Consistent with the California Governor’s Executive Order No. N-29-20, the Housing & Community Development Commission (HCDC) meeting will not be physically open to the public, and Commission members will be teleconferencing from remote locations.

HCDC is meeting via teleconference from remote locations in accordance with State and local orders and measures taken as a result of the COVID-19 pandemic. Members of the public may view and listen to the meeting by following the instructions below. Additional instructions are provided below to those members of the Public who would like to comment on items on the agenda.

How to attend the Housing & Community Development Commission Meeting:

1) **Electronic Device Instructions:** For participants who would like to join electronically from a PC, Mac, iPad, iPhone, or Android device, please click this URL: [Zoom Link](#).
   a. Use a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer. Mute all other audio before speaking. Using multiple devices can cause an audio feedback.
   b. Enter an email address and name. The name will be visible online and will be used to notify you that it is your turn to speak.
   c. When the Chair calls for the item on which you wish to speak, click on “raise hand.” Speakers will be notified shortly before they are called to speak.
   d. When called, please limit your remarks to the time limit allotted.

2) **Telephone Device Instructions:** For participants who would like to join on their telephones, please dial [888-475-4499 (Toll Free)](tel:8884754499) and when prompted, enter meeting Webinar ID: [940 5398 8541](tel:94053988541). You may also press *9 to raise a hand to speak.
3) **Public Comments prior to meeting:** If you would like to submit your comments prior to the meeting, please e-mail viviane.nguyen@sanjoseca.gov or contact **408-975-4462**. Comments submitted prior to the meeting will be considered as if you were present in the meeting.

*Commissioners are strongly encouraged to log on by 5:30pm to ensure there are no technical difficulties – thank you!*

<table>
<thead>
<tr>
<th>APPROX. TIME</th>
<th>AGENDA ITEM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>5:45</strong></td>
<td>I. Call to Order &amp; Orders of the Day</td>
</tr>
<tr>
<td></td>
<td>A. Chair reviews logistics for Zoom meetings</td>
</tr>
<tr>
<td><strong>5:47</strong></td>
<td>II. Introductions</td>
</tr>
<tr>
<td><strong>5:50</strong></td>
<td>III. Consent Calendar</td>
</tr>
<tr>
<td></td>
<td>A. Approve the Minutes for the Meeting of October 21, 2020</td>
</tr>
<tr>
<td></td>
<td>ACTION: Approve the October 21, 2020 action minutes.</td>
</tr>
<tr>
<td><strong>5:55</strong></td>
<td>IV. Reports and Information Only</td>
</tr>
<tr>
<td></td>
<td>A. Chair</td>
</tr>
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<td></td>
<td>B. Director</td>
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<td></td>
<td>C. Council Liaison</td>
</tr>
<tr>
<td><strong>6:05</strong></td>
<td>V. Open Forum</td>
</tr>
<tr>
<td></td>
<td>Members of the Public are invited to speak on any item that does not appear on today’s Agenda and that is within the subject matter jurisdiction of the Commission. Meeting attendees are usually given two (2) minutes to speak during Open Forum; however, the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate due to a large number of speaker requests.</td>
</tr>
<tr>
<td><strong>6:15</strong></td>
<td>VI. Old Business</td>
</tr>
</tbody>
</table>

**VII. New Business**

**6:15** A. **Draft Diridon Affordable Housing Implementation Plan** *(K.Clements, Housing Department)*

ACTION: Receive the staff report on the Draft Diridon Affordable Housing Implementation Plan and give feedback to Housing Department staff.
B. Affordable Housing Rent Increases  
(R. VanderVeen, Housing Department)  
ACTION: Receive the staff report on rent-burdened households in affordable housing developments and provide feedback to staff.

C. Form Ad Hoc Subcommittee on Bylaws  
(K. Clements, Housing Department)  
ACTION: Consider forming a temporary Ad hoc Committee of not more than six months to review the Commission’s existing Bylaws and amended Policy 0-4, identify potential amendments, and report back to the Commission with information and possible recommendations on updates to make, consistent with Policy 0-4.

D. Tentative Second Meeting Dates Each Month  
(K. Clements, Housing Department)  
ACTION: Discuss identifying in advance dates for a second special Commission meeting each month in case they are needed.

VIII. Open Forum  
Members of the Public are invited to speak on any item that does not appear on today’s Agenda and that is within the subject matter jurisdiction of the Commission. Meeting attendees are usually given two (2) minutes to speak during Open Forum; however, the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate due to a large number of speaker requests.

IX. Meeting Schedule  
The next Commission meeting is scheduled to be held on December 10th at 5:45 p.m. online. Items expected to be heard are:  
- Consolidated Annual Performance Report for 2019-20  
- Annual Homelessness Report  
- Rent Stabilization Program Quarterly Report

X. Adjournment

You may speak to the Commission about any discussion item that is on the agenda, and you may also speak during Open Forum on items that are not on the agenda and are within the subject matter jurisdiction of the Commission. Please be advised that, by law, the Commission is unable to discuss or take action on issues presented during Open Forum. Pursuant to Government Code Section 54954.2, no matter shall be acted upon by the Commission unless listed on the agenda, which has been posted not less than 72 hours prior to meeting. Agendas, Staff Reports and some associated documents for the Commission items may be viewed on the Internet at http://www.sanjoseca.gov/hcdc. Speakers using a translator will be given twice the time allotted to ensure non-English speakers receive the same opportunity to directly address the Commission.

Correspondence to the Housing & Community Development Commission is public record and will become part of the City’s electronic records, which are accessible through the City’s website.
Before posting online, the following may be redacted: addresses, email addresses, social security numbers, phone numbers, and signatures. However, please note: e-mail addresses, names, addresses, and other contact information are not required, but if included in any communication to the Housing & Community Development Commission, will become part of the public record. If you do not want your contact information included in the public record, please do not include that information in your communication.

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the Office of the City Clerk, 200 East Santa Clara Street, 14th Floor, San José, California 95113, at the same time that the public records are distributed or made available to the legislative body. Any draft resolutions or other items posted on the Internet site or distributed in advance of the Commission meeting may not be the final documents approved by the Commission. Contact the Office of the City Clerk for the final document.

On occasion, the Commission may consider agenda items out of order.

The Housing & Community Development Commission meets every second Thursday of each month (except for July and sometimes December) at 5:45pm, with special meetings as necessary. If you have any questions, please direct them to the Commission staff. Thank you for taking the time to attend today’s meeting. We look forward to seeing you at future meetings.

To request translation or interpretation services, accommodation, or alternative format under the Americans with Disabilities Act for City-sponsored meetings, events, or printed materials, please call (408) 535-1260 as soon as possible, but at least three business days before the meeting.

Please direct correspondence, requests, and questions to:

City of San José Housing Department
Attn: Viviane Nguyen
200 East Santa Clara Street, 12th Floor
San José, California 95113
Tel: (408) 975-4462
Email: viviane.nguyen@sanjoseca.gov

Para residentes que hablan español: Si desea mas información, favor de llamar a Theresa Ramos al 408-975-4475.

Tiếng Việt: Xin vui lòng liên lạc Viviane Nguyen tại 408-975-4462.

對於說華語的居民: 請電 408-975-4450 向 Ann Tu 詢問詳細事宜。

Para sa mga residente na ang wika ay tagalog: Kung kinakailangan pa ninyo ng inipormasyon, tawagan si Shirlee Victorio sa 408-975-2649. Salamat Po.
HOUSING & COMMUNITY DEVELOPMENT COMMISSION
MEETING ACTION MINUTES
October 21, 2020

MEMBERS PRESENT:  Martha O’Connell  Chair (MR)
                    Ryan Jasinsky  Vice Chair (ML)
                    Alex Shoor  Commissioner (D2) Exited 5:30 PM
                    Barry Del Buono  Commissioner (D3)
                    Ruben Navarro  Commissioner (D5) Arrived 5:33 PM
                    Andrea Wheeler  Commissioner (D6) Arrived 4:45 PM
                    Victoria Partida  Commissioner (D7)
                    Huy Tran  Commissioner (D8)
                    Roberta Moore  Commissioner (D10) Exited 6:57 PM

MEMBERS ABSENT:  District 1 – VACANT  Commissioner (D1)
                 District 4 – VACANT  Commissioner (D4)
                 Julie Quinn  Commissioner (D9)
                 Nhi Duong  Commissioner (Mayor)

STAFF PRESENT:  Helen Chapman  Councilmember Liaison
                Kristen Clements  Housing Department
                Viviane Nguyen  Housing Department
                Rachel VanderVeen  Housing Department
                Tina Vo  Housing Department
                Jared Ferguson  Office of Economic Development

(I) Call to Order & Orders of the Day
A. Review logistics for Zoom meetings

Chair O’Connell called the meeting to order at 4:33 p.m.

(II) Introductions – Commissioners and staff introduced themselves.

(III) Consent Calendar
A. Approve the Minutes for the meeting of October 8, 2020.
   ACTION: Approve the October 8, 2020 action minutes.

   Commissioner Jasinsky made the motion to approve the minutes for October 8, 2020,
   with amendments to correct Chair “Wheeler” to “O’Connell” under “Call to Order &
   Orders of the Day,” with a second by Commissioner Moore. The motion passed 7-0.
   Yes: O’Connell, Jasinsky, Shoor, Del Buono, Partida, Tran, Moore (7)
   No: None (0)
   Absent: Navarro, Wheeler, Quinn, Duong (4)
(IV) Reports and Information Only

a. **Chair**: Chair O’Connell reported on a Zoom Sunnyvale City Council meeting in which she learned some important things that apply to the HCDC. There were a great many technical problems. One Councilperson was dropped from the meeting and could not reconnect for some time. The City Attorney explained that votes had to be by voice, the voice had to be recognizable, and that the vote of the missing Councilperson could not be cast by someone else. The Councilperson dropped from the Zoom connection called the Mayor at his home and voted over the telephone in speaker mode which was, per the City Attorney, legal. We can apply these same procedures, if needed, to HCDC.

b. **Director**: Ms. Kristen Clements welcomed Commissioner Huy Tran back onto the Commission and updated Commissioners that Commissioner Shavell Crawford has resigned. Ms. Clements thanked Commissioners for sending in questions in advance of the meeting and noted that future responses to advance questions will be provided verbally at the meeting due to challenges to comply with the Brown Act with written answers.

c. **Council Liaison**: Ms. Helen Chapman reported that Governor Newsom will be visiting the Bridge Housing community at Monterey and Bernal on October 23, 2020.

(V) Open Forum

(VI) Old Business

(VII) New Business

A. **Housing Crisis Workplan Update**  
(R. VanderVeen, Housing Department and J. Ferguson, Office of Economic Development)

**ACTION**: Receive the report on progress implementing the City Council-approved Housing Crisis Workplan and make possible recommendations.

Commissioner Wheeler made the motion to recommend to City Council to direct City staff to identify the criteria that would be used to prioritize mobilehome parks for General Plan redesignation to Mobilehome Park, with a second by Chair O’Connell.

The motion passed 6-1-1.

Yes: O’Connell, Del Buono, Navarro, Wheeler, Partida, Tran (6)  
No: Jasinsky (1)  
Abstain: Moore (1)
B. Update on Inclusionary Housing Ordinance Proposed Revisions
   (R. VanderVeen, Housing Department)

ACTION: Provide feedback to staff and possible recommendations to the City Council on proposed amendments to the Inclusionary Housing Ordinance with four of the remaining outstanding items from the November 5, 2019, City Council direction:

(a) Extend the period of affordability to 99 years with voluntary demolition after 55 years and relocation benefits for residents of the inclusionary units;

(b) Apply the Inclusionary Housing Ordinance to developments with 10 units or more and set the fee at a lower rate for projects with less than 20 units that provide at least 90% of the density allowed on-site;

(c) Encourage innovative partnerships in order to maximize affordable housing through adding a Clustering compliance option and an SB 35 Streamlining option; and,

(d) Allow streamlining of Inclusionary Housing Ordinance compliance requirements for 100% affordable housing developments.

Vice Chair Jasinsky made the motion to not recommend adding the housing clustering compliance option, with a second by Commissioner Navarro. The motion passed 7-1.

Yes: O'Connell, Jasinsky, Del Buono, Navarro, Partida, Tran, Moore (7)
No: Wheeler (1)
Absent: Shoor, Quinn, Duong (3)

Commissioner Moore made the motion to not apply the Inclusionary Housing Ordinance to developments with 10 units or more. No second was obtained, so the motion failed.

Commissioner Tran made the motion to extend the period of affordability to 99 years with voluntary demolition after 55 years and relocation benefits for residents of the inclusionary units, with a second by Commissioner O'Connell. The motion passed 7-1.

Yes: O'Connell, Jasinsky, Del Buono, Navarro, Partida, Tran, Wheeler (7)
No: Moore (1)
Absent: Shoor, Quinn, Duong (3)

Commissioner Navarro made the motion to apply the Inclusionary Housing Ordinance to developments with 10 units or more and set the fee at a lower rate for projects with less than 20 units that provide at least 90% of the density allowed on-site, with a second by Commissioner Jasinsky. The motion passed 7-1.

Yes: O'Connell, Jasinsky, Del Buono, Navarro, Partida, Tran, Wheeler (7)
No: Moore (1)
Absent: Shoor, Quinn, Duong (3)
Commissioner Wheeler made the motion to encourage innovative partnerships in order to maximize affordable housing through the SB 35 Streamlining option, and to allow streamlining of Inclusionary Housing Ordinance compliance requirements for 100% affordable housing developments, with a second by Commissioner Navarro. The motion passed 8-0.

Yes: O’Connell, Jasinsky, Del Buono, Navarro, Partida, Tran, Wheeler, Moore (8)
No: None (0)
Absent: Shoor, Quinn, Duong (3)

(VIII) Open Forum
Members of the Public are invited to speak on any item that does not appear on today’s Agenda and that is within the subject matter jurisdiction of the Commission. Meeting attendees are usually given two (2) minutes to speak on any discussion item and/or during open forum; the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate. Speakers using a translator will be given twice the time allotted to ensure non-English speakers receive the same opportunity to directly address the Commission.

(IX) Meeting Schedule
The next regular Commission meeting is scheduled to be held on Thursday, November 12, 2020, at 5:45 p.m. online.

(X) Adjournment
Chair O’Connell adjourned the meeting at 6:59 p.m.
TO: HOUSING AND COMMUNITY DEVELOPMENT COMMISSION

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: November 5, 2020

SUBJECT: DRAFT DIRIDON AFFORDABLE HOUSING IMPLEMENTATION PLAN

RECOMMENDATION

Receive the staff report on the Draft Diridon Affordable Housing Implementation Plan (Draft Plan) and give feedback to staff.

OUTCOME

Giving feedback to staff will help inform the final version of the Plan, which will be considered by the City Council in 2021 for approval.

BACKGROUND

In 2014, the City Council approved the Diridon Station Area Plan, which established a long-term goal of creating a vibrant, mixed-use urban destination adjacent to a new intermodal transit station to support the City's growth policies. While acknowledging the fundamental importance of transit infrastructure, the Diridon Station Area Plan emphasizes the importance of experiential qualities that would enhance both the local area as well as broader San José by creating:

- A local and regional destination.
- A lively public realm that fosters walking, biking, and transit integrated with a variety of public spaces.
- Distinctive architecture and civic spaces that reflect Silicon Valley’s spirit of innovation and San José’s rich history; and
- A strong sense of place as an identifier for San José as the center of Silicon Valley, the capital of the technology world.

In addition to the transit station and Arena, a focal point of the land use plan was a new Major League Baseball stadium. The City is no longer planning for a stadium but is now reviewing
Google’s proposed Downtown West mixed-use development project covering approximately 80 acres in the Diridon Station area. (See the City’s project review page\(^1\) and community engagement page\(^2\) for more information).

On December 4, 2018, the City Council adopted a Memorandum of Understanding (MOU) with Google, which sets forth shared goals for the mixed-use development and guiding principles for collaboration between the City and Google. The MOU provides a foundation for work moving forward. Key points in the MOU related to housing include:

- “Grow and Preserve Housing. Contribute funding - through a community benefits contribution and/or a Downtown-wide linkage fee and/or a financing district - which may be combined with other services to develop and preserve housing in the City to help address rising housing costs and displacement.”

- “Housing in the Diridon Station Area should include on-site units affordable to incomes ranging from extremely low-income to “missing middle”\(^3\) households in combination with market-rate homes. Affordable units can be built both integrated into market-rate developments and as stand-alone affordable housing projects. The Parties, as a goal but not a requirement, strive for 25% of the housing developed in the Diridon Station Area to be affordable housing with a mix of affordability levels to be negotiated in a future development agreement.”

- “In developing the Community Benefits Plan, consideration will be given to major categories of community priorities identified to date, including … Affordable housing, displacement prevention and mitigation.”

- “In developing the Community Benefits Plan, the parties intend to consider the input provided to date through the City’s community engagement process (Diridon Station Area Civic Engagement Report) and subsequent input, including as to the amount and use of community benefits funds, provided by the community, key stakeholders, and City Council...”

As part of the actions approving the MOU with Google, the City Council adopted additional direction for staff, including the following:

- “Return to Council next fall with a plan for residential displacement.”

- “Return during the next General Plan update to recommend that Council include language in the Envision 2040 General Plan mandating – not merely offering as an aspiration – an area-wide affordable housing requirement of 25% in the aggregate for all housing built in the Diridon Station Area, including a plan for implementation.” (emphasis added)

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\(^1\) [https://www.sanjoseca.gov/your-government/departments-offices/planning-building-code-enforcement/planning-division/projects-of-high-interest/google-project](https://www.sanjoseca.gov/your-government/departments-offices/planning-building-code-enforcement/planning-division/projects-of-high-interest/google-project)

\(^2\) [https://www.diridonsj.org/](https://www.diridonsj.org/)

\(^3\) The City Council’s direction and use of the “missing middle” term in this context refers to housing affordability levels. Given the City Council’s direction, staff defines this group to include housing that is affordable, with a 30% of income payment standard, to households with incomes of 61% to 120% AMI.
Finally, on September 24, 2019, the City Council motion in the Housing Crisis Workplan Update item directed staff to analyze various options for affordability, including 45% extremely low-income housing units within the 25% affordable housing goal.

The purpose of preparing this Draft Plan for the Diridon Station Area (DSA) is to identify pathways for achieving 25% of all new housing built in the Diridon Station Area at buildout (by 2040) to be affordable, consistent with the Diridon Station Area Plan, MOU, and the City Council’s direction.

ANALYSIS

The Draft Plan includes data analysis, case studies, and evaluation of opportunities and constraints to help inform the policy recommendations and to track progress towards housing-related goals over time. The Draft Plan is a separate document from the Diridon Station Area Plan but will support its implementation. Its Executive Summary is included in the Draft Amended Diridon Station Area Plan (DSAP) that is now available for public review at: https://www.diridonsj.org/fall2020-dsap.

Compatible with the goal of economically integrating the Diridon Station Area, staff has also considered how this Draft Plan could help to track racial and ethnic population trends to assess the City’s ability to grow equitably in the heart of its central Downtown station area.

Three Ps Framework

In addition to its focus on production, the Draft Plan also incorporates affordable housing preservation and low-income resident protection strategies consistent with the Google MOU, City Council direction, and community input. This “3Ps” focus on production, preservation, and protection is patterned after the City Council-approved Citywide Residential Anti-Displacement Strategy.4

The geographic areas for each of the 3P goal areas are as follows:

<table>
<thead>
<tr>
<th>Goal Area</th>
<th>Geographic Area of Focus</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>Diridon Station Area (DSA) – aligned with the proposed DSAP boundaries in the Draft Amendment</td>
<td>262 acres – including Downtown West proposal (80 acres) &amp; rest of DSA</td>
</tr>
<tr>
<td>Preservation</td>
<td>Neighborhood Stabilization Area</td>
<td>DSA + ½-mile buffer</td>
</tr>
<tr>
<td>Protection</td>
<td>Neighborhood Stabilization Area</td>
<td>Same; success is measured in this area, but many strategies are Citywide</td>
</tr>
</tbody>
</table>

Overall Goals for Affordable Housing Production

Staff reviewed the City Council’s direction listed above to examine making an “area-wide affordable housing requirement of 25% in the aggregate for all housing built in the Diridon

Station” through the next General Plan 2040 update. Staff concluded that the General Plan was not the optimal vehicle for a new affordability requirement, and that the City’s existing Inclusionary Housing Ordinance remains the appropriate tool for default site-by-site affordability requirements.

In addition, analysis by the City’s consultant identified that existing restricted affordable housing now makes up 20% of all existing housing, which is close to the defined 25% goal for net new production. Therefore, the City’s consultant suggested that it could make sense to consider an overall affordable housing stock goal as a more inclusive way to think about balanced housing supply in this area. In addition, as individual developments may contain hundreds of units, the balance may not be true at any one time – therefore, staff recommends the concept of an overall balance goal of 25% at buildout of the DSA’s housing stock. Staff will regularly monitor progress to this long-term goal until 2040 or final buildout.

