar: Alrighty, there are quite a few questions here. The next one, has this type of exchange, as you described, been done in any other cities? And if so, do you know how it's worked? And are there specific cities that we are learning from as we're proposing these changes to the IHO?

117
00:25:22.070 --> 00:25:28.270
Solivan, Erik: There are a few other cities that have taken a similar type of exchange, though all exist in different

118
00:25:28.270 --> 00:25:49.020
Solivan, Erik: forms, none of them are identical to our IHO program, as each city has variations of their own IHO program. In addition, and examples of other exchanges may not fall under a city's IHO program, it must be followed up under, sort of, the ways in which they incentivize affordable mixed-income developments.

119
00:25:49.020 --> 00:25:59.489
Solivan, Erik: So, yes, we have looked at other city models. None of them, again, match identical to how the city's IHO program works.

120
00:25:59.490 --> 00:26:19.390
Solivan, Erik: But in general, the theory here, since this is existing language within the ordinance, is how do we utilize this tool to advance and incentivize additional production of units today, where market conditions may be more favorable, as opposed to tomorrow.

121
00:26:19.390 --> 00:26:22.020
Solivan, Erik: Where market conditions may be less favorable.

122

00:26:22.020 --> 00:26:33.599

Solivan, Erik: In total, again, a very low percentage, 10.6% of the total applications that come in through the department over the last 5 years even get to construction.

123

00:26:33.600 --> 00:26:43.979

Solivan, Erik: Our objective and the direction from Council was to identify ways in which we can streamline the program so we can get to more housing units being produced.

124

00:26:43.980 --> 00:26:59.039

Solivan, Erik: One thing that is clear from the data over the last 5 years is that the majority of developers want to produce the units, which is great. How do we incentivize and further that production of units to get to a broader affordability schedule?

125

00:27:02.360 --> 00:27:03.140

HSG Webinar: Okay.

126

00:27:03.720 --> 00:27:06.589

HSG Webinar: For the initial surplus credit program.

127

00:27:07.120 --> 00:27:22.419

HSG Webinar: Are there restrictions on the building or product type for transferability, assuming the bedroom count and affordability levels are similar? For example, could we take the credit from a stacked flat condo project and apply it to a townhome project?

128

00:27:22.660 --> 00:27:29.670

Solivan, Erik: No, so a stacked flat condo project and a townhome project, that doesn't get to equivalency, test.

129

00:27:29.670 --> 00:27:44.980

Solivan, Erik: as we see different examples within this exchange, once it is established, and approved by Mayor and Council, we'll make adjustments to the regulations. The attempt here is to take what is a dormant

130

00:27:44.980 --> 00:28:09.860

Solivan, Erik: component of the existing ordinance, put some life into it, provide it as an incentive, and see what the uptick is. If there is, uptick that creates scenarios where stacked flats and townhouses are trying to do exchanges, we'll have to consider that under our two primary objectives of equivalency and transferability to see whether or not it gets the proper yield

131

00:28:09.860 --> 00:28:12.940

Solivan, Erik: of the program as as is intended.

132

00:28:13.990 --> 00:28:18.080

HSG Webinar: Okay, next question is kind of a follow-up to a previous one.

133

00:28:18.270 --> 00:28:37.609

HSG Webinar: This gets into the current affordability levels and the proposed changes to the affordability levels. Will the analysis of these rent differences be provided to the City Council and to HCDC? Not HCD, as I may have said before, but will the analysis of the differences be provided to the City Council and HCDC?

134

00:28:38.440 --> 00:29:03.000

Solivan, Erik: Again, I think similar to my response to the prior question, the rent schedule is set by HCD. So they assign at 60% AMI, here's your rents, and what is that schedule? Based on zero studios all the way through to 5 bedrooms. So that schedule is set by HCD, that is the schedule that rents are set for compliance with the program going back to 2019,

135

00:29:03.000 --> 00:29:14.109

Solivan, Erik: to current. So that schedule is already published online. If not, Jeff and the team will make sure that is up, and you can see what the differentials is... are in those rents.

136

00:29:18.470 --> 00:29:22.890

HSG Webinar: Alright, the next one, someone asked if,

137

00:29:24.120 --> 00:29:36.439

HSG Webinar: the content from today's meeting is going to be shared online, and I'll just take this quick moment to say, yes, I just sent out a link in the chat, so all the content from our previous meetings is at that link.

138

00:29:36.510 --> 00:29:49.869

HSG Webinar: And the content from today's meeting will be added. Usually takes us a couple days to get it up, so it'll probably be up next week, and the link that I just sent, is where you can find all that information. I'm including the presentation Eric went through, and

139

00:29:49.990 --> 00:30:03.099

HSG Webinar: You will also, all today's... the attendees at today's meeting will also receive an email, with that link, once that link... once all the new content is live. So just wanted to make sure you guys were all aware of that. So, we,

140

00:30:03.250 --> 00:30:04.620

HSG Webinar: put,

141

00:30:05.010 --> 00:30:16.060

HSG Webinar: transcripts of the meeting, video of the meeting, as well as the presentation from the meeting, up on our website, so all that stuff is available to you anytime. Okay, next question.

