

WEBVTT

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00:00:49.470 --> 00:01:00.900

Sarah Fields: Welcome, everyone, to this evening's Community Engagement Meeting. We will be covering, two topics, well, two connected, programs.

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00:01:01.070 --> 00:01:12.319

Sarah Fields: two of our incentive programs to encourage, the building of housing in particular geographies, across the city of San Jose and in our downtown.

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00:01:12.480 --> 00:01:13.500

Sarah Fields: corridor.

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00:01:13.870 --> 00:01:17.690

Sarah Fields: You'll be hearing from my colleague, Banu San.

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00:01:17.910 --> 00:01:37.539

Sarah Fields: And also, Constantin Voronin is here as well to answer some questions and assist Bono in her presentation. I'm Sarah Fields, I serve as one of three Deputy Directors for the Housing Department, and I will be here this evening to help facilitate questions, and other information, for the group.

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00:01:38.850 --> 00:01:50.369

Sarah Fields: I'll be sharing some slides in just a moment. If you have questions across the presentation, please feel free to use the Q&A function within the webinar. You can type your questions there.

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00:01:50.590 --> 00:01:53.009
Sarah Fields: and I will be facilitating a Q&A

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00:01:53.150 --> 00:02:02.170
Sarah Fields: once the presentation concludes. So, with that, I will hand it over to Banu to introduce herself, begin presenting.

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00:02:02.690 --> 00:02:05.129
San, Banu: Thank you, Sarah. Are we recording the session? Because I don't.

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00:02:05.130 --> 00:02:06.340
Sarah Fields: You sure are.

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00:02:06.470 --> 00:02:14.670
San, Banu: It has started? Okay, I didn't need to notice that. Okay, let's see, and we're starting with the downtown part, I believe.

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00:02:14.670 --> 00:02:16.220
Sarah Fields: Okay. Yes.

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00:02:16.220 --> 00:02:26.590
San, Banu: Welcome, everyone. I'm Banu San. I'm one of the three Deputy Directors on the Production, Preservation, Asset Management, Rent Stabilization Program, and Inclusionary Housing Divisions.

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00:02:26.630 --> 00:02:37.530
San, Banu: And, today we're going to go through the two incentive programs, as Sarah mentioned. Both of these items, along with a set of other items, are going to Council on January 27th.

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00:02:37.660 --> 00:02:50.140

San, Banu: So, thank you for joining us. The... we're responding to the current housing and market conditions in San Jose. So, Council's going to be looking at several housing-related items on...

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00:02:50.140 --> 00:03:06.660

San, Banu: as I mentioned, on Tuesday, this Tuesday, and it includes proposals that are focused on housing production, there's a soft story retrofit pilot program to help preserve existing housing, and a set of tenant protection and tenant right updates under the city's rent stabilization framework.

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00:03:06.720 --> 00:03:21.129

San, Banu: So these items reflect the housing's, three core priorities, which is, first, producing housing, especially helping projects that are already planned but stalled, and, you know, are not able to move into construction.

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00:03:21.200 --> 00:03:28.509

San, Banu: And then, secondly, protecting existing housing, so homes, people rely on today remain safe, livable, and affordable.

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00:03:28.620 --> 00:03:47.450

San, Banu: And then third, supporting renters, including the strengthening of tenant protections and housing stability. So today's presentation focuses on housing production priority and the two incentive programs that support that goal. The goal is to increase overall housing supply, by supporting microwave development.

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00:03:47.540 --> 00:03:52.790

San, Banu: But also securing deed-restricted affordable homes that remain affordable over the long term.

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00:03:53.000 --> 00:04:00.490

San, Banu: And many housing projects in San Jose are approved, but they're never actually... they never actually get built, and these insider programs are...

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00:04:00.530 --> 00:04:13.280

San, Banu: really designed to help overcome those barriers to... so housing can move from paper to reality. One program applies citywide, and the other one focuses especially on downtown San Jose. So right now, I'm going to go through the downtown one.

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00:04:13.350 --> 00:04:15.990

San, Banu: And with that, we can move to the next slide.

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00:04:16.120 --> 00:04:16.970

San, Banu: Thank you.

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00:04:17.070 --> 00:04:27.740

San, Banu: The housing department has, presented the inclusionary housing ordinance, and announced multi-family housing and downtown office to residential conversion incentive programs.

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00:04:27.740 --> 00:04:37.569

San, Banu: We had, several meetings so far, and there were virtual community meetings on October 9th and

December 10th, and an in-person meeting that we held on January 14th.