Production, Preservation, and Protection Analysis and Recommendations

For Production, this Draft Plan identifies the number of housing units proposed in Google’s Downtown West Mixed-Use Proposal, as well as in the rest of the DSA based on the Draft Amended DSAP. It assumes production both through Inclusionary Housing compliance integrated into market-rate housing, as well as standalone 100% affordable housing developments. This Draft Plan also acknowledges that while the production goal focuses in the DSA, there are sites surrounding the DSA boundaries that are also likely to score well for competitive affordable housing funding sources due to their proximity to high-frequency transit and other existing and forthcoming amenities. Those production sites are separate from the goals established as part of this Draft Plan. The Draft Plan identifies a need of approximately $300 million to reach the DSA’s 25% affordable housing production goal in the area outside the Downtown West Mixed-Use Development proposal, given current cost assumptions.

For Preservation, the Draft Plan analyzes housing stock in certain nearby neighborhoods and analyzes the potential for preserving some of the smaller residential buildings in the area. It recommends the creation of a pilot Preservation program in this area involving acquisition and rehabilitation of existing buildings. The Draft Plan identifies a range of per-unit costs for preservation, which vary widely depending on condition and size of property.

For Protection, the Draft Plan identifies several recommended actions. These include implementation of recommendations in the Citywide Residential Anti-Displacement Strategy, as well as increases to existing tenant protection programs. The cost of this work was not quantified for the DSA, as the programs are generally implemented Citywide using a range of existing sources. Based on community input collected to date, there is some interest in prioritizing anti-displacement resources in the DSA and in other transit-oriented areas receiving new investments and undergoing change.

The Draft Plan’s Executive Summary (pages 3 to 7) gives an overview of the recommended strategies in each of the 3P goal areas and highlights major goals.
Metrics and Measuring Success

This Draft Plan is designed to be transparent and able to be monitored by the public through regular City reporting. In considering the City Council’s direction as well as the supply of existing affordable housing in the DSA, staff is recommending that the following goals be established and tracked over time:

- Increase in percentage of deed-restricted affordable units in the DSA to reach 25% overall affordable housing proportion at full build-out (the current share is about 20%)
- No net loss in percentage of low-income renter households in the Neighborhood Stabilization Area
- Decrease in percentage of severely cost-burdened renter households in the Neighborhood Stabilization Area
- No net loss in number of deed-restricted affordable housing units in the Neighborhood Stabilization Area.

Each of these goals and their metrics is identified in the Draft Plan, along with corresponding data sources for consistent measurement of progress over time. None of these factors is solely in the control of the City, developers, or the community. The first measure – the percentage of affordable housing in the DSA – is the one the City can affect to the greatest degree, but it is still dependent on developers’ work and the availability of financing and subsidies for affordable housing. The others are even more subject to an array of complex influences including the health of the economy, local wage rates, and the availability of comparable housing options in other locations, to name a few. However, the City’s progress reports on these measures may suggest actions that the City, the community, or private parties could take in the future to help ensure that equitable growth occurs in this area.

In addition, this Draft Plan proposes to track the number of Hispanic/Latinx and Black residents in this area over time. These two groups were selected because Hispanic/Latinx and Black residents in San José have significant housing barriers,5 have suffered disproportionately from the COVID pandemic, and are present in significant numbers in San José. While there is no proposed target or goal for this metric, staff proposes to track these equity indicators to help identify diversity trends over time as the broader station area develops. While staff will not have much control over these measures, the data may point to potential strategies and actions that the City Council could take to help these populations take advantage of opportunities and realize the benefits of the area’s new investments.

FOLLOW UP/NEXT STEPS

The Draft Plan will remain on public review until early January 2021, synchronized with the draft Diridon Station Area Plan review period. Future public meetings on the Amended Draft

DSAP, Downtown West project, and associated DSA planning efforts such as this Draft Plan are posted to: [www.diridonsj.org/fall2020](http://www.diridonsj.org/fall2020). Some of the upcoming meetings include:

- City Council Study Session: November 16, 2020, 1:00 PM
- Resident Cafecito hosted by SOMOS Mayfair: November 20, 5:00 PM
- Planning Commission: December 2, 6:30 PM
- DSAP Community Meeting: December 3, 6:30 PM

The Housing Department will also sponsor outreach meetings for stakeholders and the general public in the first two weeks of December, dates to be determined. Information will be sent via e-blast to the Diridon distribution list, Department’s general interest list, Housing & Community Development Commissioners, and its Anti-Displacement interest list, and will be posted to [www.diridonsj.org/fall2020](http://www.diridonsj.org/fall2020).

/s/
JACKY MORALES-FERRAND
Director, Housing Department

For questions, please contact Kristen Clements, Division Manager, at 408-535-8236.

Attachment: Draft Diridon Affordable Housing Implementation Plan
DIRIDON AFFORDABLE HOUSING IMPLEMENTATION PLAN

PUBLIC DRAFT REPORT

Prepared for:
The City of San José
November 5, 2020
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I. EXECUTIVE SUMMARY

The Diridon Affordable Housing Implementation Plan (implementation plan) summarized here characterizes the need for affordable housing in the Diridon Station Area (DSA)\(^1\) and surrounding communities, in light of the large-scale transit investments planned for Diridon Station, the Downtown West Mixed-Use project (Downtown West), and other future development, which will transform the station area. These combined investments will enhance job and transit access to the region. They are likely to increase the value of properties in the area and attract new development and more residents, workers, and visitors. At the same time, it is important to ensure that existing residents – especially lower-income households – can also benefit from these investments.

The implementation plan outlines potential strategies to produce new affordable housing units, preserve the affordability of the neighborhoods for lower-income residents, and protect vulnerable residents from displacement. It applies to the DSA and surrounding neighborhoods within a half-mile distance (the Neighborhood Stabilization Area) and is based on an analysis of demographic and housing data, the local policy context, and best practices from other cities and regions.

TARGETS AND GOALS

PRODUCTION

Build-out of the DSA, which includes DSAP Amendment sites and Downtown West, if approved, has the potential to add between 10,619 and 13,519 new housing units in the DSA. Based on City Council direction, staff is recommending a goal that 25 percent of all housing units in the DSA, including the Downtown West project, be affordable to lower-income households at buildout of the land use plan (2040). While there are currently 141 units of deed-restricted affordable housing (or 20 percent) in the DSA as of 2019, the area goal is to achieve an overall 25 percent affordability goal for the DSA. Therefore, it is assumed that at least 25 percent of future housing production would need to be deed-restricted affordable units. The implementation plan envisions the production of new affordable units (including permanent supportive housing) for households at a range of incomes, including extremely-low-income, very-low-income, low-income, and moderate-income households. Under the 25 percent goal, the number of affordable housing units to be added is estimated at between 2,655 and 3,380 units.

PRESERVATION

In the area within a half-mile of the Diridon Station Area, or the Neighborhood Stabilization Area, about 15 percent of housing units (1,322 units) are deed-restricted affordable units that provide long-term affordability to lower-income residents. In addition, there are another 319 deed-restricted affordable

\(^1\) In the 2020 DSAP Amendment Draft, the Diridon Station Area (DSA) is also referred to as the “Plan area.” This implementation plan, however, considers multiple geographies. It refers to the Diridon Station Area Plan boundary as the “Diridon Station Area” or “DSA.” A map of the geographies included in this implementation plan is shown in Figure 3.
units in the pipeline as of mid-2020. The implementation plan establishes a goal to preserve the affordability of all existing affordable units, as well as forthcoming new deed-restricted units, ongoing.

In addition, about 10 percent of existing housing units (840 units) in the Neighborhood Stabilization Area are in older multi-family buildings that are regulated by the City’s Apartment Rent Ordinance (ARO). The ARO provides tenants with protections by limiting rent increases to five percent annually and requiring defined “just causes” for evictions. It is estimated that approximately two-thirds of ARO units (560 units) are occupied by low- and moderate-income households. However, the units are not deed-restricted, and therefore do not provide long-term affordability. Acquiring, rehabilitating, and converting these units to deed-restricted units is an important strategy for ensuring that the lower-income tenants of multifamily apartments in the Neighborhood Stabilization Area can remain in place.

The implementation plan establishes a goal of developing a Preservation Pilot program to acquire and rehabilitate existing multifamily units that are affordable to lower-income households and convert them to long-term, deed-restricted affordable units.

PROTECTION

Lower-income renter households are more vulnerable to displacement than homeowners. It is estimated that there are approximately 3,900 low-income renter households in the Neighborhood Stabilization Area with an income below 80% of the area median income (AMI). Many of these renters have inadequate protections from rent increases and evictions. Anti-displacement policies, including enhanced renter protections, can help to reduce incidences of homelessness.

About 27 percent of renters live in single-family, duplex, or condo units, which have very weak tenant protections compared to multi-family units protected under the City’s Apartment Rent Ordinance. The majority of renters who live in single-family homes and duplexes are not protected by existing local and state laws.

The implementation plan aims to maintain the number of low-income renters in the Neighborhood Stabilization Area (approximately 3,900 households) to ensure that existing lower-income residents can stay in place and benefit from the new investments that will occur in the Diridon Station Area.

STRATEGIES

PRODUCTION

The strategies around affordable housing production are listed below. The affordable housing production goal is focused primarily on construction within the DSA. New affordable units will be provided through a variety of methods, such as inclusionary requirements for market-rate development projects and standalone deed-restricted affordable projects subsidized by a number of public, private, and philanthropic funders.

1. **Maximize competitiveness for state funding sources by prioritizing sites within a one-half mile walkshed of Diridon Station for affordable housing.** Affordable housing projects can apply for competitive funding sources, including the state’s Affordable Housing for Sustainable Communities program (AHSC), Transit-Oriented Development Housing Program (TOD), and Infill Infrastructure Grant
Program (IIG), as well as the County’s Measure A funds. Projects will be most competitive for these sources when located within a short walk – ideally within the one-half mile walkshed of Diridon Station. Therefore, to the extent possible, the sites within this walkshed should be prioritized for future affordable housing development projects.

2. **Partner with transit agencies and affordable housing developers to leverage Affordable Housing for Sustainable Communities grants for affordable housing developments near station.** Affordable housing proposals near Diridon Station are potentially most competitive for AHSC funds because of the potential to leverage GHG reductions associated with transit investments at Diridon, including Caltrain electrification and eventually the VTA Bart Silicon Valley Extension Phase II. First-last mile pedestrian and bike improvements may also be leverageable for AHSC funds. AHSC also provides affordable housing developers more flexibility in their unit affordability breakdowns, which can be all the difference in whether affordable housing projects are feasible. Because AHSC applications are known to be incredibly lengthy and complex, it is important the City of San José take an active role organizing an AHSC application with transit agency and developer partners, as AHSC applications are typically most successful with strong jurisdictional leadership.

3. **Prioritize the use of Commercial Linkage Fee revenues generated in the Diridon Station Area for affordable housing projects within the Plan area.** The City Council approved a new Commercial Linkage Fee in September 2020. Depending on the amount of commercial space approved in the DSA, this could produce tens of millions of dollars for affordable housing over the next two decades.

4. **Adopt the proposed update to the citywide Inclusionary Housing Ordinance (IHO).** The proposed update to the City’s Inclusionary Housing Ordinance is designed to encourage the construction of new housing for a range of income levels, including median-income households. Under the current requirements, developers have chosen to pay the in-lieu fee rather than provide on-site units. Solely collecting revenue from this Ordinance is not realizing the full potential of this important program, which has the goal to economically integrate neighborhoods and to produce affordable housing along with market-rate housing. The proposed modifications are designed to provide developers with a wider range of economically feasible options to meet the inclusionary requirement while meeting the City’s needs.

5. **Update regulations to facilitate mass timber and other innovative and cost-effective construction technologies.** The introduction of cost-effective innovative technologies such as mass timber has the potential to greatly reduce the cost of housing construction, making mid-rise and high-rise development projects more financially feasible. The City of San José can put policies in place to facilitate the transition to new construction technologies by updating building codes and permitting processes. San José’s building code would need to adopt new standards consistent with the Universal Building Code in order for mass timber to be implemented at a larger scale, especially for taller buildings.

6. **Explore potential changes to park fees to decrease overall development costs for market-rate and affordable housing.** As one of the City’s most significant development fees, a reduction in the parks fee would help to reduce the overall cost of housing development in the DSA and encourage the provision of inclusionary affordable units integrated into market-rate projects. The City currently discounts the park fees by 50 percent for deed-restricted housing units affordable to households at 80% AMI and below. The City also is considering a reduction of up to 50 percent for deed-restricted
housing units affordable to moderate-income households earning 81 to 100% AMI. In addition, a proposed change to charge the fee on a per-square-foot basis rather than on a per-unit basis can improve the development feasibility of small market-rate units, like studios and one-bedrooms.

7. **Support policies that increase the production of accessory dwelling units (ADUs) in the Diridon Station Area and surrounding neighborhoods.** Facilitating ADU construction is one way that the City can meet its goals for the production of more moderate-income and middle-income housing. Building small ADUs in established residential neighborhoods is a straightforward and sensitive way to increase the housing supply while providing existing homeowners opportunities to supplement mortgage payments with rental income. The City has implemented reforms around accessory dwelling unit production, including easing multiple building requirements in conformance with new state laws and offering pre-approved ADU designs through the ADU/Single-Family Master Plan Program. The City should further explore ways to incentivize the creation of new deed-restricted units in ADUs, not just for single-family properties, but also for lots that currently contain duplexes or small multifamily buildings.

**PRESERVATION**

Preservation of existing multifamily units would formalize the affordability of older properties for the long term. The City does not have a history of acquiring, rehabilitating, and converting privately owned multifamily housing into deed-restricted affordable housing. The first step is to develop a Preservation Pilot Program specifically for the Neighborhood Stabilization Area, which is a half-mile area around the Diridon Station Area. Considering that this selection process may ultimately depend on which property owners are motivated to sell, a screening process is needed to prioritize properties that could be good candidates for preservation. The program could screen properties based on the condition/quality, location, or whether they are adjacent to development activity.

This pilot program would require multifaceted strategies that streamline acquisition, affordability restriction implementation, property rehabilitation and property maintenance. These include:

1. **Conduct outreach to non-profit and community-based organizations with capacity to conduct preservation activities.** The City could provide information to interested nonprofits to develop a base of qualified developers for preservation activities and begin to build the program.

2. **Identify funding sources for preservation.** Typically, preservation projects require a significant amount of subsidy from cities, because it is harder to qualify for Low-Income Housing Tax Credits and other funding sources focused on production. The City could potentially access its Measure E revenues to fund preservation projects.

3. **Implement complimentary policies that support preservation activity.** Right of first refusal policies (such as Tenant Option to Purchase and Community Option to Purchase acts) elevate the position of lower-income tenants interested in communal ownership models and non-profit housing entities. The City could also identify candidates for acquisition and rehabilitation based on the property conditions and the financial capacity of the property owner to make improvements. This could entail bringing problematic buildings with multiple tenant complaints and/or tax delinquencies under public or nonprofit stewardship.
PROTECTION

The implementation plan’s protection strategies incorporate many of the elements from the recently approved Citywide Residential Anti-Displacement Strategy, in addition to other implementation actions that are specific to the needs of residents in the Diridon Station Area and surrounding neighborhoods in the Neighborhood Stabilization Area.

Because the majority of the tenant protection strategies would be implemented citywide, it is not possible to quantify the costs associated with implementing these strategies specifically at the Neighborhood Stabilization Area scale.

1. **Establish a Housing Collaborative Court to provide legal support for tenants facing eviction.** Many households in the Neighborhood Stabilization Area are vulnerable to eviction, and this will be exacerbated after the expiration of the temporary COVID-19 moratorium. The Citywide Residential Anti-Displacement Strategy recommends coordinating with the Santa Clara County courts and the State to establish a Housing Collaborative Court and partially fund the costs for legal services for evictions during COVID-19. If this strategy is successful, the City could explore a longer-term arrangement together with the County to continue providing funding for legal services to increase tenant representation and help prevent evictions. The cost of implementation is not yet determined, but this strategy would be applicable to the entire city.

2. **Create a “satellite office” in the DSA to provide education resources to tenants and landlords.** The City of San José currently provides support for tenant and landlord education of their rights under the Apartment Rent Ordinance (ARO), Tenant Protection Ordinance (TPO), and Ellis Act Ordinance through its Rent Stabilization Program (RSP). The City also has local enforcement tools so that tenants who have experienced violations to these laws can submit a petition to the RSP for an administrative hearing. Establishing a satellite office in the DSA would improve residents’ access to services, so that they can understand their rights under existing local and state laws, and potentially reduce unlawful evictions and rent increases.

3. **Consider options for enforcing the Tenant Protection Act of 2019 (AB 1482).** AB 1482, which was signed into law in 2020, prevents rent-gouging and requires just causes for eviction. AB 1482 covers many homes in the Neighborhood Stabilization Area, but the only enforcement mechanism is suing under State Law. The Council-approved Citywide Residential Anti-Displacement Strategy recommends the City to sponsor State legislation for local education and enforcement to help increase understanding and compliance with AB 1482 as well as the City's ordinances.

4. **Expand San José’s existing Tenant Protection Ordinance (TPO) to include all rental units (including duplex, single-family, and condo/townhome rental units).** The TPO in its present form only protects renters in buildings with three or more units. Expanding the TPO to units in these other types of buildings would provide just cause eviction protections and relocation assistance for an additional 2,318 renter households, who comprise 27 percent of renter households in the Neighborhood Stabilization Area.
5. **Expand San José’s existing Apartment Rent Ordinance (ARO) to include renter-occupied duplex units.** The ARO, which limits rent increases for existing leases to 5 percent annually, only protects buildings occupied in 1979 or earlier with three units or more. There are currently 422 renter households in duplexes that were built in this timeframe, 380 of which are in investor-owned duplexes. Expanding ARO to include either all older duplexes or just investor-owned duplexes would increase the share of renters in the Neighborhood Stabilization Area covered by the ARO from just 10 percent to 14 percent.
II. INTRODUCTION AND BACKGROUND

The Diridon Affordable Housing Implementation Plan characterizes the need for affordable housing in the Diridon Station Area and surrounding communities, in light of large-scale transit investments planned for Diridon Station, and the Downtown West Mixed-Use Plan, which will transform the DSA. These combined investments, which will enhance job and transit access for South Bay residents and workers, are likely to increase the value of properties in the area. At the same time, it is important to ensure that lower-income residents in San José can also benefit from these investments.

This implementation plan outlines affordable housing production, preservation, and protection strategies to create new affordable housing units, preserve the affordability of the neighborhoods for lower-income residents, and protect residents from potential displacement. The document presents recommended strategies for the City to implement in the DSA and surrounding neighborhoods based on an analysis of demographic and housing data, the local policy context, and best practices from other cities and regions. Where possible, this report also provides data on the likely cost of implementing the recommended policies and programs.

DIRIDON STATION AREA PLANNING CONTEXT

TRANSIT-ORIENTED DEVELOPMENT (TOD) PLANNING FRAMEWORK FOR DIRIDON STATION

Diridon Station, a regional transit hub located just west of San José’s central business district, currently serves Caltrain, the Amtrak Capitol Corridor line, the VTA Blue and Green light rail lines, and it is also a major VTA bus transfer point. Currently, the Diridon Integrated Station Concept (DISC) Plan process is underway to develop a plan to expand and redesign the Diridon transit facility to serve the new electrified Caltrain, BART, high-speed rail service, as well as the existing trains, buses, and light rail. The DISC process is a partnership between the City of San José, the California High-Speed Rail Authority, Caltrain, and Santa Clara Valley Transportation Authority.

The VTA BART Phase II Silicon Valley Extension, which is anticipated to be completed in 2030, will extend BART from its current terminus at East San José/Berryessa Station through Downtown San José and Diridon, terminating in the City of Santa Clara. This project, which will “ring the bay” with transit service, will greatly increase transit access to jobs within the South Bay and downtown San José specifically as rail transit riders for the first time will be able to connect from Caltrain on the Peninsula to South Bay and East Bay communities via San José.2 Caltrain is also in the process of electrifying their fleet, which will improve travel times and reduce the service’s GHG emissions.3

Multiple studies reaffirm that locating jobs and housing adjacent to transit stations provide significant economic and environmental benefits. For instance, it is a standard assumption among transportation planners that work trips account for most transit trips—approximately 59 percent.4 Places with transit

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systems that successfully connect worker households to jobs have a much higher share of workers who commute by transit compared to the national average. At the station area level, researchers have also found that job-generating uses should be located as close to the station as possible, ideally within one-quarter mile of the station – given that workers are generally less willing to walk far from stations to their job locations. Residential uses also support transit ridership, especially when they are located within one-half mile from a high-capacity transit station.5

In addition to meeting equitable development goals, the production and preservation of affordable housing near transit can also help to support transit ridership and achieve environmental sustainability goals. According to a recent California study, lower-income households that live within a half-mile near transit drive 25 to 30 percent fewer miles than those living in other less transit-rich areas; lower-income households that live within one-quarter mile of high-frequency transit drive 50 percent fewer miles than similar households located elsewhere.6 On average, the study showed that lower-income households also have much lower car ownership rates than more affluent households.7 Therefore, encouraging affordable housing development in the DSA can support multiple objectives.