142

00:30:16.940 --> 00:30:20.960

HSG Webinar: Follow-up question, about the credit program.

143

00:30:21.670 --> 00:30:24.380

HSG Webinar: Question is, can we transfer the credit

144

00:30:24.540 --> 00:30:30.409

HSG Webinar: from one project to another if they reside in different districts in San Jose.

145

00:30:30.910 --> 00:30:34.090

HSG Webinar: Also, assuming the unit type and AMI levels are similar.

146

00:30:34.090 --> 00:30:41.010

Solivan, Erik: Right, so long as it meets the transferability and equivalency tasks, yes, as the...

147

00:30:41.010 --> 00:31:00.919

Solivan, Erik: program gets utilized, and we see different iterations of the different projects, we may revise the regulations in terms of that use. Before this initial startup period for this program that we're announcing, again, existing ordinance, putting some

148

00:31:00.920 --> 00:31:06.200

Solivan, Erik: energy into it. We're gonna allow for that, and let's see how the program evolves.

149

00:31:12.230 --> 00:31:21.819

HSG Webinar: Okay, do any... does anyone else have any questions? I think, I went through the initial batch of questions that I had received.

150

00:31:21.930 --> 00:31:26.799

HSG Webinar: But I don't want to cut anyone off, so if anybody else has a question, please,

151

00:31:27.080 --> 00:31:33.940

HSG Webinar: put it in the chat to me. I'm listed as HSGWebinar in the chat.

152

00:31:34.650 --> 00:31:38.160

HSG Webinar: Okay. Looks like we do have a couple more.

153

00:31:41.770 --> 00:31:54.349

HSG Webinar: Next question. In order to move the needle, this person writes, the city needs to take steps to lower the percentage significantly from 15% to 10% or lower.

154

00:31:55.240 --> 00:32:00.449

HSG Webinar: Are there any discussions to drop the percentage to alleviate the pressure on developers?

155

00:32:01.800 --> 00:32:17.089

Solivan, Erik: So there are various programs through the incentives, either growth areas incentive or downtown area incentives, that makes adjustments to the schedules related to the percentage of total units that need to be affordable.

156

00:32:17.090 --> 00:32:29.110

Solivan, Erik: In addition, I will note that existing AMI schedules at 110 AMIs and up to 120 AMIs, there are very few, projects

157
00:32:29.340 --> 00:32:33.830
Solivan, Erik: Units at this point in the city that exceed those rent schedules.

158
00:32:33.830 --> 00:32:58.510
Solivan, Erik: Right now, the city of San Jose is in a position where our max affordability, 110%, 120% AMI rents exceed our market rate rents. If you look through the department's published quarterly reports, you can see the trend line as to total average rents across all unit types, and then compare that to

159
00:32:58.510 --> 00:33:18.450
Solivan, Erik: where existing HCD schedules for 110 AMIs and 120 AMIs, you will see that as an example, two bedrooms at 110 AMI is roughly \$48, \$4,900 per unit, which is above where most market rate rents are today.

160
00:33:18.450 --> 00:33:36.889
Solivan, Erik: So, we're in a unique space within San Jose and our current market conditions, based on our ever-increasing AMIs, area median incomes, for the city, and then where we're at in terms of production of units, and where those rents are not able to continually grow.

161
00:33:37.020 --> 00:33:50.489
Solivan, Erik: And so that's why we see this opportunity in changes to the AMI ban as to get more projects moving forward that are providing more workforce housing units and getting to more abundant housing stock.

162
00:33:53.310 --> 00:34:05.009
HSG Webinar: Okay, next question. Why consider reducing the period of affordability when it can be challenging to preserve the affordable units we already have?

163
00:34:06.700 --> 00:34:18.969
HSG Webinar: I'm sorry, can you restate the question, Jeff? I'll just read it verbatim. Why reduce the period of affordability when we will already be struggling to preserve the affordable units that will be expiring soon?

164
00:34:20.449 --> 00:34:41.859
Solivan, Erik: So, if I understand the question correctly, it goes to concerns expressed regarding existing units that have expiring affordability restrictions, or, I would say more specifically, to low-income housing tax credit restrictions, as the majority of the city-funded projects have affordability restrictions, therefore restricting

165
00:34:41.859 --> 00:34:45.609
Solivan, Erik: Rent levels to 55 years or more.

166
00:34:45.709 --> 00:34:55.109
Solivan, Erik: So, in regards to the question regarding expiring low-income housing tax credit projects, the city, we have done here in the housing department about

167
00:34:55.109 --> 00:35:15.629
Solivan, Erik: 5 to 8 transactions just in this calendar year, so January through September, that are re-

syndications or extensions out, or recapitalizations of existing low-income housing tax credit buildings in order to extend out or maintain their existing affordability restrictions, and then be... extend out their useful life.

168

00:35:15.629 --> 00:35:26.229

Solivan, Erik: Through recapitalizations, and then also re-syndications of those credits for an additional 15-year period to provide a capital infusion into those projects.