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00:04:37.740 --> 00:04:40.049

San, Banu: They... and we, were...

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00:04:40.200 --> 00:04:50.700

San, Banu: really promoting the upcoming commercial, downtown commercial to residential incentive program through the virtual community meetings that we held on January 8th and

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00:04:50.700 --> 00:05:03.310

San, Banu: January 22nd, so we're going to go through that today, today. So the recordings of the virtual meetings, community meetings are also on our website, and the memo... the memorandum that

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00:05:03.340 --> 00:05:08.129

San, Banu: We're taking, as is already posted on the City Council's agenda website.

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00:05:08.760 --> 00:05:10.360

San, Banu: Next slide, please.

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00:05:13.120 --> 00:05:25.880

San, Banu: So, this is just a summary of the current downtown incentive program, and really, it's to help us, you know, stimulate the high-rise new construction residential developments downtown, particularly in San Jose.

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00:05:25.980 --> 00:05:35.590

San, Banu: And with that comes job growth and, you know, transit use and supporting retail businesses and really increasing the vibrancy of the city center.

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00:05:35.590 --> 00:05:49.319

San, Banu: And there are certain eligibility requirements currently under that program. First of all, naturally, it needs to be located in the downtown plan growth area. And it's really for projects that are eligible are for projects that are over 10 floors, stories.

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00:05:49.420 --> 00:05:54.220

San, Banu: And, they... or at least 150 feet above street level.

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00:05:54.250 --> 00:06:08.540

San, Banu: And they have to pass the first inspection within the first 12 months of obtaining building permit. There are two phases to this program. You can see them on the right here. The first phase is up to 100... 1,000 units, and they were construction taxes that are waived

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00:06:08.540 --> 00:06:20.279

San, Banu: 100%, and a reduction in... 50% reduction in parkland fees, and zero inclusionary housing, fees. The Phase 2 is up to 3,078 units, again, with

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00:06:20.280 --> 00:06:27.380

San, Banu: Similar, incentives, but construction taxes, 50% waived, and then parkland fees 30% reduced.

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00:06:27.690 --> 00:06:28.860

San, Banu: Next slide.

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00:06:34.960 --> 00:06:49.970

San, Banu: All right, so the... as a part of the cost of residential development study, which we took to Council on December 8th, and per Council's direction, we run this study every year, the city evaluated development feasibility in downtown San Jose.

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00:06:50.110 --> 00:07:09.029

San, Banu: And the analysis found that constructing new, higher-density residential projects, including podium and tower buildings, are not financially feasible under current market and financial conditions. But at the same time, downtown San Jose continues to experience elevated office vacancy following shifts in the office demand after COVID.

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00:07:09.160 --> 00:07:18.800

San, Banu: And given these conditions, the city evaluated whether existing office buildings could be repositioned as residential housing, as an alternative to new construction.

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00:07:19.090 --> 00:07:29.020

San, Banu: And the feasibility Office to Residential Conversion was analyzed in detail, recognizing that not all office buildings are suitable for conversion.

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00:07:29.060 --> 00:07:40.179

San, Banu: The analysis incorporated local market conditions, as well as lessons, learned from other jurisdictions that have implemented similar conversion incentive programs.

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00:07:40.180 --> 00:07:51.660

San, Banu: So, based on this evaluation, the staff estimates that targeted incentives could support the conversion of approximately around 500 residential units in the downtown area.

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00:07:52.230 --> 00:07:53.819

San, Banu: Next slide, please.

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00:07:54.610 --> 00:08:00.890

San, Banu: Thank you. So this is... in addition to the program, this program is really...

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00:08:01.220 --> 00:08:05.909

San, Banu: Designed to support and add on the office to residential conversion projects.

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00:08:06.050 --> 00:08:10.179

San, Banu: Through construction-related fee and tax reductions.

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00:08:10.230 --> 00:08:21.290

San, Banu: And they're really intended to help close the feasibility gaps for conversion projects that face, high retrofit costs, financing challenges, and design constraints. So here is just a summary of

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00:08:21.290 --> 00:08:30.470

San, Banu: some of the advantages of office-to-residential conversions. As we were seeing, it is 30% cheaper than just ground-up new construction.

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00:08:30.510 --> 00:08:37.030

San, Banu: It is, faster, so up to 18 months, whereas, you know, new construction can take over 2 years.

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00:08:37.120 --> 00:08:42.319

San, Banu: Primary, and then the... there, we're able to retain the primary structure and the building system.