**NEIGHBORHOODS NEAR DIRIDON STATION**

The Diridon Station Area is predominantly characterized by vacant and non-residential sites. However, there are several residential neighborhoods within walking distance of the DSA. Based on a study of the DSA by the UC Berkeley Center for Community Innovation,8 the neighborhoods include:

- **Garden-Alameda** - The residential neighborhood to the northwest of the Diridon Station is located between The Alameda and the light industrial areas northeast of Stockton Avenue. The area has received a significant amount of new development and public investment in recent years. The Alameda corridor has seen new streetscape improvements, and new Whole Foods grocery store and high-end market-rate condominiums and apartments have been built in the area.

- **St. Leo’s** – This area to the west of the Diridon station is characterized by a mix of single-family small multifamily buildings, and larger multifamily complexes. According to the report, many of the units are occupied by lower-income households, often Latino immigrants. This neighborhood has been identified as an area that is undergoing rapid change. In 2004, a 94-unit market-rate for-sale housing project was completed in the area; in addition, many of the older single-family homes have been recently renovated and sold to higher-income households.

- **Delmas Park** – Located to the southeast of the station in close proximity to Highway 280 and Highway 87, this area contains a mix of commercial, light industrial, and smaller multifamily buildings. A large 123-unit affordable housing apartment project (Delmas Park Apartments) was completed in 2007 in this neighborhood.

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7 Ibid.
8 Center for Community Innovation, University of California, Berkeley, “Urban Redevelopment around Diridon Station,” 2015.
• **West San Carlos** – The area southwest of the station includes the West San Carlos commercial corridor, surrounded by older residential neighborhoods. The area between Race Street and Sunol Street has a mix of older light industrial buildings and newer multifamily housing.

Section IV of this report provides more information about the demographic and housing characteristics and recent trends in the census tracts that correspond to these neighborhoods.

**CONCURRENT LAND USE PLANNING EFFORTS**

The Diridon Station Area Plan (DSAP), adopted by the City Council in 2014, establishes the goal of creating a vibrant, mixed-use urban destination. Beginning in 2016, Google began acquiring land in the area, with the intention of developing a new project. In 2018, following a community engagement process to establish the desired outcomes of the project, the City Council approved a Memorandum of Understanding (MOU) with Google that set the guiding principles and goals for the area.

On October 2019, Google submitted plans for the Downtown West Mixed-Use Plan, a mixed-use development project on 84 acres largely within the Diridon Station Area. The proposed project would redevelop underutilized commercial and industrial properties, as well as surface parking lots. The Downtown West proposal includes between 6.5 million and 7.3 million square feet of office space, between 3,000 and 5,900 new housing units, between 300,000 and 500,000 of active uses (including retail), along with up to 1,100 rooms in hotels and corporate accommodations, event space, and improvements in infrastructure, utilities, and public space. The mix of uses are generally consistent with the DSAP vision of creating a regional employment center that solidifies San José’s position as the center of Silicon Valley.

Downtown West includes requests to amend the existing DSAP, which was adopted in 2014, as well as the City’s General Plan, and the zoning code. Downtown San José’s strength as a location for new tech office space has increased in the last few years. The presence of a major transportation hub at Diridon enhances the attractiveness of the DSA for office users, especially tech firms that have expressed a desire to locate in transit-accessible areas rather than suburban office parks popular in the early 2000s.

Currently, the proposal is undergoing environmental review through the California Environmental Quality Act (CEQA), which is expected to be completed at the end of 2020. City staff is also reviewing the proposal for adherence to the policies and objectives of the General Plan, City policies, and the public engagement process. The City Staff report to the Planning Commission and City Council is anticipated to be posted in early 2021.

Parallel to the Downtown West development project, the City Council adopted the DSAP Amendment in late 2019, which outlines specific land use guidelines for the other opportunity sites in the DSA that are not owned by Google.
COMMUNITY ENGAGEMENT PROCESS

The City of San José undertook a robust community engagement process regarding the future of the Diridon Station Area and the City’s negotiations with Google for the Downtown West project. The process occurred from February to September 2018, a year after the City entered into an Exclusive Negotiating Agreement with Google over the sale of 20 acres of City-owned land near the station. The Station Area Advisory Group (SAAG), which includes 38 community members appointed by the City Council, was tasked with soliciting and synthesizing community feedback. The SAAG then released a report in October 2018 detailing community desired outcomes related to housing and displacement, as well as other topic areas such as urban design, economic development, public space, transportation, and environmental sustainability. The desired community outcomes related to housing and displacement, shown in Figure 1 below, have guided the development of the Diridon Affordable Housing Implementation Plan.

AFFORDABLE HOUSING FRAMEWORK FOR THE DIRIDON STATION AREA

Building on the outcomes from the community engagement process, as well as direction from the City Council, this implementation plan provides a framework for ensuring that 25 percent of all housing within the Diridon Station Area and within Downtown West are deed-restricted affordable units. Note that as the Downtown West project is undergoing a separate planning process, the analysis for the DSA is focused on the remainder of the sites in the DSA. In accordance with the direction given by City Council, affordable units in the DSA would serve households at a range of incomes, including extremely
low-income households (30 percent of Santa Clara County AMI), very low-income households (50 percent of AMI), low-income households (80 percent AMI), and moderate-income households (120 percent of AMI). Consistent with the City’s priorities and early community input, it is anticipated that permanent supportive housing would be integrated into some of the standalone affordable housing developments.

This implementation plan also establishes a framework for neighborhood stabilization strategies, intended to prevent displacement of existing residents. Neighborhood stabilization strategies include both preserving the affordability of existing housing stock and strengthening tenant protections. In San José, older multifamily buildings built in 1979 or earlier are generally more affordable to lower-income households. A preservation strategy would focus on acquiring and rehabilitating existing older, unsubsidized multifamily units and converting them into permanently affordable deed-restricted units. Tenant protection strategies, in contrast, could be applied Citywide as well as in the DSA.

These two additional overarching priorities of neighborhood stabilization and tenant protections are consistent with:

1) The Diridon community engagement process, which identified that affordable housing and displacement prevention were critical priorities for station area planning;¹³ and

2) The City of San José’s established affordable housing priorities, which are framed around housing production, preservation, and protection.

3) Santa Clara County Valley Transportation Authority’s Transit-Oriented Development policy requiring affordable housing production on VTA-owned lands.

The goals and strategies contained in this implementation plan are echoed in multiple City plans including the Housing Crisis Workplan, the Affordable Housing Investment Plan, the Ending Displacement in San José Community Strategy Report, and the Citywide Residential Anti-Displacement Strategy.¹⁴

**RACIAL EQUITY**

As described in this implementation plan and in the recently adopted Citywide Residential Anti-Displacement Strategy, research and academic literature indicates that Black and Hispanic/Latino (Latinx) households are at greater risk of displacement in neighborhoods that are undergoing gentrification. The city’s long history of exclusionary zoning and discriminatory lending practices – combined with other forms of racial discrimination – have made it more difficult for Black and Latinx households to access homeownership, accumulate wealth, and afford to rent in neighborhoods that offer high-quality transit and other amenities. In San José, there is a racial wealth gap and

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¹³ Station Area Advisory Working Groups: Diridon Station Area Civic Engagement Report, 2018. [https://static1.squarespace.com/static/5c38bcfd0cc8f8fed5ba4ec1d/t/5c48168e032be4dcbfd6705a/1548228243572/FINAL%2BDiridonStationArea%2BCivEngagement%2BReport%2B10.31.2018.pdf](https://static1.squarespace.com/static/5c38bcfd0cc8f8fed5ba4ec1d/t/5c48168e032be4dcbfd6705a/1548228243572/FINAL%2BDiridonStationArea%2BCivEngagement%2BReport%2B10.31.2018.pdf)

displacement is occurring at a higher level in historically segregated non-White communities. In the Diridon Station Area and surrounding neighborhoods, Latinx households, who historically comprised a large share of the area’s population, decreased five percent over the 2010-2018 period, while the Black population has remained relatively stable.

The goal of this implementation plan and related citywide strategies is to use the “3P” approach – a combination of production, preservation, and protection strategies – to reduce further displacement and increase opportunities for Latinx and Black people to live in the Diridon Neighborhood Stabilization Area and other areas that are poised to receive significant public and private investments, including high-quality transit.

COVID-19 PANDEMIC AND 2020 ECONOMIC CRISIS

The COVID-19 pandemic and subsequent economic recession have created new challenges for San José residents, especially vulnerable populations like low-income renters working in the service sector, who are overwhelmingly Black, Latinx, or Asian. It is estimated that 33,500 renter households in Santa Clara County have been impacted by job losses due to the pandemic, nearly half of which were considered low-income.

The San José City Council has enacted a temporary eviction moratorium in response to COVID-19 that was in effect through August 31, 2020. The moratorium protected all San José renters from being evicted due to rent nonpayment—in other words, renters who cannot afford to pay their full rent due to the pandemic because of job loss, reduced hours, sickness, or childcare needs. In addition to the pressure on tenants, the COVID-19 crisis has also had a negative impact on smaller property owners with thinner profit margins and less access to financing, compared to larger institutional property owners.

DEFINITION OF TERMS

The following terms are used throughout this report.

Affordable Housing: Housing is considered to be “affordable” when a lower- or moderate-income household spends no more than 30 percent of its gross income on housing costs. Affordable housing units include subsidized, deed-restricted units that have covenants and restrictions on incomes and rents/prices; privately owned unrestricted units that are regulated by the City of San José’s Apartment Rent Ordinance; and other unrestricted single-family and multifamily units that are not regulated by the ARO but are affordable to lower-income households.

Deed-Restricted Affordable Housing: These are regulated and subsidized units that are restricted to lower- and moderate-income households and have limits on the maximum rents or sales prices that could be charged.

15 City of San José, Citywide Residential Anti-Displacement Strategy, September 2020  
https://ternercenter.berkeley.edu/blog/covid-19-and-vulnerable-renters-california  
may be charged. Deed-restricted affordable housing can be provided through inclusionary policies and in standalone affordable housing projects.

**Gentrification:** The process by which neighborhoods that had experienced periods of disinvestment and/or historically lower-income neighborhoods attract new real estate investment activity, which often can result in higher real estate values, new real estate development, higher housing costs, and/or an influx of new residents with higher incomes and more spending power. Gentrification is a very complex process with both positive and negative impacts. Therefore, this report focuses primarily on preventing displacement, which is a narrower concept, and a negative impact of gentrification.

**Displacement:** In the context of “hot market” cities such as San José, indirect displacement is the process by which households involuntarily leave their neighborhoods for reasons such as rising housing costs. Research has shown that especially lower-income residents have significantly negative outcomes from displacement. In the Bay Area context, displaced lower-income residents often move to areas that are far from transit and other amenities in suburban or exurban locations, as well as to other regions. Displacement also can be direct, which refers to when tenants are physically displaced from their unit due to demolition or redevelopment. In the context of a gentrifying neighborhood, an anti-displacement strategy is meant to enable existing residents to stay in order to benefit from the positive impacts of gentrification.

**Area Median Income:** These income categories determine the eligibility of a variety of affordable housing subsidies and funding sources. This analysis relies on the income limits set by the California Department of Housing and Community Development (HCD) for Santa Clara County, consistent with state and local policy. The area median income (AMI) for a four-person household in Santa Clara County in 2020 is $141,600. Figure 2 below shows the income limits by household size for Santa Clara County in 2020. Based on HCD’s income limits, household income levels are defined generally as follows:

- **Extremely Low-Income (ELI):** Households earning 30 percent or less of Santa Clara County AMI. A four-person household earning less than $47,350 in 2020 would be categorized as extremely low-income.
- **Very Low-Income (VLI):** Households earning 31 to 50 percent of Santa Clara County AMI. A four-person household earning between $47,351 and $78,950 in 2020 would be categorized as very low-income.
- **Low-Income (LI):** Households earning 51 to 80 percent of Santa Clara County AMI. A four-person household earning between $78,951 and $112,150 in 2020 would be categorized as low-income.
- **Moderate-Income (MI):** Households earning 81 to 120 percent of Santa Clara County AMI. A four-person household earning between $112,151 and $169,900 in 2020 would be categorized as moderate-income.
FIGURE 2. SANTA CLARA COUNTY 2020 INCOME LIMITS BY HOUSEHOLD SIZE

<table>
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<th>Area Median Income Category</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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<tr>
<td>30% (Extremely Low-Income)</td>
<td>$33,150</td>
<td>$37,900</td>
<td>$42,650</td>
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</tr>
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<td>$118,950</td>
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<td>$152,900</td>
<td>$169,900</td>
</tr>
</tbody>
</table>

Source: City of San José, 2020; HCD, 2020; Strategic Economics, 2020.

Unrestricted Affordable Housing: Sometimes referred to as “naturally occurring affordable housing”, unrestricted affordable housing refers to market-rate housing units that are affordable to lower-income households because of their building quality, location, and/or age. Some unrestricted units are regulated by the City of San José’s Apartment Rent Ordinance (ARO).

Inclusionary Housing Ordinance: The City of San José has an existing inclusionary housing ordinance (IHO) that requires that 15 percent of new market-rate multifamily development projects are affordable, deed-restricted units. The requirement can also be met through the payment of in-lieu fees or the provision of off-site units. The City has proposed modifications to the IHO that would provide developers with more flexibility on meeting the requirement.

Standalone Affordable Housing: Standalone affordable housing projects are defined as multifamily affordable projects that are deed-restricted and receive public funding or subsidies. They are typically financed through a layering of both competitive and non-competitive federal, state, and local sources, as well as philanthropic and private sources. The federal and state Low-Income Housing Tax Credits (LIHTC) are the largest funding source. Other sources may include Measure A (Santa Clara County), the State Affordable Housing Sustainable Communities (AHSC) grant, and others. San José local funding sources include revenues collected from in-lieu fees, commercial linkage fees, federal HOME, and the recently passed Measure E.

Cost Burden: When households pay more than 30 percent of their income on housing cost, they are considered “cost burdened.” If they pay 50 percent or more of their income on housing, they are considered “severely cost burdened.”

GEOGRAPHIES FOR ANALYSIS

This analysis examined demographic and housing conditions for different geographies based on data availability. The Diridon Station Area is the primary geography for the housing production analysis. The Neighborhood Stabilization Area and Census Study Area are the geographies for examining neighborhood anti-displacement strategies, including preservation and protection. Strategic Economics also analyzed the rental housing market for the Downtown West Submarket, which is larger than the other geographies. Each of these geographies is shown in Figure 3 and Figure 4, and described in more detail below.
**Diridon Station Area:** This area, which was established in the “DSAP Amendment Capacity Study” is anticipated to densify in conjunction with transit investment at Diridon Station. At 264 acres, it includes parcels in the Google project boundary as well as other properties not associated with Google, which have been identified as opportunity sites. The affordable housing production goals focus on new development within this boundary.

**Neighborhood Stabilization Area:** This encompasses the one-half mile radius of the DSA. Data associated with this geography is used for point-level property data and is used to understand the characteristics of the building stock. A half-mile radius was used because studies show that indirect displacement occurs within one-half mile of transit investments and other major investments which will occur in the DSA. The preservation and protection goals focus on this geographic area.

**Census Study Area:** This area includes six census tracts that roughly correspond to the Neighborhood Stabilization Area, which is a one-half radius of the DSA. The demographic analyses that characterize household and population trends are summarized at the Census Study Area geography.

**Downtown West Submarket:** This Costar submarket, shown in Figure 4, encompasses the triangular area between Interstates 280, 880, and Highway 87. Data associated with this broader area was used to characterize multifamily rent and sale trends near Diridon.18

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18 The Downtown West submarket is not associated with Google’s “Downtown West” proposal.
**Study Area Boundaries**

- Census Study Area*
- Diridon Station Area
- Neighborhood Stabilization Study Area**
- BART Extension Phase II
- Caltrain
- VTA Light Rail

*The Census Study Area comprises Census Tracts 5003, 5006, 5008, 5017, 5018, and 5019 within Santa Clara County.

**The Neighborhood Stabilization Study Area is a half-mile buffer area from the Diridon Station Area Boundary

FIGURE 4. COSTAR DOWNTOWN WEST SUBMARKET
III. AFFORDABLE HOUSING NEEDS AND DISPLACEMENT RISK ASSESSMENT

This section provides an overview of the demographic and housing stock analyses that were conducted to characterize the displacement vulnerability of current residents and the affordability of the existing housing stock in the Diridon area. See Appendix D for further detail on both the full demographic and housing stock analyses.

EXISTING AND ANTICIPATED HOUSING STOCK IN THE DIRIDON AREA

The Diridon Station Area contained 698 housing units as of January 2019. The housing stock includes 69 single-family units, 32 duplex units, 456 unsubsidized multifamily units, and 141 deed-restricted affordable multifamily units. Overall, 20 percent of the housing units in the DSA are deed-restricted affordable units. Figure 5 shows the unit and building breakdown of housing in the DSA.

Figure 5. Housing Units in the Diridon Station Area by Unit Type

<table>
<thead>
<tr>
<th></th>
<th>Units</th>
<th>Buildings</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>69</td>
<td>69</td>
<td>2019 Santa Clara County Assessor</td>
</tr>
<tr>
<td>Townhome/Condo</td>
<td>0</td>
<td>0</td>
<td>2019 Santa Clara County Assessor</td>
</tr>
<tr>
<td>Duplex</td>
<td>32</td>
<td>16</td>
<td>2019 Santa Clara County Assessor</td>
</tr>
<tr>
<td>Unsubsidized Multifamily</td>
<td>456</td>
<td>12</td>
<td>2019 Santa Clara County Assessor</td>
</tr>
<tr>
<td>Deed-restricted Multifamily</td>
<td>141</td>
<td>2</td>
<td>City of San José Deed-restricted database</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>698</strong></td>
<td><strong>99</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Deed-restricted/Total</strong></td>
<td><strong>20.2%</strong></td>
<td><strong>2%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Santa Clara County Assessor, 2019; Strategic Economics, 2020.

The Diridon Station Area Plan’s opportunity sites and the Downtown West Mixed-Use Plan, if approved, have the potential to add over 12,000 new housing units in the DSA. As discussed above, the City Council has established a goal that 25 percent of all housing units in the DSA, including the Downtown West sites, be affordable to lower-income households. Understanding that as of 2019, 20 percent of units were deed-restricted affordable units, it is assumed that 25 percent of new production would need to be affordable to reach the 25 percent goal by the time of full build-out. The affordable housing production goals for the Downtown West sites and other opportunity sites in the DSA are described below and summarized in Figure 6:

- Downtown West: Google proposes adding between 3,000 and 5,900 housing units in its Downtown West proposal, and would therefore be required to provide between 750 and 1,475 affordable units to meet the 25 percent target. The Development Agreement between Google
and the City of San José will be the basis for determining how the development project will provide the appropriate number of affordable housing units in the DSA.\textsuperscript{19}

- Other opportunity sites in the DSA that are designated for housing could yield a maximum of 7,619 housing units, according to the Maximum Build-Out Estimate in the 2020 DSAP Amendment Draft.\textsuperscript{20} Approximately 76 percent of units are anticipated to be provided in high-rise projects (14 stories and above) and 24 percent of units would be in mid-rise developments. If the maximum number of housing units is provided on opportunity sites, then the number of affordable units is estimated at 1,905.\textsuperscript{21} The mechanisms to deliver affordable housing on the DSAP Amendment sites will include the City’s inclusionary housing ordinance and other 100% affordable deed-restricted housing development projects, including permanent supportive housing.

**Figure 6. Summary of Housing Planned in Diridon Station Area and Affordable Housing Targets**

<table>
<thead>
<tr>
<th></th>
<th>Downtown West Mixed-Use Plan</th>
<th>DSAP Amendment Sites Up to 7,619 in Maximum Build-Out Estimate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Unit Capacity</td>
<td>3,000 - 5,900</td>
<td></td>
<td>10,619 - 13,519</td>
</tr>
<tr>
<td>Goal % Affordable Housing</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Target Number of Affordable Housing Units</td>
<td>750 to 1,475</td>
<td>1,905</td>
<td>2,655 - 3,380</td>
</tr>
</tbody>
</table>


When the Downtown West and other opportunity sites are combined, the total potential housing units to be added in the DSA is between 10,619 and 13,519 units. Under the 25 percent goal, the number of affordable housing units to be added is estimated at between 2,655 and 3,380 units.

**HOUSEHOLD DISPLACEMENT RISK ASSESSMENT**

**The Relationship between Major Neighborhood Investments and Displacement**

This section provides an overview of the literature on the relationship between major public and private investments, gentrification, and displacement, focusing on the two types of investments that are expected to drive change in the Diridon Station Area: transit service improvements and large-scale commercial development. The full literature review can be found in Appendix A.

Displacement is the process through which households are forced to leave their residence for reasons beyond their control. Displacement can occur in neighborhoods that are going through the process of gentrification (rising real estate values and demographic changes), but it can also occur in

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\textsuperscript{19} For instance, it is possible that Downtown West will not provide on-site affordable units incorporated into its multifamily projects, but Google may opt to provide in-lieu options consistent with the Inclusionary Housing Ordinance’s options.