169

00:35:26.229 --> 00:35:50.189

Solivan, Erik: So with that continuing work, this work we're looking to bring forward under the IHO is focused on how do we look at ways in which to encourage more production of units, and as we continue that conversation, where do we look at ways in which existing buildings that may have vacancy, that may pursue conversions from commercial into residential.

170

00:35:50.189 --> 00:36:15.159

Solivan, Erik: thereby adding total units to the amount of housing stock within the city, how do we encourage some of those reuse projects as well? But coming back to kind of the focus of this conversation today, which was, how do we take the IHO, streamline it to allow for quicker execution on the developer side? Two, where do we look for ways in which to better utilize existing language in the

171

00:36:15.159 --> 00:36:24.419

Solivan, Erik: ordinance around surplus credits, and then three, how do we create an opportunity to expand the AMI band to hopefully get that

172

00:36:24.419 --> 00:36:33.939

Solivan, Erik: 10% conversion rate of application to build projects, much, much higher, so we can get some more abundant housing stock within the city.

173

00:36:38.380 --> 00:36:40.070

HSG Webinar: Okay, next question.

174

00:36:40.680 --> 00:36:47.329

HSG Webinar: Is there a concern that the affordability requirements may be at a level that could discourage development?

175

00:36:47.650 --> 00:36:56.199

HSG Webinar: Is there potentially a sweet spot with a lower requirement that spurs enough development to produce more units overall?

176

00:36:58.350 --> 00:37:17.859

Solivan, Erik: So, again, I think if I understand the question, our AMI levels right now exceed, as I mentioned, the rents underneath those AMI levels, exceed the overwhelming majority of market rate projects. Right now, we need to get to, as

177

00:37:18.140 --> 00:37:23.440

Solivan, Erik: Council had discussed earlier this year, in 2024, we had zero.

178

00:37:23.440 --> 00:37:42.869

Solivan, Erik: market rate building starts. This year, we have had over 1,000 units move forward under our growth areas incentive programs. So, under existing financial market conditions, where the city can either provide an incentive, or to streamline and reduce the cost

179

00:37:42.870 --> 00:37:48.070

Solivan, Erik: Of holding a project and getting it through the approval process system.

180

00:37:48.210 --> 00:38:00.909

Solivan, Erik: thereby acknowledging, sort of, the time value of money today as opposed to tomorrow. Where do we streamline some of that work to reduce some of that holding cost in order to get more units out of the ground?

181

00:38:00.910 --> 00:38:16.810

Solivan, Erik: This work that we're proposing under this IHO ordinance will achieve some of those goals, streamlining your processing through the housing department so you can move through more quickly through PVCE and get to entitlements or into permitting. And two.

182

00:38:17.010 --> 00:38:28.029

Solivan, Erik: applies another tool to add to the toolbox around different ways in which to get to mixed compliance. And since our AMI ban and overall schedule's above market rate rents.

183

00:38:28.030 --> 00:38:43.439

Solivan, Erik: We're hopeful that this project, again, given mixed compliance options, given options around surplus credits, given options around how do you get to compliance through the Downtown Incentive Program or the Growth Areas Incentive Program, which cuts or eliminates fees.

184

00:38:43.440 --> 00:38:54.279

Solivan, Erik: These changes proposed in the IHO advances our work around getting to more, hopefully, abundant housing stock, and encourages more continuing investment in the city.

185

00:38:56.500 --> 00:39:15.059

HSG Webinar: Alright, just want to call everyone's attention to the chat. Our Deputy Director, Sarah Fields, just posted, a link where you can find, housing market reports, data reports that come out quarterly, that we, the Housing Department, share with the community, and so, those are open to all.

186

00:39:15.060 --> 00:39:26.400

HSG Webinar: So if you ever want to see those, you can go to the link that Sarah just, sent, and just know that we will continue to update those every quarter. We'll be adding the newest data, the newest report.

187

00:39:27.950 --> 00:39:32.460

HSG Webinar: Let's see here... And I think...

188

00:39:32.820 --> 00:39:43.950

HSG Webinar: we have gone through all the questions, but before I let Eric go, again, just one more final call. Anybody else have any questions for Eric? If so,

189

00:39:44.370 --> 00:39:51.310

HSG Webinar: please drop it into the chat, HSG Housing, or HSG Webinar, and I'll read that question for Eric.

190

00:39:51.740 --> 00:39:57.889

HSG Webinar: Going once. Going twice.

191

00:39:58.810 --> 00:39:59.760

HSG Webinar: Alright.

192

00:40:00.080 --> 00:40:06.509

HSG Webinar: I think that's it. Eric Solivan, the Director of Housing, thank you very much for sharing your time and your expertise.

193

00:40:06.700 --> 00:40:16.600

HSG Webinar: To all the attendees, thanks for attending, and again, you will be receiving an email from me in the coming days, once all this material is up on our website and available for you to view.

194

00:40:16.810 --> 00:40:20.500

HSG Webinar: And I think with that, we'll close the meeting. Thank you very much, everybody.