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00:08:42.360 --> 00:08:59.279

San, Banu: And office values are at historic lows due to vacancies since the pandemic. And then there are higher financing rates, which really call for shorter loan terms. So remote work patterns are still, you know, continuing.

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00:08:59.340 --> 00:09:18.560

San, Banu: So the policy impacts of this is really, four here that are mentioned, expanding middle-income housing units at affordable rents in downtown, and then we're able to gain annual tax revenue and downtown activity, and then demonstrate, really, a strong policy, leadership in

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00:09:18.680 --> 00:09:26.840

San, Banu: Bringing in more housing stock, and then aligning our land use policy and capital markets to really catalyze these feasible projects.

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00:09:27.640 --> 00:09:29.160

San, Banu: Next slide, please.

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00:09:29.590 --> 00:09:38.659

San, Banu: This outlines the Phase 1 and Phase 2 of the Downtown Residential, you know, the Office to Conversion Project program.

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00:09:38.970 --> 00:09:47.049

San, Banu: And, as I mentioned, there's going to be fee and tax waivers, and that's summarized here for the Phase 1 and Phase 2.

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00:09:47.240 --> 00:09:57.089

San, Banu: And there's no, under the updated program framework, there's no deed-restricted, affordable requirement for downtown conversion projects.

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00:09:57.170 --> 00:10:11.849

San, Banu: The primary objective is really to increase overall housing supply downtown and activate vacant office buildings in near term. So, Phase 1 applies to the first 500 housing units created through eligible

conversion projects.

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00:10:11.850 --> 00:10:18.909

San, Banu: And then they have to meet certain eligible criteria, including location, minimum unit counts, permit timing requirements.

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00:10:18.920 --> 00:10:22.129

San, Banu: And really, it prioritizes the most

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00:10:22.240 --> 00:10:39.899

San, Banu: feasible office-to-residential conversion projects that really support the near-term housing delivery down... downtown. And then Phase 2 is... applies to the office-to-residential conversion projects that are beyond the 500 units, and the incentives there remain available, but at reduced levels compared to Phase 1.

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00:10:40.360 --> 00:10:53.179

San, Banu: These... this phase structure really allows the city to continue, supporting down the housing production while managing fiscal exposure over time, so it reinforces the time-sensitive nature of the program by

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00:10:53.300 --> 00:10:57.930

San, Banu: Just providing stronger incentives to the earlier projects that are ready to move forward.

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00:10:58.440 --> 00:11:06.659

San, Banu: And, the focus really remains on enabling housing delivery and increasing the residential activity downtown.

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00:11:06.900 --> 00:11:08.260

San, Banu: Next slide, please.

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00:11:10.250 --> 00:11:14.700

San, Banu: This is just a summary of what I mentioned, Phase 1 and Phase 2.

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00:11:15.450 --> 00:11:18.489

San, Banu: And then there's the permit deadlines that you can see there.

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00:11:19.000 --> 00:11:23.429

San, Banu: And a minimum, unit size, number of units, which is 20.

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00:11:24.560 --> 00:11:26.219

San, Banu: And then, next slide.

84

00:11:27.320 --> 00:11:43.459

San, Banu: So, although the program doesn't require restricted affordability analysis really shows that many converted units are expected to really rent at middle-income levels, it really affects the current downtown

rent conditions.

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00:11:43.630 --> 00:11:47.990

San, Banu: Rather than, you know, any sort of additional subsidy. As a result.

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00:11:48.080 --> 00:12:06.379

San, Banu: The program is expected to deliver housing that's accessible to a range of households, while significantly increasing overall housing supply downtown. And in addition to the housing production, the program supports downtown revitalization by activating vacant buildings, increasing residential presence.

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00:12:06.470 --> 00:12:21.770

San, Banu: And, strengthening long-term economic activity there. So together, these outcomes really position the office-to-residential conversion as a practical near-term strategy for addressing both housing needs and downtown vacancy challenges.

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00:12:22.430 --> 00:12:23.959

San, Banu: Next slide, please.

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00:12:24.350 --> 00:12:42.780

San, Banu: And then this slide just summarizes the overall impact of the Downtown, incentive program, and through targeted construction-related fee and tax reductions, the program is expected to support the creation of around 611 housing... new housing units, and... and enabling... by enabling these conversions.

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00:12:42.920 --> 00:12:47.109

San, Banu: That are otherwise difficult to finance under current market conditions.

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00:12:47.220 --> 00:12:53.070

San, Banu: And the city's participation is focused on the fee and tax reductions, rather than direct subsidy.