\textsuperscript{21} In order to meet the goal that 25 percent of all housing units in the DSA are deed-restricted, developers will need to provide slightly over 25 percent of units as affordable in new multifamily projects in the DSA, since just 20 percent of existing units in the DSA are designated affordable. Since there are relatively few existing housing units in the DSA, this is relatively minor. For example, if 11,000 new units are built in the DSA, 2,783, or 25.3 percent, must be affordable for the overall share of deed-restricted units in the DSA to be 25 percent.
neighborhoods that are not undergoing significant change. In gentrifying neighborhoods, rents can increase to the extent that they are no longer affordable for the existing residents, resulting in displacement. In addition, households can be displaced when housing units are demolished to make way for construction of new private development, public infrastructure, or facilities projects. Displacement may also take the form of increased rates of evictions, landlord harassment, or condominium conversions in response to local housing price appreciation. Renters who are already cost-burdened are less likely to be able to withstand additional rent increases or other displacement pressures.²²

Displacement may also occur for other reasons besides gentrification. Displacement of low- and moderate-income households can also occur for various reasons including high regional housing costs relative to median incomes, the stagnation of incomes for low-wage professions, the erosion of middle-wage jobs, evictions, housing discrimination, and the loss of unsubsidized multifamily housing, or “naturally occurring affordable housing” (NOAH).²³²⁴

There are a number of factors that are generally considered to contribute to gentrification and displacement risk at the regional and neighborhood level. Although there are still ongoing debates as to the relative importance of each of these factors, the literature indicates that these are the principal issues to consider when evaluating a neighborhood’s potential for gentrification and displacement.

1. **Soaring regional economies with limited housing supply**

   Research has found that neighborhood gentrification within the U.S. is most pronounced in a handful of regions, including the San Francisco Bay Area, Washington D.C., Los Angeles, and New York.²⁵ These regions have several economic trends in common, including rapid job growth, increasing rents and home prices, the lack of coordination between local governments,²⁶ constrained housing supplies, and regulatory barriers to new housing development.²⁷ Regions that are failing to provide enough affordable housing options to meet demand also have higher rates of homelessness. According to a recent statistical analysis by Zillow, regions where median rents exceed 32 percent of median household income—including the San Francisco Bay Area, Seattle, Boston, New York City, Washington D.C., Atlanta, and Portland, Oregon—have the highest rates homelessness.²⁸

2. **Proximity to a high-quality transit station**

²³ NOAH is defined as older, privately owned, unsubsidized rental housing that offers lower rents in comparison to newer units and can be affordable to lower-income households. Unlike subsidized affordable housing, NOAH units are not deed-restricted. The relative affordability of NOAH properties is often related to housing quality, location, or lack of amenities.
²⁷ Fragmented local governance structures may contribute to the challenges that some regions experience coordinating issues such as regional housing affordability.
The relationship between transit accessibility and displacement is inconclusive. However, there is substantial literature showing that residential properties in proximity to transit often experience a property value premium. The extent of the premium depends on the quality of the transit service, the proximity to transit stations, and the quality of the neighborhood.

One recent Bay Area study found that neighborhoods within a half-mile radius of BART, Caltrain, and VTA stations experienced gentrification and associated demographic changes shortly after the transit stations were built. However, transit-served neighborhoods in Oakland, San Francisco, and San José were more likely to continue to gentrify in the following decade than other locations. It is not clear why the gentrification effects varied by location, although the authors note that neighborhoods closer to the core of the Bay Area region were more likely to experience gentrification than outlying areas.29

Property value premiums for residential property tend to be concentrated within a quarter- to half-mile of transit stations.30 Several studies conducted by Strategic Economics between 2014 and 2015 on the property value impacts of BART stations in the East Bay found the highest residential property premiums within a quarter- and half-mile walking distance of BART stations.31

3. Proximity to high-tech job centers and campuses

While the literature on this topic is not conclusive, recent analyses of local housing prices by journalists, real estate organizations, and academic researchers suggest that there is a correlation between the introduction of new corporate office campuses and an increase in local housing prices. The presence of tech clusters may be correlated with higher housing prices because the tech industry concentrates very large numbers of high-income earners in relatively small geographies. One study found that the values of homes occupied by Apple employees in San Francisco and San José are higher than the median citywide home prices in the two respective cities, and that prices are rising much faster in neighborhoods where Apple employees live compared to other neighborhoods.32 In Arlington, VA, home prices reportedly increased by 17 percent within six months of Amazon’s announcement that the city would be the site for its second headquarters (“HQ2”).33 Researchers expect that the Amazon HQ2 campus, which will ultimately be the worksite for some 50,000 employees, will have an impact on home prices and rents in the entire region.34
As another example of this dynamic, home prices near the new Apple Park in Cupertino, which accommodates 12,000 employees, have increased dramatically since the project was announced. The surrounding area has undergone a major transformation, as a host of major commercial and residential projects have been proposed or completed in response to new demand for housing, retail, and hotel uses.35

An analysis of two other emerging transit-oriented employment districts – the South Lake Union district in Seattle and the Union Station/Lower Downtown in Denver – demonstrate that the combination of new transit investments along with new office development was accompanied by significant appreciation in the housing market, and a corresponding change in the demographics of the surrounding neighborhoods. Further information about each of these case studies can be found in Appendix A.

CASE STUDIES OF TRANSIT-ORIENTED EMPLOYMENT DISTRICTS

SEATTLE: SOUTH LAKE UNION

Over the last 15-20 years, the South Lake Union district has attracted significant investment, beginning with the redevelopment of a 60-acre area into a mixed-use development with 7,500 housing units and over three million square feet of commercial space. This was followed by the introduction of a new streetcar line; the development of a new Amazon campus with 40,000 employees, and the construction of campuses and offices for a variety of medical centers, research hospitals, and foundations. Since 2000, the area has added 16 million square feet of office. From 2000 to 2018, the area also experienced demographic and household changes including:

- Population growth – The neighborhoods’ population grew by 70 percent, adding 40,000 residents
- Increases in rents – Whereas the area surrounding South Lake Union had not previously been a premium residential address, rents have risen by 35 percent since 2000
- Growth in higher income households - In 2000, 18 percent of households had an income of $100,000 or more. In 2018, 39 percent of households had an annual income of $100,000 or higher. The share of households earning less than $50,000 dropped from 57 percent to 34 percent.
- Growth in population with higher educational attainment – The share of adults with a bachelor’s degree increased from 25 percent in 2000 to 64 percent in 2018.
- Decline in share of non-White population – Whites (non-Hispanic) and Asians accounted for 90 percent of the population growth from 2000 to 2018.

DENVER: UNION STATION/LoDo

Union Station is Denver’s main transit hub located in the city’s Lower Downtown (“LoDo”) historic district, a mixed-use residential and commercial area adjacent to Downtown Denver. Since 2000, Union Station and LoDo have received significant public investments, including the development of a new transit facility and master plan, with the addition of new bus and rail service; the renovation of the historic station terminal, accompanied by a mixed-use development project; and the development of nearly five million square feet of office development in the LoDo district. During that same time, the neighborhoods also saw changes in the housing market and in the demographic composition of the residents:

- Population growth – The Union Station area added 13,000 residents, growing by 43 percent. The rate of household growth was 90 percent, indicating the addition of many smaller households.
- Increases in rents - Between 2000 and 2020, rents in the Study Area increased by 28 percent, compared to a 40 percent increase citywide.
- Growth in higher income households - In 2000, about 23 percent of households had an income of $100,000 or more. Today, 44 percent of households have an annual income of $100,000 or more. The share of households earning less than $50,000 dropped by nine percent.
- Decline in share of non-White population – The share of the Hispanic/Latinx population dropped from 52 percent in 2000 to 18 percent in 2018, a decline of nearly 8,000 residents. Meanwhile the non-Hispanic White population grew by 182 percent (19,000 residents) during this same period.

Source: Costar Group, 2020; U.S. Census, 2000; American Community Survey, 2014-2018; Strategic Economics, 2020
4. **Neighborhood and demographic characteristics**

In addition to the risk factors outlined above, there are a number of neighborhood characteristics that are more closely linked to gentrification and displacement. These characteristics include:

- **Presence of historic housing stock**: Neighborhoods with a high share of pre-war housing stock may be more susceptible to gentrification because homes built prior to World War II are often considered to have desirable architectural qualities and are more likely to attract reinvestment.\(^{36}\)

  - **Parks and green spaces**: Generally, studies that have looked at home values near urban green space have found that prices are higher than comparable properties elsewhere, and this higher value can be attributed to the proximity to a green amenity. While studies have looked at a variety of types of green spaces, a number have reviewed urban parks in the U.S. including in Portland, Oregon; Dallas, Texas; and Minneapolis-St. Paul Metropolitan Area (Twin Cities), Minnesota.\(^{37}\) In all these studies, the authors found property values to have increased near urban parks while controlling for other factors.

- **Share of renters**: Research on displacement has consistently found that renters are much more likely to be displaced from gentrifying neighborhoods. Some studies have further confirmed that neighborhoods with higher shares of renters undergo greater demographic changes in terms of race/ethnic composition and median household income.\(^{38}\)

- **Race and ethnicity**: The literature indicates that neighborhoods that are predominantly African American and Hispanic/Latinx are at greater risk of gentrification and displacement. A long history of exclusionary zoning and discriminatory lending practices make it more difficult for African American and Latinx households to access homeownership and accumulate wealth.\(^{39}\)

- **Low-income and cost-burdened households**: Neighborhoods with a concentration of low-income and cost-burdened households (defined as those paying more than 30 percent of their income towards rent) are also more vulnerable. These groups are less likely to be able to absorb rent increases and could be more easily displaced by households that have the capacity to pay more in rent.\(^{40}\)

In conclusion, there are a variety of factors that can make a neighborhood more vulnerable to gentrification and displacement. It is not possible to quantify the gentrification and displacement impacts of any specific development. For the purposes of this implementation plan, the analysis is

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40 Ibid.
focused on identifying the populations that would be most at-risk of displacement from the public and private investments planned based on the literature review. This implementation plan then recommends strategies to prevent displacement and to hopefully enable lower-income residents in the DSA and surrounding areas to gain economic and social benefits from the significant new investments that will be occurring.

HISTORICAL DEMOGRAPHIC TRENDS

The following summarizes the key highlights of demographic changes in the Diridon Station Area relative to the City of San José from 2000 to 2018. The geography of the demographic analysis is defined as the six census tracts that correspond to areas within one-half mile radius of the DSA, or the Census Study Area (see Figure 3 for the boundaries). The half-mile area was selected because the literature review shows that the gentrification and displacement effects of new investments are most pronounced within the half-mile distance.

From 2010 to 2018, the Census Study Area population grew by 20 percent, and the number of households grew by 30 percent, both of which out-paced growth in San José overall for the period. The study area gained approximately 5,000 new residents and 2,000 new households, as multiple market-rate multifamily projects were completed (see Figure 7).

**Figure 7. Population and Household Trends in the Census Study Area and San José, 2010-2018**

<table>
<thead>
<tr>
<th></th>
<th>Census Study Area</th>
<th>City of San José</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2018</td>
</tr>
<tr>
<td>Population</td>
<td>24,244</td>
<td>29,059</td>
</tr>
<tr>
<td>Households</td>
<td>9,019</td>
<td>11,701</td>
</tr>
<tr>
<td>Average Household Size</td>
<td>2.6</td>
<td>2.4</td>
</tr>
</tbody>
</table>


The Census Study Area contained a larger share of highly educated and high-income households in 2018 compared to 2010. As shown in Figure 8, the number of both moderate- and above moderate-income households in the Study Area nearly doubled. Similarly, the number of Bachelors and Advanced Degree holders followed a similar trend, as shown in Figure 9.
Figure 8. Percent Change in Households by Income Level, 2010-2018 (Expressed in 2018 Dollars)

Source: American Community Survey, 2014 - 2018; American Community Survey, 2006 - 2010; Strategic Economics, 2020
Note: Estimated household income categories based on Santa Clara County 2018 AMI levels for a three-person household. 2010 incomes have been inflation-adjusted to 2018 levels.

Figure 9. Percent Change in Educational Attainment for People 25 Years and Older, 2010-2018

Source: American Community Survey, 2014 - 2018; American Community Survey, 2006-2010; Strategic Economics, 2020

The Census Study Area's share of White, Asian, and "other" non-Hispanic residents grew from 2010 to 2018, while the share of Hispanic/Latino residents decreased. Latino households, who historically comprised a large share of the study area population, decreased five percent over the period, shown in Figure 10. The Black population remained relatively stable. The racial and ethnic patterns in the DSA are different from citywide population trends. As shown in Figure 11, in San José, the Latino population grew by nine percent citywide from 2010 to 2018, and the White non-Hispanic population decreased by three percent.
Figure 10: Population by Race and Ethnicity, 2010-2018, Census Study Area

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>2010</th>
<th>2018</th>
<th>Change</th>
<th>2018 Share of Total Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black (non-Hispanic)</td>
<td>989</td>
<td>1,182</td>
<td>193</td>
<td>4%</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>12,446</td>
<td>11,827</td>
<td>(619)</td>
<td>41%</td>
</tr>
<tr>
<td>Asian or Pacific Islander (non-Hispanic)</td>
<td>2,609</td>
<td>4,000</td>
<td>1,391</td>
<td>14%</td>
</tr>
<tr>
<td>All Other Races (non-Hispanic)</td>
<td>276</td>
<td>1,514</td>
<td>1,238</td>
<td>5%</td>
</tr>
<tr>
<td>White Population in Census Study Area</td>
<td>7,670</td>
<td>10,536</td>
<td>2,866</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: American Community Survey, 2014 - 2018; American Community Survey, 2006- 2010; Strategic Economics, 2020

Figure 11. Percent Change in Population by Race and Ethnicity in Census Study Area and San José, 2010-2018

Source: U.S. Census, 2010; American Community Survey, 2014 - 2018; Strategic Economics, 2020

Figure 12 shows the change in the number of households for each census tract between 2000 and 2018. As shown, there are two census tracts located in the southeastern edges of the Census Study Area that accounted for most of the household growth within the study area. A large share of the new households was composed of highly educated and high-income residents.
**Figure 12. Change in Households, 2010-2018**

*Change in Households, 2010-2018*

-140 to 0  
0 to 200  
200 to 500  
500 to 750  
750 to 1,060  
Within one-half mile radius of Diridon Station Area  
BART Extension Phase II  
Caltrain  
VTA Light Rail

*2018 data is based on ACS 2014-2018 5-year estimates.


**Displacement Vulnerability Among Existing Households**

Previous studies show that there is significant displacement risk within the Census Study Area for existing low-income residents. The Urban Displacement Project, which cataloged displacement and gentrification trends throughout the Bay Area in 2015, found that most census tracts within the Census Study Area are low-income tracts that are experiencing “ongoing gentrification and/or displacement.” See Appendix D for more detail on individual tract characteristics.

Almost two-thirds of households in the Census Study Area are renter households, as shown in Figure 13. Out of 7,300 households in the Census Study Area, 63 percent of all households are renters. As discussed in the literature review, renter households are more vulnerable to displacement than homeowners. Furthermore, in California, homeowners are more likely to benefit from property value increases due to the cap on property tax through Proposition 13.41

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41 Proposition 13, which was passed in 1978, caps property taxes for California property owners at the level they were when the property was purchased (or at the 1978 level if property was owned prior to the law’s passage), after adjusting for inflation. For longtime property owners, this translates to a significant tax benefit.
The majority of low-income renters are cost-burdened, making them more vulnerable to displacement. In the Census Study Area, 1,517 renter households are severely rent-burdened. The majority of severely rent-burdened households (75 percent) earn less than $35,000 a year, as shown in Figure 14.


Notes:
(a) "Low-Income" in this context identifies the number of households that likely fall under 80 percent of AMI for Santa Clara County, as defined by HCD. As of 2018, households earning less than $100,000 annually roughly fell in this category, though the precise income level depends on household size, and therefore this should be understood as a broad estimate. Note that HCD's income levels change over time.
EXISTING TENANT PROTECTION POLICIES

Many rental households in San José have a certain amount of protection from rent increases and evictions, which can help to maintain the affordability of units for lower-income households. The types of protections that a renter household has depends on the type of unit that it occupies and the year in which it was built. The following policies, shown in Figure 15, inform the tenant protections that are applicable to certain rental units in San José.

FIGURE 15. SUMMARY OF TENANT PROTECTION POLICIES APPLICABLE IN SAN JOSÉ

<table>
<thead>
<tr>
<th>Policy</th>
<th>Unit Applicability</th>
<th>Description</th>
<th>Enforcement Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apartment Rent Ordinance</td>
<td>Units in buildings with three or more units that were built and renter-occupied in 1979 or earlier</td>
<td>Restricts rent increases to 5 percent, annually. Landlord may seek a larger increase by filing a fair return petition. Provides just cause eviction protections. Landlords must show they have a just cause to evict. If they chose to evict the tenant based on a &quot;no fault&quot; eviction (i.e. the building is undergoing “substantial rehabilitation” or is being removed from the rental market), the landlord must provide the tenant with relocation assistance.</td>
<td>City of San José</td>
</tr>
<tr>
<td>Tenant Protection Ordinance</td>
<td>Units in buildings with three or more units, regardless of year built; unpermitted rental units; guest houses.</td>
<td>Protects renters whose landlords chose to remove their units from the rental market. Landlords are required to provide 120-day notice and relocation assistance to renters. For ARO units: If new multifamily housing is built in its place, either 50% of the new units or the number of ARO units lost ( whichever is greater) must be rent-stabilized, or 20% of new units must be designated as affordable, in accordance with the city’s IHO. Former tenants are given the right to return to those units.</td>
<td>City of San José</td>
</tr>
<tr>
<td>Ellis Act Ordinance</td>
<td>Units in buildings with three or more units. There are more stringent requirements for units also covered by ARO.</td>
<td></td>
<td>City of San José</td>
</tr>
<tr>
<td>Tenant Protection Act of 2019 (AB 1482)</td>
<td>Applies to units over 15 years old (timeframe is applicable on a rolling basis) in the following categories: 1) Units in buildings with three or more units; 2) investor-owned duplexes (defined as duplexes where both units are renter-occupied); 3) investor-owned single-family units (defined as single-family units owned by LLCs, REITs, or corporations)</td>
<td>Protects tenants from “rent-gouging.” Restricts annual rent increases to 5 percent plus inflation. Provides just cause eviction protections.</td>
<td>Statewide</td>
</tr>
</tbody>
</table>

CHARACTERISTICS OF RENTER UNITS IN THE NEIGHBORHOOD STABILIZATION AREA

Based on the policies described above, this section provides an overview of the unit types in which renter households within a one-half mile radius of the Diridon Station Area reside. Most renters are not protected by rent stabilization policies, and the applicability of the other tenant protection policies is dependent on building age and size, meaning the overall protections available to renters in this area is varied.

Figure 16 shows an estimate of the renter unit breakdown in the Neighborhood Stabilization Area, or half-mile radius of the DSA boundary (see Figure 3). The findings are based on data provided by the City and Santa Clara County’s 2019 assessor data. Figure 17 provides more detailed findings.

- **25 percent of renters live in units with relatively strong renter protections.** This includes:
  - 15 percent of renters who live in deed-restricted multifamily units that offer long-term affordability to lower-income households, and;
  - 10 percent of renters who live in ARO units that have limits on rent increases and require just cause evictions under the TPO.

- **47 percent of renters live in units with protections from steep rent increases and no-cause evictions.** These renters live in market-rate, multifamily units built after 1979. While these units are not rent-stabilized under ARO, renters are protected from eviction without cause through the TPO. Sixteen percent of renter households in this category (1,398 renter households) are also protected from steep rent increases, which are limited to 5 percent plus inflation if they occupy multifamily housing built over 15 years ago and are covered under the Tenant Protection Act (AB 1482).

- **27 percent of renters, who live in single-family, duplex, or condo units, with very weak tenant protections.** A small number of renters in single-family and condo units may be protected by AB 1482 if owned by a real estate investment trust or corporation, but the majority of renters in single-family homes are not protected by local and state laws. Five percent (approximately 422 renter households) live in duplexes that are covered by AB 1482 (which is applicable for duplex units where both units are rented). However, renters in duplex units are not covered by the City’s ARO or TPO.
**Figure 16: Summary of Tenant Protections by Unit Type in Neighborhood Stabilization Area**

![Bar chart showing tenant protections by unit type](chart)

Source: Santa Clara County Assessor, 2019; City of San José, 2019; Strategic Economics, 2020.

**Figure 17. Number of and Percentage of Renter Units by Type in the Neighborhood Stabilization Area, 2019**

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Rental Units</th>
<th>Share of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renter-occupied Single-Family (a) (b)</td>
<td>1,005</td>
<td>11.8%</td>
</tr>
<tr>
<td>Investor-owned, Renter-occupied Duplex Unit (a) subject to Tenant Protection Act of 2019 (AB 1482)</td>
<td>422</td>
<td>5.0%</td>
</tr>
<tr>
<td>Owner-occupied Duplexes with Renter Unit</td>
<td>44</td>
<td>0.5%</td>
</tr>
<tr>
<td>Rental multifamily subject to ARO (3+ unit building built 1979 or earlier)</td>
<td>840</td>
<td>9.9%</td>
</tr>
<tr>
<td>Rental multifamily subject to Tenant Protection Act of 2019 (3+ unit building built 1980 to 2005)</td>
<td>1,398</td>
<td>16.4%</td>
</tr>
<tr>
<td>New multifamily rental (3+ unit building built 2006-2019)</td>
<td>2,634</td>
<td>30.9%</td>
</tr>
<tr>
<td>Renter-occupied deed-restricted multifamily</td>
<td>1,322</td>
<td>15.5%</td>
</tr>
<tr>
<td>Investor-owned Condo/ Townhome (a) (b)</td>
<td>847</td>
<td>10.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,512</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Santa Clara County Assessor, 2019; City of San José, 2019; Strategic Economics, 2020.

