Inclusionary Housing Ordinance Update

November 5, 2019
Item 4.4

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Overview

1. Increase housing supply to achieve 25,000 unit goal
2. Achieve more mixed-income developments
3. Generate resources for affordable housing
Outreach

7 Developer Meetings  25 Private Meetings  186 Participants
Inclusionary Housing

Ordinance adopted 2010

For-Sale effective 2016

Rental effective 2018
Inclusionary Housing Overview (1998–2019)

• **9,398** total apartments built, including **1,780** affordable apartments

• **$21 million** total funding received

= 100 apartments
Apply to Small Projects

Current

20+
Units

Proposed

5+
Units
Maintain 15% but Broaden Income Targets

Current
- 9% of units at 80% of AMI
- 6% of units at 50% of AMI

Proposed
- 5% of units at 100% of AMI
- 5% of units at 60% of AMI
- 5% of units at 50% of AMI

For Sale Properties — No Change
Goals of Proposed Changes

- Encourage market-rate development
- Generate resources for affordable housing
Restructure the In-Lieu Fee Option
Current In-lieu Fee Option – Per Unit

100 units \times 20\% = 20 units \times $125,000 in-lieu fee = $2,500,000
Proposed In-Lieu Fee Structure (SQ. FT.)

900 sq. ft. \times 100 \text{ units} = 90,000 \times \$43/\text{sq. ft. in-lieu fee} = \$3,870,000
Mixed-Compliance Option

5% at 100% AMI = 5 apartments

In-lieu fee = $17.60/sq. ft.

Total = $1,584,000
Geographically Targeted Areas
Geographic Areas

West San José
$43 per sq. ft.

Citywide
$18.26 per sq. ft.

Downtown High-Rise
$0 per sq. ft.
Allow Affordable to be Clustered On-Site

Current: 20%

Proposed: 15%
Ensure that Units Remain Affordable

Current

55 years
or
45 years

Proposed

99 years
Other Changes

- New methodology to calculate fees
- Clarify rules for off-site projects
- Facilitate Co-living
- Allow projects to change tenure
- Evaluate Parkland Dedication Ordinance and Parkland Impact Ordinance credits for Moderate Income units
Additional Work to Be Completed

Partner with City Departments to:

- Define Geographic Areas
- Establish How to Apply sq. ft. Fee
- Identify Index for Annual Fee Adjustment
Next Steps

- Draft ordinance
- Complete more outreach
- Start to draft implementation guidelines
- Return to City Council by the end of the fiscal year
Thank You

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