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00:12:53.280 --> 00:13:11.220

San, Banu: When viewed on a per-unit basis, the level of public investment is relatively modest compared to the traditional housing subsidy programs, while still supporting a significant number of new homes. So beyond housing production, it's intended to activate vacant, as I mentioned, underutilized office buildings.

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00:13:11.290 --> 00:13:28.730

San, Banu: and then increase residential presence downtown, and contribute to the long-term economic activity. So, taken together, these outcomes position the downtown incentive programs as a targeted near-term strategy to address both housing supply and office vacancy challenges in San Jose.

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00:13:29.600 --> 00:13:40.800

San, Banu: And that brings us to the end of the Downtown Incentive Program. Sarah, are we moving to the next one and then taking questions after the second? Okay, so we'll move to the next program then.

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00:13:47.880 --> 00:13:50.860

San, Banu: Okay, this is... Nope, there it is.

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00:13:51.350 --> 00:13:58.970

San, Banu: Okay, we can move to the next slide there. Again, this talks a little bit about what I mentioned previously, the CASA Development Study.

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00:13:59.080 --> 00:14:13.479

San, Banu: Where I'm... the multifamily Incentive Program really includes apartments projects located in cities, growth areas, and urban villages. So these incentive programs are really designed to help move housing projects that have...

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00:14:13.480 --> 00:14:20.289

San, Banu: That have been planned or approved for several years, but haven't really moved into construction.

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00:14:20.350 --> 00:14:32.590

San, Banu: And when we look back at recent development trends, we see that only a small share of proposed housing projects actually make it from application to construction. So that tells us that approvals alone aren't enough.

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00:14:32.680 --> 00:14:36.180

San, Banu: And many projects still face financial or market barriers.

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00:14:36.360 --> 00:14:43.290

San, Banu: That prevent them from moving forward. So these incentive programs are one way the city's trying to address the gap.

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00:14:43.410 --> 00:14:46.050

San, Banu: And support getting more housing built.

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00:14:46.160 --> 00:14:57.010

San, Banu: In addition to the, as I mentioned, this program, there's the downtown center program as well, which builds on the existing tools and adds the ability on conversions.

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00:14:58.410 --> 00:15:14.169

San, Banu: So we can move to the next slide. This is a summary of the community engagement we've done so far. We've had virtual community meetings on October 9th and December 10th, an in-person meeting on January 14th, as I mentioned, for the Inclusionary Housing Ordinance.

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00:15:14.310 --> 00:15:30.600

San, Banu: And then, we, also held a meeting about this incentive program, very similar, same presentation on January 8th, and we're doing one today. And again, January 27th is the big day for many housing items, so we encourage you to attend and listen to that.

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00:15:30.760 --> 00:15:36.549

San, Banu: And then all the recordings are on the website, as I mentioned in the other presentation. We can move to the next slide there.

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00:15:36.990 --> 00:15:50.089

San, Banu: This slide focuses on the Multifamily Housing Incentive Program and what it has accomplished since it was first, implemented. And since the program began, it has helped move forward multiple housing projects.

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00:15:50.290 --> 00:16:05.810

San, Banu: that had entitled or planned for years into active construction. In total, more than 1,400 homes are now moving forward as a direct result of the incentive program, and that includes 228 deed-restricted affordable homes.

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00:16:05.910 --> 00:16:18.639

San, Banu: So, which are integrated within primarily micro-grade developments, rather than built as standalone, affordable projects. This is important because it shows that the program is not simply approving projects on paper, but

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00:16:18.640 --> 00:16:34.819

San, Banu: It's actually unlocking construction activity that would likely not have occurred under current market conditions. And these projects have already gone through city's planning and entitlement process, but were unable to proceed due to financing gaps, construction costs, feasibility challenges.

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00:16:34.930 --> 00:16:53.149

San, Banu: In addition to the housing delivery, these projects have generated construction jobs-related economic activity, and while job creation is not the primary goal of the program, it is a meaningful secondary benefit that reflects the broader economic impact of moving projects into construction.

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00:16:53.300 --> 00:17:07.659

San, Banu: And overall, these results indicate that the program is functioning as intended. It is helping close the gap between project approval and project delivery, while also securing long-term affordable housing as part of the market rate development.

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00:17:08.270 --> 00:17:09.540

San, Banu: Next slide.

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00:17:10.329 --> 00:17:28.989

San, Banu: Thank you. So this slide similarly summarizes the Phase 1 and the, of the Multifamily Housing Incentive Program, and how it works today, and what we're going to be proposing on January 27th. The Phase 1 applies to the first 1,800 units citywide that meet the program eligibility requirements.