Notes:
(a) Single-family, duplex, and condo units where owners did not claim the homeowners exemption were identified as renter-occupied (with those duplexes considered to have two rental units rather than one rental and one owner unit).
(b) Some investor-owned single-family and condo units are subject to the Tenant Protection Act of 2019, AB 1482, depending on the corporation status of the owner.
IV. PRODUCTION TARGETS AND STRATEGIES

AFFORDABLE HOUSING PRODUCTION TARGET

As discussed in Chapter I, the City of San José aims to ensure that 25 percent of all housing units in the Diridon Station Area are deed-restricted affordable, offered at a range of income levels, including 30 percent AMI, 50 percent AMI, 80 percent AMI, 100 percent AMI, and 120 percent AMI. The goal includes the production of permanent supportive housing.

The City Council has also provided direction to study the option of providing 45 percent of the affordable housing units for extremely low-income households. This would be equivalent to providing approximately 11 percent of the total housing in the DSA for ELI households. Achieving the ELI goal will increase the total amount of subsidy that will be required, as discussed in more detail below.

If the Diridon Station Area Plan sites (excluding Downtown West) are built out to their maximum potential density, (which would yield 7,619 units), then 1,905 affordable units would be required across those sites. Meeting the 25 percent affordability goal would require maintaining roughly the same share of deed-restricted affordable units. As of January 1st, 2019, 20 percent of all multifamily units in the DSA were deed-restricted. Since then, 181 new deed-restricted units have been added across two buildings, bringing the total deed-restricted share up to 28 percent as of June 2020.42

The housing production goal could be met through multiple strategies, by both leveraging private investment in market-rate projects with affordable housing requirements such as the city’s Inclusionary Housing Ordinance,43 and with standalone affordable projects dependent primarily on public funding sources. The way in which these units are provided will depend on the future funding availability of public funding sources44 as well as the characteristics of San José’s inclusionary policies, many of which are currently in flux.45 There are competitive funding sources, like Santa Clara County’s Measure A program and the state’s TOD programs, which can be leveraged for affordable housing development, including permanent supportive housing and ELI housing.

The Neighborhood Stabilization Area can also potentially accommodate new affordable housing units, given that many sites are within walking distance of Diridon Station, and well-served by transit. Community members have also suggested locating the affordable units in other locations of San José that are well-served by transit, though further consideration is needed to determine the gentrification impacts that are already in process in those locations.

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42 477 new market-rate units were also added between January 2019 and June 2020, across two projects.
43 The Inclusionary Housing Ordinance entails site-specific requirements, in that market-rate developers must provide the affordable set-aside on the same site as the project (unless they pay the in-lieu fee). In contrast, the 25 percent goal is an area-wide goal.
44 For instance, Santa Clara County’s Measure A, which is a critical funding source for ELI units in standalone buildings, would likely need to be reissused to continue providing the same amount of funding in the long term.
45 While the City of San José is in the process of updating its existing Inclusionary Housing Ordinance, the updated Ordinance is not expected until early 2021, given staffing delays due to the COVID-19 Pandemic. The inclusionary housing requirements applicable to new market-rate multifamily projects will depend on whether or not the Inclusionary Housing Ordinance Update has passed at the time that entitlements are issued. The City is also in the process of implementing a Commercial Linkage Fee, which would increase funds for affordable housing.
KEY CONSIDERATIONS FOR IMPLEMENTATION

The Diridon Station Area Plan envisions that new housing development will occur in a mix of mid-rise and high-rise development projects through inclusionary requirements and standalone deed-restricted affordable housing. The maximum build-out number in the DSAP Amendment Draft assumes that 76 percent of the units will be provided in high-rise buildings.

The financial feasibility of new residential development is more challenging for high-rise building types in San José, given the high cost of construction relative to the market-rate rental rates that can be achieved. According to a 2019 Keyser Marston study, high-rise development is challenging to build under today’s market conditions and with the current inclusionary housing requirements. This document provides potential strategies to reduce the cost of construction, especially for higher density buildings, to improve the feasibility of new housing construction in the Diridon Station Area.

The recommended changes to the Inclusionary Housing Ordinance encourage on-site provision of units affordable to moderate-income and median-income households. The City’s IHO requires that 15 percent of units in new for-sale and rental residential development be affordable to moderate-income and lower-income households. In 2019, City staff provided the City Council with recommended changes to the IHO. For-sale projects are still required to provide 15 percent of units on-site (or 20 percent of units off-site) at prices that are affordable to moderate-income households, but the in-lieu fee has been adjusted to be charged on a per-square-foot basis.

The recommended changes for rental developments encourage the construction of moderate-income and median-income affordable rental units on-site, and the payment of in-lieu fees for lower-income units, which can be combined with Low Income Housing Tax Credits and other subsidies to build 100% standalone projects. Generally, it is more feasible for rental development projects to pay the in-lieu fee for lower-income households than to provide all of the affordable units on-site. Figure 18 below summarizes the proposed changes to the IHO as of November 2019.

---

**FIGURE 18: SUMMARY OF PROPOSED CHANGES TO IHO**

<table>
<thead>
<tr>
<th></th>
<th>For-Sale</th>
<th>Rental</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Housing</td>
<td>15% of homes must be price-restricted. If building off-site, 20% of the</td>
<td>For buildings with 5 or more units, 15% of apartments must be affordable.</td>
</tr>
<tr>
<td>Requirement</td>
<td>new homes must be affordable.</td>
<td></td>
</tr>
<tr>
<td>Target income levels</td>
<td>Moderate-income households (80%-120% AMI)</td>
<td>5% at 100% AMI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5% at 60% AMI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5% at 50% AMI OR 10% at 30% AMI</td>
</tr>
<tr>
<td>In-Lieu Fee</td>
<td>In-lieu of building price-restricted homes, developers may pay a fee of</td>
<td>$43/sq. ft. for all units</td>
</tr>
<tr>
<td></td>
<td>$25/sq. ft.</td>
<td>OR Developers may build 5% of moderate-income affordable units (100% AMI) on-site and pay a fee of $18.26/sq. ft. for lower-income units (50% and 60% AMI).</td>
</tr>
</tbody>
</table>

Source: City of San José, Inclusionary Housing Ordinance Recommended Changes, November 5, 2019.

**It is assumed that ELI, VLI, and LI units will be provided in a standalone affordable housing projects, and in a mix of mid-rise and high-rise buildings.** Affordable units in high-rise buildings have higher development costs and are likely to require higher subsidies. For this reason, it is assumed that half of the affordable housing projects are likely to be developed in mid-rise buildings, consistent with historical patterns in San José and Santa Clara County. As discussed in more detail in the funding need section, the estimated local funding gap per unit of affordable housing in the DSA is estimated at approximately $225,000 per unit.

**It will be important to explore a variety of sources to help fill the local funding gap.** Estimates of the revenues that can be generated from these funding sources is provided in the funding section of this report. Some of the existing and new funding sources include:

- **Commercial linkage fee** – The City is in the process of implementing a new commercial linkage fee, which mitigates the affordable housing demand linked to new workers in office, retail, industrial, and hotel development projects
- **Measure E** – The new real estate transfer tax increase, approved by voters on March 2020, will raise an estimated $30 million in 2020-2021. Its proposed uses for 2020-2021 include new permanent supportive housing, affordable rental housing for ELI and low-income households, and rental and for-sale housing for moderate-income households.
- **General Fund appropriations** – The City may also tap into its General Fund to appropriate additional revenues for affordable housing production.
- **Fee Waivers** – The City can reduce or waive its impact fees and other city fees to reduce the cost for affordable housing development projects
- **Measure A** – The affordable housing bond, approved by voters in 2016, allows the County to issue general obligation bonds to fund housing for special needs populations - primarily permanent supportive housing, rapid rehousing, and ELI housing. As of December 2019, it was
estimated that the program had committed about $290 million in funding.\textsuperscript{47} This funding source has a 10-year horizon.

- **Private and philanthropic contributions** – There are a number of new philanthropic and private sources for funding affordable housing development. For example, the Partnership for the Bay Area’s Future is a new philanthropic initiative that was announced in early 2019.\textsuperscript{48} This coalition of funders, which includes Facebook, Genentech, the Chan Zuckerberg Foundation, and the San Francisco Foundation, aims to raise $540 million for affordable housing in the Bay Area region. Google has also pledged $250 million toward grants and loans for affordable units; about $115 million has been allocated thus far.\textsuperscript{49}

**Locational Scoring Variability Within DSA for Competitive Affordable Housing Funding Sources**

**Maximizing the competitiveness for State funding sources will require coordination between land use policy and housing and transportation investments.** Since most competitive funding sources award points for locational attributes, it is critical that standalone affordable housing developments are planned in locations that would score most competitively. Figures 19 and 20 show spatially how locations in the Diridon Station Area would score for the State of California’s TOD-focused programs (Figure 19) and Santa Clara County’s Measure A (Figure 20). See Appendix B for more detail on the funding sources that were evaluated.

**The DSA is generally competitive for certain state funding sources, such as both the LIHTC 4% and 9%, as well as the Multifamily Housing Program.** These funding sources have a relatively low bar for achieving maximum location scores. While projects in the entire DSA would achieve maximum location scores for these programs, the ease of achieving scores in the location-focused categories suggests it is not a major determinant of where funds are ultimately awarded.

**Areas closest to Diridon Station, however, are particularly competitive for State TOD grant programs, while areas in the DSA furthest from the station are less competitive for these sources.** The Affordable Housing Sustainable Communities (AHSC) Grant, the Infill Infrastructure Grant Program (IIGP), and the TOD Housing Program all prioritize project applications within very close proximity to high-quality transit.

**Santa Clara County’s Measure A’s scoring procedure also is likely to prioritize projects in the DSA that are closer to Diridon Station.** Measure A is an important funding source for ELI housing and permanent supportive housing. Measure A’s locational amenity scoring awards higher points to projects located within a narrower radius of the transit station. Measure A also encourages locating ELI and permanent supportive housing in areas of opportunity; proposals in census tracts with lower poverty rates achieve higher scores. Taking into account both of these scoring metrics, generally projects that are closer to Diridon Station in the DSA are likely to achieve higher scores.

\begin{itemize}
\item \textsuperscript{47} Santa Clara County Office of Supportive Housing.
\item \textsuperscript{48} Partnership for the Bay’s Future, https://www.baysfuture.org/\textsuperscript{49} Partnership for the Bay’s Future, https://www.baysfuture.org/
\end{itemize}
Figure 19. TOD-Focused Sources: Locational Scoring Competitiveness in Diridon Station Area

*Sites must be in the green area to be eligible for AHSC, and TOD Housing Program funds. These sites are also likely more competitive for IIOP and Measure A.

**Sites in the yellow area are eligible for other state and federal sources, such as LIHTC and MHP, which have less stringent location criteria.

***Housing Opportunity Sites include sites that are intended as stand-alone housing sites or sites that could accommodate housing or commercial space. Google-owned sites shown include sites considered for housing in Google’s main and alternative illustrative Framework.

Competitiveness for TOD-Focused Affordable Housing Funding Sources

- Green: Competitive for TOD-Focused Funding Sources and Measure A*
- Yellow: Less Competitive for TOD-Focused Funding Sources, Still Competitive for Other Sources**
- White: Diridon Station Area Boundary
- Red: Google-Owned Housing Opportunity Sites (Google’s Downtown West Development Plan)***
- Orange: Other Housing Opportunity Sites (Option 3B, in SOM’s DSAP Capacity Study)***
- Red line: Caltrain
- Blue line: VTA Light Rail
- Green line: BART Extension Phase II

Sources: City of San José, 2020; Google, 2019; Skidmore, Owings & Merrill, 2019; Strategic Economics 2020.
FIGURE 20. MEASURE A: LOCATIONAL SCORING COMPETITIVENESS IN DIRIDON STATION AREA

Competitiveness for Measure A in Diridon Station Area

- Most Competitive
- Competitive
- Less Competitive
- Least Competitive

- Diridon Station Area Boundary
- Parks
- Highways
- Caltrain Line

Sources: City of San Jose, 2020; Strategic Economics 2020.
VTA TOD SITE

VTA owns a 1.5-acre lot that is available for joint development just east of Diridon Station, which Google has planned on developing as housing.\textsuperscript{50} As a part of its Transit-Oriented Development Policy, VTA has established affordable housing requirements for joint development projects and for the station areas.\textsuperscript{51} Based on the VTA policy, any development project on the site would be required to provide 20 percent of the residential units as affordable, and those units must be provided on-site.

**CONSIDERATIONS AROUND PROVIDING DESIGNATED MODERATE- AND MEDIAN-INCOME HOUSING UNITS**

Most public affordable housing funds require that the funds be used to finance low-income units, (units targeted for households earning at or below 80 percent of AMI). Furthermore, competitive funding sources, such as LIHTC 9% and MHP, prioritize awarding projects that offer the deepest levels of affordability. Measure A also focuses on projects that serve formerly homeless and extremely low-income households. With this in mind, it may be difficult to finance designated affordable units in the moderate-income range (81-120 percent of AMI). Therefore, special consideration may be needed to assess how to preserve the affordability of moderate-income housing units long-term.

Figure 21 shows the affordability of one- and two-bedroom units in the 16 multifamily rental projects that were built the Downtown East and West submarkets since 2015. As of May 2020, these units were affordable roughly to households earning between 100 and 121 percent of AMI.\textsuperscript{52} Therefore, there is likely a greater need to require any designated moderate-income units serve households earning between 81 and 100 percent of AMI, as the market is already delivering housing affordable to households earning more than 100 percent AMI.

**FIGURE 21. AFFORDABILITY OF MARKET-RATE MULTIFAMILY UNITS IN DOWNTOWN SAN JOSÉ SINCE 2015**

<table>
<thead>
<tr>
<th>Household Size</th>
<th>One-Bedroom</th>
<th>Two-Bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Person HH</td>
<td>115% AMI</td>
<td>n/a</td>
</tr>
<tr>
<td>2-Person HH</td>
<td>100% AMI</td>
<td>121% AMI</td>
</tr>
<tr>
<td>3-Person HH</td>
<td>n/a</td>
<td>108% AMI</td>
</tr>
</tbody>
</table>


**FUNDING THE AFFORDABLE HOUSING PRODUCTION GOAL**

Strategic Economics estimated the local funding needed to meet the affordable housing target on Diridon Station Area Plan opportunity sites (excluding Downtown West properties). First, Strategic Economics reviewed available data from new construction standalone affordable projects approved for Low Income Housing Tax Credits in Santa Clara County between 2016 and 2020.\textsuperscript{53} All financing information for the example projects was found in public staff reports published by the California Tax


\textsuperscript{52} This data does not entirely capture the impact of the COVID-19 pandemic on the market-rate multifamily housing market. Since this is a long-term plan, this snapshot of market-rate housing still provides a general understanding of the relative affordability of these unit types.

\textsuperscript{53} Projects receiving 9% tax credits were excluded because they are highly competitive and difficult to obtain. For hybrid 4%/9% projects, only the financing data for the component of the project that is financed by the 4% credit was utilized.
Credit Allocation Committee. Then, Strategic Economics estimated the development cost of new affordable housing units in the Diridon Station Area. Based on these calculations, Strategic Economics estimated the “local funding gap” that would be required from the City and County to fund each unit in a standalone affordable housing project.

ESTIMATING DEVELOPMENT COSTS

The average development cost of affordable housing in Santa Clara County is estimated at $703,000 per unit. Strategic Economics summarized the development costs for the sample LIHTC projects (see Figure 22). The 13 affordable housing projects reviewed were all low-rise and mid-rise buildings (Type V or Type III) located in the cities of San José, Mountain View, Milpitas, and Palo Alto.

The funding sources for the affordable housing development projects in Santa Clara County can be categorized as follows:

- **Permanent financing** includes private permanent loans from lenders backed by rents, as well as Project-Based Section 8 Vouchers which are often used to supplement the income that is received from rents, especially for Extremely Low-Income units.

- **Federal funds** include the LIHTC equity, as well as other federal grant programs like Moving to Work, Community Development Block Grants, HOME, and Affordable Housing Program grant programs.

- **State funds** include grants from the California Department of Housing and Community Development, such as the Affordable Housing for Sustainable Communities program, California Housing Finance Agency programs, Veterans Housing and Homelessness Prevention Program, Supportive Housing and Multifamily Housing Program, No Place Like Home, the TOD Housing Program, the Infill Infrastructure Grant Program, state Solar Tax Credit programs, and other smaller grant programs.

- **County funds** include Santa Clara County’s Measure A funds and land donations. Measure A’s housing development goals are primarily focused on creating permanent supportive housing, rapid rehousing, and ELI housing.

- **City funds** include revenues from in-lieu fees, housing impact fees, commercial linkage fees, discounted ground leases, and city fee waivers.

- **“Other funds”** include general partner contributions or equity, accrued/deferred interest, operating income, funds from public-private housing trusts or foundations, and other non-governmental sources.

In Santa Clara County, the average amount of local funding for the average deed-restricted affordable housing project (from City and County combined) is $206,000 per unit. The local funding share is 29 percent of total development costs (Figure 22).

Santa Clara County’s Measure A funds are a critical component of the local funding gap in Santa Clara County. For projects that qualified for Measure A, which is designated for ELI households and permanent supportive housing, the average County contribution was approximately $132,000 per
unit. For projects that did not receive Measure A funding, the County’s contribution was approximately $32,000 per unit (Figure 22).

**Figure 22: Funding Sources for Affordable Housing Projects, Per Unit**

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>With Measure A</th>
<th>No Measure A</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perm Financing, Tax Credits, Federal Sources</td>
<td>$444,000</td>
<td>$483,000</td>
<td>$459,000</td>
</tr>
<tr>
<td>State Sources (AHSC and Other)</td>
<td>$43,000</td>
<td>$31,000</td>
<td>$38,000</td>
</tr>
<tr>
<td>Local Funding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Santa Clara County</td>
<td>$132,000</td>
<td>$32,000</td>
<td>$94,000</td>
</tr>
<tr>
<td>City</td>
<td>$124,000</td>
<td>$91,000</td>
<td>$112,000</td>
</tr>
<tr>
<td>Subtotal Local Funding</td>
<td>$256,000</td>
<td>$123,000</td>
<td>$206,000</td>
</tr>
<tr>
<td><strong>Total Development Cost per Unit</strong></td>
<td>$743,000</td>
<td>$637,000</td>
<td>$703,000</td>
</tr>
</tbody>
</table>

Note: Numbers are rounded to the nearest $1,000.
Source: California Tax Credit Allocation Committee, 2020; Santa Clara County, 2020; Strategic Economics, 2020

**Estimating the Local Funding Need**

As discussed above, the number of affordable housing units estimated for the Diridon Station Area Plan sites (excluding Downtown West) is 1,905 units, which is 25 percent of the maximum housing potential for opportunity sites associated with the DSAP Maximum Build-Out Estimate. Approximately 181 affordable housing units have been constructed in the Diridon Station Area since 2019. In addition, it is assumed that the recommended changes to the Inclusionary Housing Ordinance will encourage market-rate development projects to build five percent of units on-site for moderate-income (100% AMI) households, and pay the in-lieu fee on the remaining 10 percent targeting lower-income households. The remaining affordable units that would require city funding are estimated at 1,343 (see Figure 23).

**Figure 23: Affordable Housing Implementation Assumptions for DSAP Amendment Sites**

<table>
<thead>
<tr>
<th>Key Assumptions for DSAP Amendment Sites</th>
<th>Buildout</th>
<th>Annual (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Total Number of Housing Units (Maximum Build-Out Estimate)</td>
<td>7,619</td>
<td>381</td>
</tr>
<tr>
<td>Goal for Low- and Moderate-Income Housing Units (100% AMI and below)</td>
<td>1,905</td>
<td>95</td>
</tr>
<tr>
<td>Affordable Units Built in Diridon Station Area Since January 2019</td>
<td>181</td>
<td>n/a</td>
</tr>
<tr>
<td>On-Site Inclusionary Moderate-Income Units</td>
<td>381</td>
<td>19</td>
</tr>
<tr>
<td>Remaining Affordable Units Requiring City Funding</td>
<td>1,343</td>
<td>67</td>
</tr>
</tbody>
</table>

(a) Assumes 20-year buildout horizon.
Source: City of San José, 2020; Strategic Economics, 2020

The total development costs for high-rise affordable housing projects are likely to be significantly higher than the costs shown in Figure 22, due to the more expensive construction technologies required. The 2019 Keyser Marston study estimates that development costs for high-rise projects in the City is approximately 25 percent higher than low-rise projects, and 18 percent higher than mid-rise...
projects. For the purposes of this analysis, it is estimated that high-rise development would be approximately 20 percent higher than low-rise or mid-rise development. On a per-unit basis, the cost of developing an affordable housing unit in a high-rise development is estimated at $843,000.