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00:17:29.110 --> 00:17:40.400

San, Banu: projects participating in Phase 1 are required to include 5% deep district affordable units that serve up to 110% area median... of area median income.

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00:17:40.460 --> 00:17:56.650

San, Banu: As part of the Phase 1 incentive package, the eligible projects receive reductions in construction taxes and fees, including the building and structure tax, construction demo tax, and eligibility is tied to a defined permit deadline.

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00:17:56.680 --> 00:18:10.179

San, Banu: Which helps ensure that incentives are directed to projects that are close to construction and positioned to deliver housing in the near term. So, based on ongoing market conditions, the city is proposing to extend Phase 1.

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00:18:10.450 --> 00:18:29.250

San, Banu: Construction costs continue to remain high, financing remains constrained, and many projects are, that are otherwise ready to move forward need that additional time to finalize permits, secure funding. The... so the proposed extension would expand Phase 1 to cover 3,600 units.

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00:18:29.410 --> 00:18:35.309

San, Banu: And extend the permit deadline to February 27th, sorry, February 2027.

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00:18:35.620 --> 00:18:42.190

San, Banu: And then, importantly, the affordability requirements, incentive structure, and eligibility criteria remain unchanged.

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00:18:42.420 --> 00:18:53.150

San, Banu: The extension is intended to provide additional runway for projects that are already in the pipeline while maintaining the program's original design and accountability measures.

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00:18:53.550 --> 00:18:54.990

San, Banu: Next slide, please.

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00:18:55.470 --> 00:19:15.200

San, Banu: The Phase 2 of this program applies to projects that have... that do not qualify under Phase 1 incentives, continue... but continue in Phase 2 at a reduced level, applying only to the building and structure tax. Affordability requirements remain consistent, ensuring continued delivery of the restricted affordable units.

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00:19:15.400 --> 00:19:26.170

San, Banu: The phased structure really reinforces the time-sensitive nature of Phase 1, while allowing the city to continue supporting housing production over a longer horizon.

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00:19:26.960 --> 00:19:28.729

San, Banu: Next slide.

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00:19:29.410 --> 00:19:35.710

San, Banu: And this is the, we've reviewed several projects already, that could move forward if the program is extended.

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00:19:35.880 --> 00:19:40.020

San, Banu: With the extension, more than 2,000 additional homes could be built.

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00:19:40.190 --> 00:19:47.859

San, Banu: This includes more than 100, affordable homes, and these estimates are really based on real projects, not projections alone.

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00:19:48.390 --> 00:19:53.769

San, Banu: And then the next slide, this is the same slide as I showed in the other deck.

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00:19:54.020 --> 00:20:13.090

San, Banu: Although we don't require deed-restricted affordability, necessarily, underwriting for participating projects indicates that market rate units are largely serving middle-income households, those that are earning between 80% to 110% of area median income, and the chart on the right compares the proposed market rate rents.

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00:20:13.230 --> 00:20:15.699

San, Banu: By unit type to affordability benchmarks.

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00:20:15.950 --> 00:20:22.159

San, Banu: Across studios and 3 bedrooms, rents generally fall within the ranges affordable to middle-income households.

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00:20:22.660 --> 00:20:36.519

San, Banu: And it's reflecting current market conditions rather than, you know, any additional public subsidy. And the table on the left provides the area median income thresholds for four-person household to help contextualize these affordability ranges.

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00:20:36.580 --> 00:20:47.570

San, Banu: And overall, this analysis demonstrates that the multifamily Housing Incentive Program supports new construction, supported new construction, is delivering market rate housing.

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00:20:47.670 --> 00:20:53.639

San, Banu: And that's financially accessible to middle-income households, while increasing housing supply in San Jose.

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00:20:53.940 --> 00:21:04.619

San, Banu: And then that brings us to the end of this program, and constantin is here also, he's managing this prog... both programs, and we'll be able to take some questions now, Sarah.

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00:21:04.930 --> 00:21:05.760

San, Banu: Thank you.

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00:21:05.760 --> 00:21:22.409

Sarah Fields: Yeah, so I... you must have done an excellent job, or everyone's still absorbing the information, because we don't have any questions as of right now, but I will take a couple of minutes to let people think about, the presentation a little bit, and

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00:21:22.410 --> 00:21:40.470

Sarah Fields: Please type your questions into the Q&A function. You should be able to find it at the bottom

or the top of your screen, depending on, if you're using a desktop or laptop or an iPad, how you're using your Zoom. Here, now we have some questions. Excellent.

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00:21:42.270 --> 00:21:47.810

Sarah Fields: here we go. And I will, just before we get into some of the questions, I'll remind everyone that

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00:21:47.860 --> 00:22:06.260

Sarah Fields: These two incentive programs, along with proposed changes to the Inclusionary Housing Ordinance, the mobile home rent ordinance, and a pilot program around soft-story retrofitting, will be coming to Council this coming Tuesday, January 27th. Of course, City Council meets at City Hall.

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00:22:06.280 --> 00:22:09.289

Sarah Fields: So I just want to make sure everyone knows that.

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00:22:09.300 --> 00:22:27.430

Sarah Fields: Okay, there's a question, we'll sort of take it in parts. The first is, are there planned incentive programs for other parts of the city, aside from the geographic targeting in the multifamily housing program and the downtown incentive program? Any other geographies considered?

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00:22:29.750 --> 00:22:42.289

Konstantin Voronin: So, I think the... if you could just clarify the question, whether it's about, the similar programs that exist in other cities, in other areas, or in other areas of San Jose.

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00:22:43.510 --> 00:22:47.640

Sarah Fields: I think it just means in other areas of San Jose, but all I got was...

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00:22:47.840 --> 00:22:51.209

Sarah Fields: Is there... are there planned incentives for other parts of the city?

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00:22:51.590 --> 00:23:02.460

Konstantin Voronin: Right, so the Downtown Residential Incentive Program just covers the downtown core, the downtown growth area, and primarily because

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00:23:02.570 --> 00:23:10.870

Konstantin Voronin: All the new high-rises that you see built in San Jose are located in downtown. That's why the original downtown program just,

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00:23:10.870 --> 00:23:23.980

Konstantin Voronin: It was created for those types of projects, but as you know, like, right now, in today's economic environment, we have a pretty significant office tower vacancy, and that's why we would like... we're trying to

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00:23:24.110 --> 00:23:34.530

Konstantin Voronin: turn this problem into solution by converting empty office space into residential units that are much needed in the city of San Jose.

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00:23:34.530 --> 00:23:50.520

Konstantin Voronin: And, MAPE, Multifamily Housing Incentive Program, is a city-wide program that, can be utilized anywhere in the city, as long as it's one of the growth areas, and as long as the project meets the minimum density standards.

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00:23:51.300 --> 00:24:02.830

Sarah Fields: Okay, and then there's a sort of follow-up question around that, which is, have these kinds of incentive programs worked in other places, in other cities, in the Bay Area, in California, in other regions?

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00:24:03.400 --> 00:24:18.950

Konstantin Voronin: Yes, there are, but they don't... the commercial to residential conversion program worked in many cities, like, the few prominent examples include New York and LA, and Washington, D.C, where developers were able to convert

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00:24:18.950 --> 00:24:28.119

Konstantin Voronin: Not just hundreds of units, but dozens of thousands of units from a vacant office space, and for, multifamily.

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00:24:28.120 --> 00:24:39.240

Konstantin Voronin: housing incentive, there are also examples across the country that, if you would like to email me after the meeting, to learn more about those examples, I'll be able to share them with you.

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00:24:39.700 --> 00:24:40.310

Sarah Fields: Goodbye.

157

00:24:41.630 --> 00:24:57.150

San, Banu: Sarah? Please. The comment, talks about the... why not require some truly very low-income housing? And I just want to say that the... according to the developments that we've seen so far.

158

00:24:57.370 --> 00:25:17.170

San, Banu: they're not including very extremely low-income units, it's not really penciling for market rate, but we are serving that population on the affordable housing gap financing program side. So, we have our notice of funding availabilities, which we've published for the past, I believe, 5 years, over \$400 million in funding.

159

00:25:17.240 --> 00:25:35.560

San, Banu: And we continue to do so, and to encourage and finance the development of affordable housing, new construction, properties that serve extremely low and low-income populations. And the production on that side is very similar in numbers, actually. We produce around

160

00:25:35.560 --> 00:25:45.890

San, Banu: 300 to 500 units a year, through that program, which is similar to the inclusionary units, affordable units that have been produced on the market rate side as well.

161

00:25:46.030 --> 00:25:49.429

San, Banu: Annually. So I hope that helps on that... Yes, thank you.

162

00:25:49.430 --> 00:25:56.190

Sarah Fields: And I'll just, I'll sort of prompt another question here, which is, you know, Bonn has started to address

163

00:25:56.260 --> 00:26:12.599

Sarah Fields: you know, why we're looking at these AMI bans within the inclusionary housing ordinance and within the incentive program within the IHO, or complementary to the IHO. But a question about, isn't there a need for, in lieu fees.