The average cost of development of stand alone affordable housing is estimated at $773,000 per unit. The estimate is based on the assumptions that half of affordable units would be accommodated in high-rise developments ($843,000 per unit), and half would continue to be provided in mid-rise and low-rise buildings ($703,00 per unit).

**FIGURE 24: PER-UNIT DEVELOPMENT COSTS FOR AFFORDABLE HOUSING DEVELOPMENT PROJECTS**

<table>
<thead>
<tr>
<th>Building Type</th>
<th>Development Cost per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low- and mid-rise affordable housing (a)</td>
<td>$703,000</td>
</tr>
<tr>
<td>High-rise affordable housing (b)</td>
<td>$843,000</td>
</tr>
<tr>
<td>Average (c)</td>
<td>$773,000</td>
</tr>
</tbody>
</table>

Note: Numbers are rounded to the nearest $1,000.
(a) Average development cost per unit for LIHTC projects in Santa Clara County in Type V and Type III buildings.
(b) High-rise development is assumed to be 20% higher cost than low- and mid-rise.
(c) Assumes that 50% of affordable housing projects in DSA would be in mid-rise and low-rise buildings, and 50% would be in high-rise buildings.

It is expected that the local funding gap for the City of San José and Santa Clara County would be 29 percent of total development costs or $225,000 per unit. As shown below in Figure 25, if the typical sources of funding for affordable housing continue to be available through tax credits, permanent financing, and State sources, the City and County would need to contribute approximately 29 percent of the funding. This is equivalent to an average funding need of approximately $225,000 per unit.

To fund 1,343 affordable housing units would require approximately $302 million in total funding from the City and County (Figure 25).

**FIGURE 25: ESTIMATE OF TOTAL FUNDING NEED FOR AFFORDABLE HOUSING GOAL IN DIRIDON STATION AREA, EXCLUDING DOWNTOWN WEST**

| Average Development Costs for Affordable Housing Units | $773,000     |
| Local Funding Percentage (County, City)              | 29%          |
| Local funding need per unit (City and County)        | $225,000     |
| Local affordable housing funding needed for implementation | $302 million |

Source: KMA, Conceptual Pro Forma Analysis of High-Density Apartment Development, prepared for the City of San José, October 2019; Strategic Economics, 2020

Available Funding Sources from City and County

As discussed above, there are a number of funding sources available from the City of San José and Santa Clara County for affordable housing production. They include the affordable housing revenues from commercial linkage fees and in-lieu fee revenues that will be generated from new development at Downtown West and in the Diridon Station Area Plan amendment sites, shown in Figure 26. The proposed development activity at Downtown West and in the DSAP amendment sites has the potential to bring in nearly $174 million in affordable housing revenues. These revenues are contingent on whether the maximum amount of housing is developed on the DSAP amendment sites, and if the commercial development activity moves forward as envisioned for the Downtown West proposal.

Figure 26: Commercial Linkage Fee and In-Lieu Fee Revenues Anticipated in Diridon Station Area

<table>
<thead>
<tr>
<th>Funding Generated from Diridon Station Area Development</th>
<th>Buildout</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Linkage Fee Revenues from Downtown West</td>
<td>$87,600,000</td>
<td>$4,380,000</td>
</tr>
<tr>
<td>In-Lieu Fee Revenues from Market-Rate Housing Units 55</td>
<td>$86,100,000</td>
<td>$4,305,000</td>
</tr>
<tr>
<td>Subtotal Diridon Station Area Fee Revenues</td>
<td>$173,700,000</td>
<td>$8,685,000</td>
</tr>
</tbody>
</table>

Source: City of San José, 2020; Strategic Economics, 2020.

Commercial linkage fee and in-lieu fee revenues, if prioritized for awards to affordable developments in the Diridon Station Area, could potentially cover more than half of the funding gap required to meet the affordable housing production goal of this implementation plan.

In addition, the City and County offer additional affordable housing funding for implementation of the production goals. The City and County’s resources are summarized in Figure 27 below. On an annual basis, the combination of City and County funds for the short term is estimated at about $31 million per year (Figure 27). These funding estimates will depend on a number of factors, including the strength of the real estate market and the continuation of the Measure A program.

55 This estimate only includes market-rate housing on DSAP amendment sites. Potential market-rate housing development on Downtown West sites is not included in the calculation.
### Figure 27: City and County Affordable Housing Funding Programs

<table>
<thead>
<tr>
<th>City and County Affordable Housing Funds</th>
<th>Annual Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>San José</strong></td>
<td></td>
</tr>
<tr>
<td>Measure E (proposed spending plan for 2020-2021)</td>
<td>$17,685,000</td>
</tr>
<tr>
<td>HOME</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Low- and Moderate-Income Housing Fund</td>
<td>$3,500,000</td>
</tr>
<tr>
<td>SB2</td>
<td>$3,400,000</td>
</tr>
<tr>
<td><strong>Subtotal City of San José</strong></td>
<td>$26,585,000</td>
</tr>
<tr>
<td><strong>Santa Clara County Affordable Housing Funds</strong></td>
<td></td>
</tr>
<tr>
<td>Measure A (if funding continues to be available)</td>
<td>$3,500,000</td>
</tr>
<tr>
<td>Other County Sources</td>
<td>$900,000</td>
</tr>
<tr>
<td><strong>Subtotal County Sources</strong></td>
<td>$4,400,000</td>
</tr>
<tr>
<td><strong>Total City and County Funding</strong></td>
<td><strong>$30,985,000</strong></td>
</tr>
</tbody>
</table>

Source: City of San José Affordable Housing Investment Plan; Proposed Spending Plan for Measure E Revenues, 2020.

### Implications for Extremely Low-Income Housing Goals

The funding gap measured above is based on a typical tax credit affordable housing project, which would likely include a mix of extremely low-, very low-, and low-income housing units. The City Council has requested that this implementation plan study the potential for 45 percent of the affordable units to be affordable to extremely low-income households; this is equivalent to 11 percent of all units in the Diridon Station Area.

Projects that were funded through the County’s Measure A program – which is intended to serve ELI households and persons experiencing homelessness – had a higher per unit cost of $743,000.

Because the affordable housing development projects analyzed in this study provide housing for a range of incomes, the available data is insufficient to measure the funding need to meet the City’s ELI housing production goals. ELI households typically contribute very little rental income to support permanent financing; the overall subsidy required for ELI housing is therefore higher to cover the cost of development. In addition, ELI units often also require an ongoing operating subsidy. Measure A projects, which are primarily targeted to vulnerable populations, including ELI households and persons experiencing homelessness, cost more to build on a per-unit basis than other low-income housing projects. Therefore, it can be concluded that estimated local funding gap shown in Figure 25 would be larger if 45 percent of the affordable units were targeted to ELI households.

The City’s share of the local funding need depends on the availability of other funding sources, such as a new County housing bond to augment or extend Measure A, and additional funding sources from the State through its replenished TOD and infill housing programs. Strategies to increase the funding available for affordable housing production are discussed in more detail below.
PRODUCTION STRATEGIES

The strategies around affordable housing production are listed below. Strategies 1 through 5 emphasize larger-scale housing production that would likely occur within the Diridon Station Area, and strategies 6 and 7 are more relevant to the residential communities that are part of the Neighborhood Stabilization Area. Although the affordable housing production goal is focused primarily on construction within the DSA, incorporating affordable production activities within the broader Neighborhood Stabilization Area as well could offer the City increased flexibility. There may also be opportunities for small- to mid-scale housing development, as well as the creation of new deed-restricted units through housing preservation activities within the Neighborhood Stabilization Area.

1. **Maximize competitiveness for state funding sources by prioritizing sites within a one-half mile walkshed of Diridon Station for affordable housing.** Affordable housing projects can apply for competitive funding sources, including the state’s Affordable Housing for Sustainable Communities program (AHSC), Transit-Oriented Development Housing Program (TOD), and Infill Infrastructure Grant Program (IIG), as well as the County’s Measure A funds. Projects will be most competitive for these sources when located within a short walk – ideally within the one-half mile walkshed of Diridon Station. Therefore, to the extent possible, the sites within this walkshed should be prioritized for future affordable housing development projects.

2. **Partner with transit agencies and affordable housing developers to leverage Affordable Housing for Sustainable Communities grants for affordable housing developments near station.** Affordable housing proposals near Diridon Station are potentially most competitive for AHSC funds because of the potential to leverage GHG reductions associated with transit investments at Diridon, including Caltrain electrification and eventually the VTA Bart Silicon Valley Extension Phase II. First-last mile pedestrian and bike improvements may also be leverageable for AHSC funds. AHSC also provides affordable housing developers more flexibility in their unit affordability breakdowns, which can be all the difference in whether affordable housing projects are feasible. Because AHSC applications are known to be incredibly lengthy and complex, it is important the City of San José take an active role organizing an AHSC application with transit agency and developer partners, as AHSC applications are typically most successful with strong jurisdictional leadership.

3. **Prioritize the use of Commercial Linkage Fee revenues generated in the Diridon Station Area for affordable housing projects within the Plan area.** The City Council approved a new Commercial Linkage Fee in September 2020. Depending on the amount of commercial space approved in the DSA, this could produce tens of millions of dollars for affordable housing over the next two decades.

4. **Adopt the proposed update to the citywide Inclusionary Housing Ordinance (IHO).** The proposed update to the City’s Inclusionary Housing Ordinance is designed to encourage the construction of new housing for a range of income levels, including median-income households. Under the current requirements, developers have chosen to pay the in-lieu fee rather than provide on-site units. Solely collecting revenue from this Ordinance is not realizing the full potential of this important program, which has the goal to economically integrate neighborhoods and to produce affordable housing along with market-rate housing. The proposed modifications are designed to provide developers with a wider range of economically feasible options to meet the inclusionary requirement while meeting the City’s needs.
5. Update regulations to facilitate mass timber and other innovative and cost-effective construction technologies. The introduction of cost-effective innovative technologies such as mass timber has the potential to greatly reduce the cost of housing construction, making mid-rise and high-rise development projects more financially feasible. The City of San José can put policies in place to facilitate the transition to new construction technologies by updating building codes and permitting processes. San José’s building code would need to adopt new standards consistent with the Universal Building Code in order for mass timber to be implemented at a larger scale, especially for taller buildings.

6. Explore potential changes to park fees to decrease overall development costs for market-rate and affordable housing. As one of the City’s most significant development fees, a reduction in the parks fee would help to reduce the overall cost of housing development in the DSA and encourage the provision of inclusionary affordable units integrated into market-rate projects. The City currently discounts the park fees by 50 percent for deed-restricted housing units affordable to households at 80% AMI and below. The City also is considering a reduction of up to 50 percent for deed-restricted housing units affordable to moderate-income households earning 81 to 100% AMI. In addition, a proposed change to charge the fee on a per-square-foot basis rather than on a per-unit basis can improve the development feasibility of small market-rate units, like studios and one-bedrooms.

7. Support policies that increase the production of accessory dwelling units (ADUs) in the Diridon Station Area and surrounding neighborhoods. Facilitating ADU construction is one way that the City can meet its goals for the production of more moderate-income and middle-income housing. Building small ADUs in established residential neighborhoods is a straightforward and sensitive way to increase the housing supply while providing existing homeowners opportunities to supplement mortgage payments with rental income. The City has implemented reforms around accessory dwelling unit production, including easing multiple building requirements in conformance with new state laws and offering pre-approved ADU designs through the ADU/Single-Family Master Plan Program. The City should further explore ways to incentivize the creation of new deed-restricted units in ADUs, not just for single-family properties, but also for lots that currently contain duplexes or small multifamily buildings.
V. NEIGHBORHOOD STABILIZATION TARGETS AND STRATEGIES

Neighborhood stabilization in the areas around Diridon Station can be achieved with a mixture of both people-based (protection) and place-based (preservation) policies. Protecting lower-income households from displacement is an important tool for preventing increases in homelessness. Furthermore, preservation and protection strategies are essential tools to advance racial equity in San José. The goal of this Plan and related Citywide strategies is to use a combination of production, preservation, and protection strategies to reduce further displacement and increase opportunities for lower-income and Latinx and Black residents to live in the Diridon Neighborhood Stabilization Area and other areas that are poised to receive significant public and private investments, including high-quality transit.

NEIGHBORHOOD STABILIZATION TARGETS

It is estimated that there are approximately 3,900 low-income renters (earning less than 80% AMI) in the Census Study Area. It is integral to consider policies that protect these renters from displacement. This estimate is based on ACS 2014-2018 data, which identified 3,981 renter households earning $100,000 or less in the study area, which is 49 percent of all renter households. Because a three-person household earning 80% AMI in Santa Clara County in 2018 would earn $95,000 in annual income, 3,900 is a reasonable estimate of the number of low-income renter households that may be vulnerable to displacement.

*Retain as permanently affordable the existing stock of both deed-restricted multifamily housing as well as unsubsidized affordable units that are subject to the Apartment Rent Ordinance.* When either deed-restricted or unsubsidized affordable units are lost, they should be replaced with new permanently affordable units.

There are currently 1,322 existing deed-restricted units in the Neighborhood Stabilization Area, as well as 319 either under construction or with funding secured (Figure 28). Among the existing units, the vast majority do not expire until after 2040.
FIGURE 28. DEED-RESTRICTED MULTIFAMILY UNITS BY DATE OF COVENANT EXPIRATION

<table>
<thead>
<tr>
<th>Expiration Date Range</th>
<th>Number of Buildings</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>By 2030</td>
<td>2</td>
<td>89</td>
</tr>
<tr>
<td>2031-2040</td>
<td>2</td>
<td>65</td>
</tr>
<tr>
<td>Beyond 2040</td>
<td>10</td>
<td>1,121</td>
</tr>
<tr>
<td>Unknown</td>
<td>1</td>
<td>47</td>
</tr>
<tr>
<td>Total Existing</td>
<td>15</td>
<td>1,322</td>
</tr>
</tbody>
</table>

Near-term Pipeline

<table>
<thead>
<tr>
<th></th>
<th>Number of Buildings</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under Construction</td>
<td>2</td>
<td>233</td>
</tr>
<tr>
<td>Funding Secured</td>
<td>1</td>
<td>86</td>
</tr>
<tr>
<td>Total Near-term Pipeline</td>
<td>3</td>
<td>319</td>
</tr>
</tbody>
</table>

Total 18 1,641

Source: City of San José, 2019; Strategic Economics, 2020.

There are 840 units subject to ARO in the Neighborhood Stabilization Area. Based on citywide household income data, it is likely that two-thirds of the ARO units, or approximately 560 units, are occupied by low- or moderate-income households.

KEY CONSIDERATIONS FOR IMPLEMENTATION

The existing COVID-19 crisis and the subsequent economic disruption have exacerbated the risk of displacement. Low-income tenants in the Census Study Area in particular are currently highly vulnerable to displacement, as many were severely rent-burdened before the pandemic began. While the City’s temporary eviction moratorium provided short-term protections for renters impacted by COVID-19, tenants must eventually pay the overdue rent within six to 12 months of the end of the moratorium. The Apartment Rent Ordinance and Tenant Protection Ordinance provide some protections from rent increases in the longer term, but the allowable increase of 5 percent per year is substantial over time. Tenants in non-ARO units (single-family, duplex, townhome, multifamily built 1980 or later) are even more vulnerable.

Recently, the Diridon Station Area and surrounding neighborhoods (the Census Study Area) have lost Latinx residents, while the number of residents identifying as Asian, White, and “other races” has increased. As discussed in Section III, the number of White and Asian residents in the Census Study Area grew significantly from 2010 to 2018. Meanwhile, there was little growth in the number of Black residents and a five percent decrease in the number of Hispanic/Latino residents during that same time period.

Most tenant protection policies are likely to be implemented citywide. The City of San José recently adopted the Citywide Residential Anti-Displacement Strategy, which outlines multiple tenant protection strategies the City could implement citywide, such as expanding tenant education resources
or providing tenants facing eviction access to legal counsel. Other measures to increase tenant protections, such as expansions to the ARO and TPO would also apply citywide.

Preserving ARO units as permanently affordable could significantly contribute to stabilizing existing low-income households, as well as helping to maintain the supply of existing affordable housing for the long-term. Over two-thirds of renters in ARO units in the city of San José are low-income households (Figure 29). It is likely that most ARO units in the Neighborhood Stabilization Area are similarly occupied by low-income renters.

**Figure 29. Renter Households in San José ARO Units by Income, 2019**

<table>
<thead>
<tr>
<th>Area Median Income Level (Santa Clara County AMI Groups)</th>
<th>Renter Households</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>80% AMI or Less</td>
<td>27,458</td>
<td>67%</td>
</tr>
<tr>
<td>80-120% AMI</td>
<td>7,555</td>
<td>18%</td>
</tr>
<tr>
<td>Over 120% AMI</td>
<td>6,113</td>
<td>15%</td>
</tr>
<tr>
<td>Total</td>
<td>41,126</td>
<td></td>
</tr>
</tbody>
</table>


New models may be required to effectively acquire and manage small, scattered site housing, particularly given the limited number of larger-scale buildings with unsubsidized affordable housing.

- **Opportunities to acquire larger pre-1980 multifamily properties within a half-mile of the Diridon Station Area are limited.** There are only two properties in the area with over 50 units, both of which charge higher rents compared to other older properties near the station area. Most ARO units within the half-mile radius of the DSA are in buildings with less than 10 units (Figure 30).

- **Smaller multiplexes (buildings with up to nine units) tend to be most affordable to renters, and may also be the most cost-efficient to acquire.** Figure 31 shows the estimated, vacancy decontrolled rents for ARO units by building size, as well as the anticipated acquisition cost per unit. Both metrics are based on Costar data from the Downtown West submarket, which includes Diridon Station.

- **However, these smaller buildings are challenging for typical non-profit housing developers to manage.** Most non-profit developers prioritize acquiring formerly unsubsidized buildings that are larger-scale, as they are more efficient to manage.

- **The City could explore ways to support the capacity of community development corporations, faith-based institutions, and mission-driven, place-based nonprofits.** Organizations that are focused on neighborhood stabilization strategies may be more willing to take on the management challenges of smaller, scattered sites.
Source: City of San José, 2020; Strategic Economics, 2020.
**FIGURE 31. RENT AND ACQUISITION COST SUMMARY FOR ARO BUILDINGS IN DOWNTOWN WEST**

<table>
<thead>
<tr>
<th>Estimated Two-Bedroom Rent (b)</th>
<th>3-4 Unit</th>
<th>5-9 Unit</th>
<th>10-19 Unit</th>
<th>20-49 Unit</th>
<th>50+ Unit</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,438 (a)</td>
<td>$1,917 (a)</td>
<td>$2,244</td>
<td></td>
<td></td>
<td></td>
<td>Average weighted rents for comparable units in Costar's Downtown West Submarket</td>
</tr>
<tr>
<td>Affordable To: (c)</td>
<td>2 or 3 Person HH, 50% AMI (b)</td>
<td>2 Person HH, 80% AMI; 3 Person HH, 70% AMI (b)</td>
<td>2 Person HH, 90% AMI; 3 Person HH, 80% AMI</td>
<td>Santa Clara County's 2019 AMI levels, released by the California Department of Housing and Community Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Acquisition Cost Per Unit (d)</td>
<td>$264,500 (c)</td>
<td>$296,000 (c)</td>
<td></td>
<td></td>
<td>Median acquisition cost per unit for comparable transactions that occurred since June 2017 in Costar's Downtown West submarket</td>
<td></td>
</tr>
</tbody>
</table>


Notes:  
(a) Due to data limitations, the rent analysis combined data for 3- to 9-unit buildings and for 10- to 49-unit buildings.  
(b) Affordability levels for the respective building size groups used in the rent analysis are also combined.  
(c) Due to data limitations, the acquisition analysis combined data for 3- to 9-unit buildings and for buildings with 10 or more units.

The Diridon Station Area, and the Downtown West submarket in general, are well-positioned to pilot an acquisition/rehab strategy for ARO units.

- With major investments in both the Diridon Transit Station and Google’s Downtown West project, as well as its position adjacent to Downtown San José, unsubsidized affordable units in the Neighborhood Stabilization Area are very vulnerable. With these factors at play, these neighborhoods would be excellent candidates for a pilot program that would direct concentrated investment into acquiring and preserving ARO units for the long-term.
- ARO units are somewhat more affordable in the Downtown West submarket, compared to other parts of the City, such as West San José and South San José. These units provide some of the deepest affordability among the ARO stock, and therefore their preservation as permanently affordable units would address the city’s greatest housing affordability needs.
- The Diridon area is extremely well served by transit. Because transit proximity is integral for low-income tenants, the Diridon area is better situated to be the location of a preservation pilot program compared to areas in the City that are not served by high-quality transit.
- The types of ARO buildings in the Diridon area are reflective of citywide ARO building characteristics and conditions. A pilot program in the Diridon area therefore would provide lessons for approaching a citywide acquisition/rehab program.
FUNDING NEED

Tenant Protection Policies and Programs: Costs for expanding the coverage or enforcement of San José’s existing tenant protection policies, such as the Apartment Rent Ordinance, Tenant Protection Ordinance, and AB 1482 are not yet quantified, and will depend on the type of program that is implemented.