164

00:26:13.080 --> 00:26:19.480

Sarah Fields: to support these, these more deeply affordable housing units.

165

00:26:19.590 --> 00:26:29.980

Sarah Fields: I'm not sure... one of you... I'm sure both of you can answer this question. One of you maybe wants to jump in and talk about, sort of the... the reduction or... or the...

166

00:26:30.350 --> 00:26:36.049

Sarah Fields: incentivizing out of in lieu fees, through these different programs.

167

00:26:37.190 --> 00:26:38.890

San, Banu: Go ahead, Constantin, you can take that.

168

00:26:39.350 --> 00:26:42.959

Konstantin Voronin: Yes, it's a good question, and yes,

169

00:26:43.200 --> 00:26:55.279

Konstantin Voronin: We would like to be able to generate enough in lieu fees from market-ready developments to be able to construct a meaningful number of affordable housing units.

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00:26:55.280 --> 00:27:13.139

Konstantin Voronin: But in reality, in Lufis that we collect on a per-unit basis, from market-ready developments are actually much lower than the value of the affordable units that those developers provide on-site. And the developers, generally tend to build units on-site,

171

00:27:13.140 --> 00:27:31.639

Konstantin Voronin: Especially if it benefits them in other ways. For example, they can take advantage of a density bonus, or, like, builder's remedy law. So I think, the fiscal impact, if you measure it in, like, number of units built, is much greater from developers building the units, rather than us collecting those in low fees.

172

00:27:32.730 --> 00:27:42.129

San, Banu: And I think we mentioned in our previous Inclusionary Housing Ordinance presentation that the fees that were generated in the past 5 years... I'm trying to remember, it's 40 million something.

173

00:27:42.130 --> 00:28:06.000

San, Banu: is not really a very big, significant source of funding for our financing program on the affordable

housing side. Really, the majority of our funding source, the big bulk, comes from Low Mod, which is the repayment of our current asset management portfolio, the loan portfolio, and that's really what's been funding our affordable housing developments over the past

174

00:28:06.220 --> 00:28:15.090

San, Banu: 5 to, you know, 8 years. So those fees are not a very significant percentage, that represent the funding sources for the affordable housing program.

175

00:28:15.090 --> 00:28:31.349

Konstantin Voronin: Right, actually, Banu, thank you for mentioning it. The... those, funds that we received in the form of, in Luffy, you're right, it was not, like, a very significant number, and also we have to mention that they... most of that amount came from just 5 projects.

176

00:28:31.350 --> 00:28:44.029

Konstantin Voronin: And all of those projects were for-sale, developments. So, basically, and what we are, like, looking at today, the both downtown residential incentive program and multifamily Housing Incentive Program.

177

00:28:44.060 --> 00:28:53.110

Konstantin Voronin: They only cover rental development, so whatever we're doing here is not going to impact potential revenues from for-sale projects.

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00:28:54.210 --> 00:28:56.199

Sarah Fields: Excellent.

179

00:28:56.500 --> 00:29:11.669

Sarah Fields: I'll remind everyone that one of the five... there are five, sort of, primary focus areas of the city. One of them is building more housing, and it's building more housing, of course, at all levels. These programs really focus in

180

00:29:11.670 --> 00:29:35.349

Sarah Fields: these higher AMI bands within market rate development, and as Banu mentioned, the housing department puts out a NOFA on a fairly regular basis, that... that supports more deeply, affordable, those, those lower AMI bands, housing at that... that level. So there are programs that address each of the different levels of housing, and this... these incentive programs are around.

181

00:29:35.350 --> 00:29:42.630

Sarah Fields: Market rate housing, as well as Housing within the... those, Inclusionary housing bans.

182

00:29:43.660 --> 00:30:02.970

Sarah Fields: That said, I will say thank you to my colleagues. We don't have any more questions in the chat, but I will remind all of you that, you're welcome, of course, to come to the City Council meeting next Tuesday, January 27th, in the afternoon, and provide public comment there.

183

00:30:03.130 --> 00:30:25.000

Sarah Fields: And if you would like to submit a question, or excuse me, submit public comment prior to the meeting, you can do so by emailing the City Clerk, by 8 o'clock in the morning, the day of the meeting. this

is a question, sorry, I was about to wrap up, but just one more question, and then we'll, close it out.