Acquisition/rehab of ARO units: Total development cost of an acquisition/rehab strategy varies based on a number of factors. It is likely that the acquisition cost for smaller ARO buildings in the Neighborhood Stabilization Area would be in the $250,000 to $300,000 per-unit range (based on Figure 31 for recent sales in Downtown West), while total costs, including rehabilitation costs would likely be between $275,000 and $480,000 based on examples from the Bay Area documented by Enterprise Community Partners.56

The local public subsidy for preservation is typically higher than for affordable housing production due to the limited public funding sources available for preservation activities. The potential local funding need per unit is estimated at between $118,000 and $332,000, based on examples from other similar Bay Area programs. If the City of San José directly subsidizes the project, the prevailing wage requirements could increase overall development costs, requiring additional funding.

The goal for the Diridon Station Area is the development of a pilot preservation program for multifamily properties in the Neighborhood Stabilization Area. Acquisition/rehab is more achievable in a down market when small property owners may be operating at thin margins, and when properties generally are more likely to trade. The COVID-19 pandemic may present new opportunities for preservation, if funding is available. It is expected that the City would be required to contribute a significant share of the development costs. The proposed spending plan for Measure E Real Estate Property Transfer Tax funds shows a potential contribution of about $5 million for acquisition and rehabilitation of existing buildings for low-income households in 2020-2021. Additional funding may be required to be able to launch a pilot program in the Neighborhood Stabilization Area, given the estimated costs of acquisition and rehabilitation.


Rehabilitation cost depends on building age, construction quality, and existing standard of maintenance, and therefore can be difficult to estimate. Properties that have experienced deferred maintenance or are in need of more substantial renovations as part of an acquisition/rehab strategy could translate to high rehab costs.
PRESERVATION STRATEGIES

Preservation of existing multifamily units would formalize the affordability of older properties for the long term. The City does not have a history of acquiring, rehabilitating, and converting privately owned multifamily housing into deed-restricted affordable housing. The first step is to develop a Preservation Pilot Program specifically for the Neighborhood Stabilization Area, which is a half-mile area around the Diridon Station Area. Considering that this selection process may ultimately depend on which property owners are motivated to sell, a screening process is needed to prioritize properties that could be good candidates for preservation. The program could screen properties based on the condition/quality, location, or whether they are adjacent to development activity.

“PRESERVING AFFORDABILITY, PREVENTING DISPLACEMENT” ENTERPRISE COMMUNITY PARTNERS REPORT

A 2020 report by Enterprise Community Partners entitled “Preserving Affordability, Preventing Displacement: Acquisition-rehabilitation of Unsubsidized Affordable Housing in the Bay Area” evaluated acquisition/rehab programs in three Bay Area communities and captures the most current and thorough understanding of the Bay Area’s acquisition/rehab process and the complexities with which it is associated. The report, which focuses on three acquisition/rehab programs in San Francisco, Oakland, and San Mateo Counties, found that from 2015 to 2019, the per-unit development cost for acquiring and rehabilitating unsubsidized affordable housing was wide-ranging, between $276,000 per unit in Oakland to $483,000 per unit in San Francisco. In all three programs, the acquisition cost accounted for approximately three-quarters of the total development cost. The public subsidy ranged from $117,000 per unit in Oakland to $332,000 in San Francisco. Rehab costs for the San Francisco and San Mateo County programs were approximately $75,000 per unit, while rehabilitation costs in Oakland were roughly half of that. This report is particularly relevant for the Neighborhood Stabilization Area context because these programs tend to focus on smaller buildings with between three and 55 units. For example, the San Francisco program prioritizes buildings with between five and 25 units, while the San Mateo County program has funded the acquisition of buildings with fewer than 20 units.

FIGURE 32. ENTERPRISE REPORT: DEVELOPMENT COST SUMMARY FOR ACQUISITION/REHAB PROGRAMS

<table>
<thead>
<tr>
<th></th>
<th>San Francisco</th>
<th>San Mateo County (a)</th>
<th>Oakland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Development Cost Per Unit (b)</td>
<td>$483,376</td>
<td>$433,203</td>
<td>$276,173</td>
</tr>
<tr>
<td>Acquisition Cost Per Unit</td>
<td>$333,529</td>
<td>$324,902</td>
<td>$215,415</td>
</tr>
<tr>
<td>Public Subsidy Per Unit</td>
<td>$331,994</td>
<td>$223,777</td>
<td>$117,491</td>
</tr>
</tbody>
</table>

(a) San Mateo County public subsidy includes both County and City subsidies.
(b) Total development cost includes acquisition and rehabilitation.
Source: Enterprise Community Partners, Inc. “Preserving Affordability, Preventing Displacement: Acquisition-Rehabilitation of Unsubsidized Affordable Housing in the Bay Area.”
This pilot program would require multifaceted strategies that streamline acquisition, affordability restriction implementation, property rehabilitation and property maintenance. These include:

1. **Conduct outreach to non-profit and community-based organizations with capacity to conduct preservation activities.** The City could provide information to interested nonprofits to develop a base of qualified developers for preservation activities and begin to build the program.

2. **Identify funding sources for preservation.** Typically, preservation projects require a significant amount of subsidy from cities, because it is harder to qualify for Low-Income Housing Tax Credits and other funding sources focused on production. The City could potentially access its Measure E revenues to fund preservation projects.

3. **Implement complimentary policies that support preservation activity.** Right of first refusal policies (such as Tenant Option to Purchase and Community Option to Purchase acts) elevate the position of lower-income tenants interested in communal ownership models and non-profit housing entities. The City could also identify candidates for acquisition and rehabilitation based on the property conditions and the financial capacity of the property owner to make improvements. This could entail bringing problematic buildings with multiple tenant complaints and/or tax delinquencies under public or nonprofit stewardship.

**PROTECTION STRATEGIES**

The implementation plan’s protection strategies incorporate many of the elements from the recently approved Citywide Residential Anti-Displacement Strategy, in addition to other implementation actions that are specific to the needs of residents in the Diridon Station Area and surrounding neighborhoods in the Neighborhood Stabilization Area.

Because the majority of the tenant protection strategies would be implemented citywide, it is not possible to quantify the costs associated with implementing these strategies specifically at the Neighborhood Stabilization Area scale.

1. **Establish a Housing Collaborative Court to provide legal support for tenants facing eviction.** Many households in the Neighborhood Stabilization Area are vulnerable to eviction, and this will be exacerbated after the expiration of the temporary COVID-19 moratorium. The Citywide Residential Anti-Displacement Strategy recommends coordinating with the Santa Clara County courts and the State to establish a Housing Collaborative Court and partially fund the costs for legal services for evictions during COVID-19. If this strategy is successful, the City could explore a longer-term arrangement together with the County to continue providing funding for legal services to increase tenant representation and help prevent evictions. The cost of implementation is not yet determined, but this strategy would be applicable to the entire city.

2. **Create a “satellite office” in the DSA to provide education resources to tenants and landlords.** The City of San José currently provides support for tenant and landlord education of their rights under the Apartment Rent Ordinance (ARO), Tenant Protection Ordinance (TPO), and Ellis Act Ordinance through its Rent Stabilization Program (RSP). The City also has local enforcement tools so that tenants who have experienced violations to these laws can submit a petition to the RSP for an administrative hearing. Establishing a satellite office in the DSA would improve residents’ access to services, so that
they can understand their rights under existing local and state laws, and potentially reduce unlawful evictions and rent increases.

3. **Consider options for enforcing the Tenant Protection Act of 2019 (AB 1482).** AB 1482, which was signed into law in 2020, prevents rent-gouging and requires just causes for eviction. AB 1482 covers many homes in the Neighborhood Stabilization Area, but the only enforcement mechanism is suing under State Law. The Council-approved Citywide Residential Anti-Displacement Strategy recommends that the City sponsor State legislation for local education and enforcement to help increase understanding and compliance with AB 1482 as well as the City’s ordinances.

4. **Expand San José’s existing Tenant Protection Ordinance (TPO) to include all rental units (including duplex, single-family, and condo/townhome rental units).** The TPO in its present form only protects renters in buildings with three or more units. Expanding the TPO to units in these other types of buildings would provide just cause eviction protections and relocation assistance for an additional 2,318 renter households, who comprise 27 percent of renter households in the Neighborhood Stabilization Area.

5. **Expand San José’s existing Apartment Rent Ordinance (ARO) to include renter-occupied duplex units.** The ARO, which limits rent increases for existing leases to 5 percent annually, only protects buildings occupied in 1979 or earlier with three units or more. There are currently 422 renter households in duplexes that were built in this timeframe, 380 of which are in investor-owned duplexes. Expanding ARO to include either all older duplexes or just investor-owned duplexes would increase the share of renters in the Neighborhood Stabilization Area covered by the ARO from just 10 percent to 14 percent.
VI. PERFORMANCE METRICS

The following performance measures (shown in Figure 33) are recommended for use by the City of San José to set annual objectives and measure progress towards the City’s goals by undertaking ongoing activities recommended in this implementation plan. Each performance measure has a baseline number, reflecting current conditions, and a set target.

In addition, the Plan recommends that the City continue to track racial equity indicators by monitoring the change in the number of Latinx and Black residents in the Census Study Area over time. As there is no goal associated with these measures, there is no target indicated.

FIGURE 33. SUMMARY OF GOALS AND PERFORMANCE METRICS TARGETS

<table>
<thead>
<tr>
<th>Goals &amp; Performance Metrics</th>
<th>Baseline</th>
<th>Target</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in Percentage of Deed-Restricted Affordable Units in the DSA</td>
<td>20%</td>
<td>25% or Higher at Full Build-out</td>
<td>City of San José Housing Department</td>
</tr>
<tr>
<td>No Net Loss in Number of Low-Income Renter Households (Annual Household Income of Under $100,000) in the Census Study Area</td>
<td>3,900</td>
<td>3,900 or Higher</td>
<td>U.S. Census Bureau American Community Survey 5-year estimates</td>
</tr>
<tr>
<td>Decrease in Share of Severely Cost-Burdened Renter Households in the Census Study Area</td>
<td>13%</td>
<td>Less than 13%</td>
<td>U.S. Census Bureau American Community Survey 5-year estimates</td>
</tr>
<tr>
<td>No Net Loss in Number of Deed-Restricted Units in Neighborhood Stabilization Area with Long-Term Affordability</td>
<td>1,641</td>
<td>1,641 or Higher</td>
<td>City of San José Housing Department</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Racial Equity Indicators</th>
<th>Baseline</th>
<th>Target</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Hispanic/Latinx Residents in the Census Study Area (6 Census Tracts that correspond to the Neighborhood Stabilization Area)</td>
<td>11,827</td>
<td>n/a</td>
<td>U.S. Census Bureau American Community Survey 5-year estimates</td>
</tr>
<tr>
<td>Number of Black Residents in the Census Study Area (6 Census Tracts that correspond to the Neighborhood Stabilization Area)</td>
<td>1,182</td>
<td>n/a</td>
<td>U.S. Census Bureau American Community Survey 5-year estimates</td>
</tr>
</tbody>
</table>

SUBJECT: AFFORDABLE HOUSING RENT INCREASES

RECOMMENDATION

Receive the staff report on rent-burdened households in affordable housing developments and provide feedback to staff.

OUTCOME

Approval of the report will provide input to the Community and Economic Development Committee on the issue of rent burden in affordable housing developments. This report will also provide background to the Housing and Community Development Commission on the challenge of rent burden facing vulnerable residents living in affordable housing.

BACKGROUND

On October 1, 2019, the City Council approved agenda item 4.1 “Approval of the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds and the Loan of the Proceeds Thereof and Approval of Related Documents and Changes to Existing Loan and Grant Terms for the Markham Plaza I Project.” During the discussion of this item, Councilmember Esparza raised concerns regarding the rent burden associated with rent increases on tenants with limited, fixed incomes in affordable housing developments.

Tenants voiced concerns that annual rent increases exceeded the increases in cost of living increases provided by social security or other sources of fixed-income. Staff acknowledged that the large increases in allowable rents were a cause of potential concern. The City Council directed that staff return to the Community and Economic Development Committee to report on this issue. The report was originally scheduled for May 18, 2020. The item was rescheduled to November 23, 2020 due to City’s need to focus on its COVID-19 response priorities.
Calculation of Rents and Rent Burden

Health and Safety Code (H&SC) Section 50093 requires the California Department of Housing and Community Development (HCD) to publish updated income limits including a determination of the area median income (AMI) when the U.S. Department of Housing and Urban Development (HUD) updates its Section 8 program income limits each year. HUD released updated 2020 income limits on April 1, 2020. HCD updated its 2020 State Income Limits (effective April 30, 2020). In Santa Clara County, the AMI for a family of four is $141,600. Affordable rents are calculated based on a percentage of the AMI and vary depending on the number of bedrooms in the apartment unit. The statutory formula for assumed family size allows one person per each bedroom plus one additional person per apartment for the purpose of calculating rents, unless there are tax credits, in which case the tax credit formula of 1-½ persons per bedroom.

The affordable housing income and associated rent limits for 2020 can be found on the City’s website at https://www.sanjoseca.gov/home/showdocument?id=61061. Affordable housing is comprised of apartments with tenants earning 60% AMI or less.

The U.S. Department of Housing and Urban Development (HUD) defines a household as being “rent-burdened” if it spends over 30% of its income on rent. HUD defines households as being “severely rent-burdened” if in excess of 50% of household income must be applied toward rent. “Rent-burdened families can have difficulties paying for core needs such as food, transportation, health care, and clothing.”¹

Most households that are initially qualified and placed in affordable housing have rent burden of between 30% and 50%. This report will focus on data and potential strategies to address households with rent burden of 50% or greater.

Affordable Housing is Exempt from Laws that Cap Annual Rent Increases

The City Council approved significant modifications to the City’s Apartment Rent Ordinance (Municipal Code Section 17.23) in 2018. The Rent Ordinance limits annual rent increases to 5% annually for all apartments (buildings with three or more units) constructed and occupied prior to September 7, 1979. Virtually all of the City’s affordable housing was built after September 7, 1979, and state law restricts the extension of the Apartment Rent Ordinance to later constructed property. Additionally, affordable housing with rents that are affordable to households at 60% of AMI or less are exempted from the current ordinance. Therefore, the City cannot impose any additional rent limits as a means to control rent increases and in order to address rent burden in affordable housing.

On October 8, 2019, Governor Gavin Newsome signed AB1482. This law prohibits landlords from imposing annual rent increases in excess of 5% plus the percentage change in the cost of living, or 10%, whichever is lower. Deed-restricted affordable housing developments are exempted from this law.

This memorandum addresses the issue raised at the October 1, 2019 City Council meeting by presenting data, identifying trends, and developing next steps to form legally viable options to reduce the rent burden for low-income tenants residing in the City’s affordable housing properties.

ANALYSIS

In order to address rent burden concerns raised at the October 1, 2019 City Council meeting, the Housing Department completed the tasks listed below.

- Assessed the recent history of allowable rent increases for affordable housing
- Conducted analysis of rents to determine rent burden on affordable housing tenants
- Facilitated a meeting with affordable housing stakeholders to discuss the rent burden issue
- Determined next steps to address the rent burden issue

Recent history of allowable rent increases for affordable housing

In order to determine the potential cumulative impact of allowable rent increases, staff compiled a summary of allowable rents. These are summarized in the table below. More detail on the income and rent limits can be found on the City’s website.

Rent Increases Exceed Increases in Incomes

Over the past several years, the Bay Area economy has fueled significant increases in wages. Those increases, however, are not spread evenly across all income levels. According to U.S. Census data, incomes among the poorest fifth of households in the nine-county Bay Area and Santa Cruz rose 29 percent from 2010 to 2018 — to an average of $21,600 a year. In contrast, the wealthiest fifth of households experienced a 48 percent increase in income during that time, to an average of $375,200.

This sharp increase in incomes across the region is reflected in the Area Median Income for San José. Table 1 shows the increase AMI levels over the most recent four years (2016-2020).
This graph shows that affordable housing tenants could have received a cumulative increase in rents from 2016 to 2020 from between 22% to 35%. That represents an average annual rent increase of 6.75% per year. For comparison purposes, rents for tenants in apartments covered by the City’s Rent Ordinance (SJMC Chapter 17.23) cannot be increased by more than 5% per year. The rent limits for 2020 were adjusted in order to ensure compliance with the H&SC section 50053 requirements. This change resulted in slightly lower rents for one-bed room apartments.

### Analysis of Actual Rents to Determine Rent Burden on Affordable Housing Tenants

As shown in Table 1, affordable housing tenants could have experienced a rent increase between 22% and 27% over the four-year time-frame 2016 to 2020. It is important to note that not all property managers increase rents to the fullest extent allowable each year. Therefore, to assess the impact of actual rent increases, the Housing Department reviewed actual rents assessed to tenants as submitted during their annual monitoring.
Portfolio Rent Burden – Analysis of Total Rent Burden

Affordable housing property managers are required to submit rent rolls to the Housing Department on an annual basis. The Housing Department reviewed rent rolls submitted by property managers between 2016 and 2019 to compile rent burden data. The Housing Department focused on evaluating rent burden in properties whose owners have six or more affordable housing developments in the City’s portfolio. This entailed the review of rent rolls for 9,889 affordable apartments in the City. This represents 62% of the City’s 16,057 affordable apartments. The properties in the dataset comprise a broad spectrum of housing types and affordability levels.

Table 2 below shows the rent burden calculation for the surveyed developments.

![Table 2 - Rent Burden Data for Surveyed Developments](image)

Within this dataset, 3,073 (31%) of the households had a form of rental assistance, such as a Project Choice Housing Voucher (a.k.a. “Section 8 Voucher”). Rental assistance programs limit the rent paid by the tenant based on a percentage of their actual income. A subsidy is paid to the property owner to cover the balance of the rent. Therefore, subsidy programs ensure that enrolled households are not excessively rent-burdened. The analysis shows that 7,812 (79%) of the total households assessed did not experience excessive rent burden.

While the overall data is relatively positive, the rent burden analysis identifies some areas of concern. The table shows that 2,087 (21%) of all households had a rent burden of 50% or greater. Additionally, 811 (7%) households had a rent burden of 70% or greater.
Rent Burden Analysis for Most Vulnerable Households

As the analysis was completed across the portfolio of affordable housing, trends were identified in the data. The rate of rent burden was higher in developments for senior households and in apartments restricted at extremely low-income levels. The data demonstrates the rent burden is experienced by the most vulnerable households.

Table 3 shows the rent burden calculation for the 2,978 households in apartments designated for Seniors. A review of the data shows that nearly 40% of all seniors experience a high rent burden with 28% experienced a 50% rent burden and an additional 11% experienced a 70% rent burden. Many senior households are on fixed incomes with limited increases in social security or other assistance. Seniors do not have the same ability to earn more income as younger individuals may as rents increase. Additionally, seniors may lose a spouse or experience other changes in family size resulting in a loss of income. These factors, combined with increasing AMI levels result in higher rates of rent burden than the overall portfolio.

![Table 3 - Rent Burden Data for Surveyed Senior Developments](image)

Table 4 provides the rent burden calculation for the 1,610 apartments designated for Extremely Low Income (30% AMI or less) households. Within this subgroup of households, 27% were 50% rent-burdened and 11% were 70% rent-burdened. Extremely low-income households are struggling to meet basic needs within their lives including food, transportation, and health care. As rents increase, wages at this level are not increasing at an equivalent rate. Increased rent burdens may result in instability for the household.
Senior and ELI apartments comprise 46% of the 9,899 households in the Department’s rent burden analysis. When combined, 503 households in these two categories have rent burden of 70% or greater. This comprises 62% of the 811 households experiencing rent burden of 70% or greater. Senior households on fixed income and households with the least income are more likely to experience extreme rent burden.

**Discussions with affordable housing partners regarding rent burden**

On October 22, 2020, the Housing Department held a meeting with affordable housing stakeholders to discuss the rent burden topic. This meeting was attended by 17 representatives from other government agencies, non-profit agencies, and property managers. At this meeting, the Department shared the rent burden data provided in this memorandum and sought input on how to address the issue.

Destination Home stated that they are seeing an increase in numbers of people seeking homeless prevention assistance. These individuals are primarily seniors on fixed incomes and tenants in apartments with the deepest level of affordability (30% AMI or below).

Property managers in attendance at the October 22nd meeting acknowledged that they were seeing an increase in household rent burden and expressed a willingness to work toward resolving this issue. Several representatives stated that their agencies were not imposing rent increases this year. Others stated that they assess each tenant’s rent burden prior to imposing a rent increase.

![Table 4 - Rent Burden Data for Surveyed 30% AMI or less households](image-url)
While property managers were concerned about excessive rent burden, they also expressed the need to have a solution that preserves sufficient rental income to effectively operate the property, maintain the facility, and provide good service to the tenants.

Next Steps

After completing an analysis of the loan portfolio, Housing Department staff will coordinate with property managers and developers to craft solutions for rent-burdened residents. These solutions must balance the financial strain on rent-burdened households with the needs of developers to effectively operate and manage affordable housing developments.