184

00:30:25.000 --> 00:30:31.369

Sarah Fields: There's a question about what was the initial purpose of the IHO, and when did it begin?

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00:30:31.770 --> 00:30:41.349

Sarah Fields: So, you know, I'll just, bono, I think you want to unmute and share a little bit about the history of the IHO, and,

186

00:30:42.070 --> 00:30:42.820

Sarah Fields: Sure.

187

00:30:43.110 --> 00:30:46.909

San, Banu: Let me see, I have to dig that up. Question, let me see here.

188

00:30:46.910 --> 00:30:57.880

Sarah Fields: So while you're digging up the history, I'll say that inclusionary housing is a policy that many cities employ as a way of including, as the name implies.

189

00:30:57.880 --> 00:31:21.159

Sarah Fields: a portion of affordable housing within a city's market rate development. So, within our city, the proposal that's being heard on January 27th is to include 15% affordable units within a market rate development, at AMI bands between 60% and 110%.

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00:31:21.810 --> 00:31:23.499

Sarah Fields: Bonu, do you want to share a little.

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00:31:23.500 --> 00:31:37.669

San, Banu: And Constantin, you can jump in too, because, like, I'm not an expert on the history of inclusionary housing, but it was first adopted in 2010 and amended in 2021. In November of 2014,

192

00:31:37.670 --> 00:31:46.630

San, Banu: The City Council adopted an Affordable Housing Impact Fee, AHIF as we called it, a resolution establishing the AHIF program.

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00:31:46.630 --> 00:31:56.820

San, Banu: And that program transitioned to Affordable Housing Impact Fee Fund, or the AHIF Fund, and then became the Inclusionary Housing Ordinance back in 2019.

194

00:31:56.860 --> 00:32:09.059

San, Banu: And that... the inclusionary housing ordinance also referred... referred to at the time as inclusionary zoning, is a land use restriction, and it requires developers to set aside a certain number of units for low-income households, and...

195

00:32:09.120 --> 00:32:16.090

San, Banu: So, that's the... that's the history I have. I don't know, Constantin, if you... if you have any other information, but that's, I hope that helps.

196

00:32:18.470 --> 00:32:41.359

Konstantin Voronin: Yeah, I think in general, the purpose of the... of IHO is to just make sure that we're not only building, housing for, households that can afford to pay, market rate rents, but also we're also including the other, income groups in the same, like, developing, the same geographic areas, just to.

197

00:32:41.360 --> 00:32:51.919

Konstantin Voronin: Promote, like, socio... like, diversity, and make sure that, like, we have, like, sustainable, environment or a city for households of any income level.

198

00:32:52.970 --> 00:33:06.829

San, Banu: Yeah, and back to the AMI question, I mean, when we looked at the past... from 2019 to 25, which we had data to be able to study for the IHO, and there were 43 projects that got... that were completed.

199

00:33:06.830 --> 00:33:14.320

San, Banu: And 28 of those projects built affordable units, and more than 56% of those 28 projects

200

00:33:14.350 --> 00:33:19.989

San, Banu: Had inclusionary units, with between 60 to 110 area median income band.

201

00:33:20.130 --> 00:33:29.660

San, Banu: So I... this is really based on the patterns that we've seen, so the IHO changes you're seeing is based on what... what we are... we have seen in the past 5 years.

202

00:33:30.180 --> 00:33:36.840

San, Banu: Plus, you know, there's changes that are made per the Council direction as well, the March and June budget directions.

203

00:33:37.480 --> 00:33:38.380

Sarah Fields: Excellent.

204

00:33:38.760 --> 00:33:53.979

San, Banu: I would recommend that, if you have more inclusionary housing questions, to watch the webinars that we've posted on the Housing Engagement Community page site. They're all recorded and there, and we've made several presentations on the IHO changes there.

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00:33:54.540 --> 00:34:03.880

Sarah Fields: Excellent, so if you go to the city website and you find the housing department section, it's within the resource library of the Housing Department's website.

206

00:34:03.880 --> 00:34:16.910

Sarah Fields: And with that, I will say thank you very much to Constantin and to Banu and to the members of the public who joined us this evening, and I imagine we'll see many of you, or hear some of your public

comments

207

00:34:16.929 --> 00:34:18.979

Sarah Fields: on Tuesday at City Hall.

208

00:34:19.150 --> 00:34:20.270

Sarah Fields: Good night, everyone.

209

00:34:20.420 --> 00:34:21.670

San, Banu: Thank you, good night.

210

00:34:21.670 --> 00:34:23.250

Konstantin Voronin: Thank you. Bye.