The following next steps will be taken to continue exploring this issue:

1) Working Group – The Housing Department has solicited volunteers to join a working group to evaluate challenges and potential policy options to address the rent burden issue. The first meeting for this group will take place on November 12, 2020.

2) Legal Analysis – As potential solutions are developed, those ideas will be carefully considered within existing legal parameters.

3) Refinance Requests – The rent burden of existing residents will be calculated and considered on a case-by-case basis when requesting support from the Housing Department to move forward with a refinance.

4) Ongoing Monitoring – The Housing Department will continue monitoring the rent burden across the portfolio and will determine on an annual basis if the issue is growing.

5) Follow-up Report – Staff will provide a follow-up report to the Housing and Community Development Commission in fall 2021.

These next steps will be taken over the coming months. At the same time, staff will continue to monitor not only the rent burden issue, but also the impact of COVID-19 on rents and occupancy within affordable housing developments. As stated by property managers in the October 22nd meeting, many property managers have frozen rents and do not anticipate increasing rents over the coming year. Staff will continue to perform analysis, work collaboratively with property managers, negotiate solutions for refinance requests, and monitor rent burden over the coming months. Observations and potential solutions will be brought back to the Housing and Community Development Commission in fall 2021.

CONCLUSION

The Area Median Income used to calculate State-defined rent limits for affordable housing developments funded with State and federal funds has increased significantly over the past several years. Property managers often have legitimate needs to increase rents in order to fund the maintenance and operations costs. Properties that have large numbers of deeply-affordable
apartments have very thin operating margins which can compel rent increases on households experiencing excessive rent burdens.

The City’s assessment of the actual rents for over 9,000 apartments shows that 71% of all households are not excessively rent-burdened. This demonstrates the effectiveness of affordable housing programs in addressing rent burden for low-income households.

Unfortunately, 11% of households have a rent burden of 70% or greater. The majority of these households reside in apartments designated for seniors and extremely low-income households. It should be noted that the Housing Department recently implemented a food policy that specifically targets developments that provide housing to these target populations in order to address food insecurity in the design of the development. The Department has met with stakeholders to discuss this issue and develop potential solutions. Solutions will have to address the need for sufficient operating revenues to effectively manage the City’s affordable housing assets. Solutions must also acknowledge that the City has limited ability to compel reduction in rents for extremely rent-burdened households.

The Department will continue to work with property managers to address this issue. A meeting has been set for November 12, 2020, to establish the working group and develop potential solutions for rent-burdened residents.

**PUBLIC OUTREACH**

On October 22, 2020, the Housing Department conducted a public outreach meeting with property owners and managers of affordable housing to discuss the impact of successive rent increases and the associated rent burden placed on tenants. A summary of the input received from that meeting is provided as Attachment A.

/s/
JACKY MORALES-FERRAND
Director, Housing Department

For questions, please contact Rachel VanderVeen, Deputy Director, at (408) 535-8231.

**ATTACHMENT:**
Attachment A – October 22, 2020 Meeting with Affordable Housing Stakeholders
Rent Burden in Affordable Housing
Public Outreach Meeting Summary
October 22, 2020
Attachment A

On October 15, an invite was set out to all affordable housing property owners and managers requesting attendance at a meeting to discuss rent burden in affordable housing. A total of 17 attended the Zoom meeting. A summary of the input received from this meeting is provided below.

------------------------

- **Destination: Home** – Has seen a noticeable increase in number of households in affordable housing coming to D:Home for rent subsidies - primarily in Senior and Extremely Low-Income households (ELI). They are very concerned about households becoming homeless. Seniors and people with disabilities will eventually be forced out of affordable homes if rents keep going up more than subsidy increase.
- **Property Managers** acknowledged the seriousness of the rent burden issue. Some mentioned existing policies that look at the rent burden on a household prior to determining rent increases.
- **Property Managers** stated Senior and ELI units are most affected. However, they are concerned with how the City will address the issue. If City implements measures to restrict rent burden they could impact operations:
  1. **Operating Burden** – Operating costs have also increased. Reduction in rent revenue will impact ability to effectively staff and operate properties.
  2. **Replacement Reserves** – Lower rents mean less income to reinvest in property upkeep.
  3. **Staffing** – Revenue loss could result in less staff. This impacts operating effectiveness.
- **One Property Manager** said that he attended a conference with other Asset Managers, at which virtually all attendees stated they are doing no rent increases this year. This is due in part to existing burden and potential future impact of COVID-19 on renters. They are also not evicting due to inability to pay due to COVID.
- **The Housing Authority** stated that compassion for our tenants should drive the response. SC County and Bay Area are “ground-zero” for this issue. It is or will become issue for other parts of the Country. The issue should be addressed with using a collaborative effort that involves multiple strategies.
- **Different strategies include:**
  1. **Internal Rent Burden Policies** – Each owner should have internal policy that requires Property Managers to assess rent burden prior to increasing rents.
  2. **Increased rent subsidies from governments** (Need to think of tax impact on residents).
  3. **Increased operating reserves.**
- **Another Property Manager** stated that besides existing population, need to think about new properties. If excess construction revenue, look at converting to operating reserves to address increased rent burden.
• One representative stated Property Managers also need to increase rents up to allowable max for households that are “over-income”. This creates more revenue for operating reserves to help fund households that are severely+ rent burdened. Unit swaps (in mixed income properties) are also potential solution but these are challenging and only part of the potential solution.

• A Property Manager stated that the City may need increased per unit subsidy from funders to property for ELI & ELI senior units. 50-60 % AMI units are less rent-burdened than ELI.

• Mixed-income units with PSH (1/3 1/3 1/3) in theory provide additional rent income cushion. However, these properties with mixed populations are very challenging to manage. Still new. Property Managers are not sure how they will work. Destination: Home stated that there are recent examples of such sites that seem to be working.
TO: HOUSING COMMUNITY DEVELOPMENT COMMISSION

FROM: FRED TRAN

DATE: October 1, 2020

SUBJECT: RENT STABILIZATION PROGRAM 3rd and 4th QUARTER (Combined) REPORT FOR 2019-20 FOR THE APARTMENT RENT ORDINANCE, TENANT PROTECTION ORDINANCE, ELLIS ACT ORDINANCE, AND HOUSING PAYMENT EQUALITY ORDINANCE

INFORMATION

The purpose of this information memo is to provide the Housing and Community Development Commission an update on the Rent Stabilization Program for the 2019-20 third and fourth quarter report for the Apartment Rent Ordinance, Tenant Protection Ordinance, Ellis Act Ordinance, and Housing Payment Equality Ordinance.

BACKGROUND

The Rent Stabilization Program is providing a summary of program activities for the third and fourth quarter 2019-20 to the Housing Community Development Commission. The Rent Stabilization Program provides education and information of rights for tenants and property owners.

ANALYSIS

Major actions taken during the third and fourth quarter 2019-20 from January 1, 2020 to June 30, 2020 are summarized below by administration of the Apartment Rent Ordinance, Tenant Protection Ordinance, Ellis Act Ordinance, and Housing Payment Equality Ordinance.

A. APARTMENT RENT ORDINANCE

*Summary of Petitions Filed* – A summary of petitions filed for the third and fourth quarter fiscal year 2019-20 is provided in Table 1. The Rent Stabilization Program received 44 petitions and overall, the number of petitions filed with the Rent Stabilization Program decreased 65% from the prior quarter. The decrease was due to the State of Emergency Declaration for California. A
shelter-in-place Order for Santa Clara was enacted on March 16, 2020 and remains in place to help slow the spread of COVID-19. City Hall was also closed to the public and property owners and tenants were not able to access the facility. Walk in visitation was no longer an option and the petitions were accepted either by email or mail. The Petitions Unit transitioned the mediation and hearing process from in-person to electronic meetings through Zoom meetings in order to continue hearing matters while observing the County of Santa Clara’s Order to shelter-in-place. To facilitate these meetings and hearings, the tenant and property owner were provided a form explaining the use of the technology considering the health orders and requested their consent to continue the petition process using Zoom. A total of 5 Zoom hearings were conducted as of June 30th to complete the petitions process for a hearing officer to form a decision.

**Categories of Petitions Filed and Heard**

Of those 44 petitions received in the third and fourth quarter, their categories break down as follows:

- 29 service reductions
- 2 joint petitions (second parking)
- 13 petitions – nonregistered units (Rent Registry)
- 6 withdrawn
- 8 ineligibles

Tenants also filed petitions if their landlord raised the tenant’s rent but did not register their rental unit into the Rent Registry by the March 23, 2020 deadline. Such rent increases violate San Jose Municipal Code Section 17.23.310. The Rent Stabilization Program received 13 petitions due to rent increases that were not allowable because the rental units were not registered.

**Table 1.**

<table>
<thead>
<tr>
<th>Petition Type</th>
<th>Q3 FY 2019-20</th>
<th>Q4 FY 2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Reduction</td>
<td>19</td>
<td>12</td>
</tr>
<tr>
<td>Joint Petition</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Rent Increase - Rent Registry</td>
<td>12</td>
<td>1</td>
</tr>
</tbody>
</table>
The outcomes of the petitions filed are:

- 13 resolved voluntary agreement by 12 by Hearing Officer and 1 by Staff (29.5%)
- 1 Administrative Decision (2.3%)
- 4 pending a decision (20.5%)
- 1 petition resolved by staff (2.3%)
- 6 Decision by Hearing Officer (13.6%)
- 8 ineligibles (18.2%)
- 6 withdrawn (13.6%)

Table 1a– Number of Petitions Filed in the third and fourth Quarter

<table>
<thead>
<tr>
<th>Petitions Filed 3rd and 4th Qtr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 FY 2019-20</td>
</tr>
<tr>
<td>29</td>
</tr>
<tr>
<td>Q4 FY 2019-20</td>
</tr>
<tr>
<td>15</td>
</tr>
</tbody>
</table>

**Rent Registry** – As of June 30, 2020, 37,246 (97%) of all rent stabilized apartments have registered in the rent registry. **Table 2** summarizes the rental information collected from the Rent Registry during the first registration period. Apartments not registered are ineligible for general annual rent increases.
B. TENANT PROTECTION ORDINANCE

Notices of Terminations Submitted to the City during Eviction Moratorium

Staff continued to receive Notices of Termination during the third and fourth quarter while the eviction moratorium was in effect. The eviction moratorium, commencing March 17, 2020 and expiring August 31, 2020, prevented landlords from terminating tenancies for failure to pay rent if the tenants provided notice to their landlord that they were impacted by COVID-19. From March 18, 2020 to June 30, 2020, approximately 1,689 notices were submitted. Of these, 1,600 notices were based upon failure to pay rent. After analyzing the such notices, staff made the following findings, comparing the data to the same time period in 2019, as seen in Table 3:

Table 3: Summary of Top 5 Property Complexes that Filed Notices of Terminations for Nonpayment of Rent and Unlawful Detainers

<table>
<thead>
<tr>
<th></th>
<th>2019 March 18 – June 30</th>
<th>2020 March 18 – June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 5 Property Complex Filers</td>
<td>Submitted</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>604 (23%)</td>
<td>2,589</td>
</tr>
<tr>
<td>Unlawful Detainers</td>
<td>266</td>
<td></td>
</tr>
</tbody>
</table>

- **Nonpayment of Rent Notices:** 54% of all nonpayment of rent notices were submitted by five property complexes, each complex owning more than 150 units. During the same time period in 2019, the same five property complexes submitting the most Nonpayment of Rent notices comprised only 23% of notices. As such, a reasonable inference would be that smaller property owners have not been serving notices as frequently as complexes with more than 150 units. Historically, there are five property complexes that submit notices to the Program on a consistent basis.
• **Unlawful Detainers:** Submissions of Unlawful Detainers (UDs) has decreased during this time period, from 266 UDs in 2019, to 8 UDs in 2020. This low number is likely due to the Judicial Council preventing Unlawful Detainer filings during this time.

Since the Eviction Moratorium took effect, the submission of Nonpayment of Rent notices and Unlawful Detainers have dramatically decreased. While local and State Eviction Moratoriums have prevented the amount of unlawful detainer lawsuits, staff anticipate an increase in submissions of unlawful detainer lawsuits after October 4, 2020, when the Courts are expected to begin accepting eviction filings.

**Notices of Terminations Submitted to the City – Quarterly Comparison**
From January 1, 2020 through June 30, 2020, the Rent Stabilization Program received 4,136 notices of terminations for apartments in the City of San Jose as required by the Tenant Protection Ordinance. Of the notices received, 3,578 or 86.5% received was due to the just cause reason “Nonpayment of Rent.” In addition, a total of 182 Unlawful Detainers were submitted. The percentage of “Nonpayment of Rent” decreased due to the Eviction Moratorium protecting tenants that were unable to pay rent from March through August.

**C. COVID-19 PANDEMIC**
The COVID-19 pandemic crisis continues to spread across City of San José along with other jurisdictions throughout the United States. Following Governor Newsom’s March 4, 2020 State of Emergency declaration for California, a shelter-in-place Order for Santa Clara was enacted on March 16, 2020 and remains in place to help slow the spread of COVID-19. As a result of ongoing spread of the disease and the shelter-in-place, the City is experiencing an unprecedented pandemic-related economic downturn.

From the onset of the shelter-in-place Order, City Council has taken swift and sweeping action to keep residents housed in the effort to slow the coronavirus spread. City Council actions factor the needs of and impact on the housing ecosystem for tenants and landlords and reflect a multifaceted approach to housing stability, including but not limited to establishing an eviction moratorium (Table 4).

**Eviction Moratorium**

On March 17, 2020, the City Council enacted an Eviction Moratorium that continued through August 31, 2020. Below is a summary of City Council’s actions related to the Eviction Moratorium:

**Table 4:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Summary of City Council Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 17, 2020</td>
<td>Creation of a Temporary Eviction Moratorium</td>
</tr>
<tr>
<td></td>
<td>• City Council approved a moratorium on residential evictions for nonpayment of rent.</td>
</tr>
<tr>
<td></td>
<td>• The moratorium took effect for 30 days and extended by the City Council by subsequent resolutions.</td>
</tr>
<tr>
<td></td>
<td>• To be protected under the moratorium, a tenant must notify their landlord that they qualify as an Affected Tenant based upon COVID-19 impacts.</td>
</tr>
</tbody>
</table>
### Date | Summary of City Council Actions
--- | ---
**April 14, 2020** | **Extension of the Eviction Moratorium**
- City Council approved extending the residential eviction moratorium through May 31, 2020.

**Repayment Period**
- City Council directed Housing Department staff to draft an amendment to the residential eviction moratorium that would include a repayment period to pay unpaid rent accrued during the Eviction Moratorium.

**May 19, 2020** | **Extension and Amendments to the Eviction Moratorium**
- City Council extended the eviction moratorium through June 30, 2020.
- A repayment period was established for tenants to pay any unpaid rent that accrued during the eviction moratorium. Tenants must pay at least 50% of the unpaid rent in the six months following the end of the Moratorium. The remaining 50% must be paid within one year after termination of the Moratorium.
- Affected tenants and landlords may voluntarily negotiate their own repayment plans. Before a repayment plan is signed, the landlord must provide the tenant with a written notice of their rights under the eviction moratorium related to repayment of past due rent.
- During the repayment period, landlords may not charge late fees, interest or penalties for the unpaid rent that accrued during the eviction moratorium.
- Prohibited retaliation or harassment against tenants for invoking their rights under the Moratorium.
- Extended the time for tenants to provide notice to their landlord of COVID-19 financial impacts to seven days after their landlord serves a tenant with a termination notice;

**June 23, 2020** | **Extension of Eviction Moratorium**
- City Council Extended the eviction moratorium through August 31, 2020.

**August 25, 2020** | **Extension of Eviction Moratorium** City Council further extended the eviction moratorium through October 17, 2020.

However, on August 31, the State passed AB 3088, that contained the COVID-19 Tenant Relief Act of 2020 (the “Act”). According to provisions under the Act, the City’s Moratorium ended August 31, 2020. Per the Act, “Any extension, expansion, renewal, reenactment, or new adoption of a measure, however delineated, that occurs between August 19, 2020, and January 31, 2021, shall have no effect before February 1, 2021.” Thus, according to the Act, the August 25th Council action to extend the moratorium through October 17th would not be effective until ostensibly February 1, 2021.
However, if the Council were to consider extending the moratorium in February, they will need to renew the moratorium based upon findings to support a continuation of the moratorium. Under the Act, California Civil Code Section 1179.05 sets forth clear, explicit language regarding the preemptive nature of the Act.

**Moratorium on Rent Increases**

On April 7, 2020 the San José City Council enacted a temporary moratorium on rent increases through December 31, 2020 for rent stabilized apartments and rent controlled mobilehomes.

The moratorium prohibits rent increases from April 29, 2020 to January 1, 2021. The moratorium applies to two types of properties:

- Apartment buildings covered by the Apartment Rent Ordinance (ARO), which are buildings with three or more units that were built before September 1979; and
- Mobilehome parks covered by the Mobilehome Rent Ordinance (MHRO), which are parks established before September 1979

In addition to protecting residents from rent increases, the moratorium ordinance offers several important benefits for landlords, including:

- ARO and MHRO landlords who voluntarily reduce rents during the COVID-19 pandemic can increase their rents back to the original contract rates during the moratorium;
- Late charges are suspended through FY 2020-2021 for ARO landlords who pay their ARO fees late;
- Maintenance permit fees for ARO landlords are waived through FY 2020-2021; and
- Tenants are prohibited from making service-reduction claims for the closure of recreational common areas at ARO properties during the moratorium.

**Rental Assistance**

The City has been and continues to offer rental assistance to respond to landlords’ financial concerns and residents’ fear of eviction for unpaid debt that accrued during the moratorium and current rent that tenants struggle to pay. The City has contracted with several nonprofit organizations to facilitate rental assistance payments. Landlords of those tenants who apply will receive the funds directly after submitting the required paperwork and signing an agreement to apply the funds to the balance owed and comply with all local, State, and federal laws related to COVID-19 rent. To date, the City has awarded $17.5 million in rental assistance. The majority of the awards are being distributed based on evaluation of vulnerability and need during the intake process.

In addition, the Housing Department is finalizing funding for approximately $7 million in tenant rental assistance from the City’s Coronavirus Relief Funds from CARES to be granted to Sacred Heart Community Services. These funds will also be used to provide relief for tenants impacted by COVID-19. In total, close to $25 million will provide rental assistance directly to property owners to provide relief for tenants unable to pay their rent (Table 5).
Table 5: Summary of Funding Distributed by Agency

<table>
<thead>
<tr>
<th>Agency</th>
<th>Amount</th>
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<tr>
<td>Sacred Heart</td>
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<tr>
<td>Catholic Charities</td>
<td>$4,000,000</td>
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<td>Bill Wilson Center</td>
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<td>$121,161</td>
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<td>Destination: HOME</td>
<td>$7,850,000</td>
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<td><strong>Total</strong></td>
<td><strong>$25,067,646</strong></td>
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</table>

This funding will provide financial support to property owners and will relieve tenants impacted by COVID-19 from mounting rent debts.

D. PROGRAM INQUIRIES RECEIVED

From January 1, 2020 through June 30, 2020, the Rent Stabilization Program received 4,997 inquiries. The significant increase of inquiries was primarily due to the development of the Eviction Moratorium and the Rent Increase Moratorium.

Table 6 summarizes the inquiries by members of the public received by the Rent Stabilization Program in the third and fourth quarter:

Table 6 – Summary of Inquiries Received by in the third and fourth Quarter

Summary of Inquiries by Language – The Rent Stabilization Program received 4,997 inquiries during the third and fourth quarter 2019-20. During the third and fourth quarter, the language spoken by individuals making inquiries is provided below in Table 7:
• 4,239 inquiries (84.8%) received in English,
• 568 inquiries (11.4%) received in Spanish,
• 184 inquiries (3.7%) received in Vietnamese, and
• 6 inquiries (0.1%) received in other.

Table 7 – Summary of Inquiries by Language in the third and fourth Quarter

<table>
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<tr>
<th>Language</th>
<th>Q3 FY 2019-20</th>
<th>4Q FY 2019-20</th>
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</thead>
<tbody>
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<td>English</td>
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<td>2,163</td>
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<td>Spanish</td>
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<td>Vietnamese</td>
<td>96</td>
<td>88</td>
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<td>Other</td>
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<tr>
<td>Total</td>
<td>2,464</td>
<td>2,533</td>
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</table>

E. ADMINISTRATIVE PROGRAM FEES

The City Council approved a fee structure for 2020 - 2021 for the Rent Stabilization Program below:

• Annual Apartment Rent Control Fee: decreased from $85.04 to $55.00 per unit;
• Annual Apartment Non-Rent Control Fee: decreased from $8.76 to $5.45 per unit;
• Annual Mobilehome Rent Control Fee: decreased from $24.24 to $20.00 per unit; and
• Fees for withdrawal under the Ellis Act Ordinance: decreased from $2,469 to $2,464 per unit for up to ten units and increased from $902 to $907 per unit for over ten units.

For any questions, please contact Fred Tran at 408-975-4443.

Fred Tran
Division Manager
Rent Stabilization Program
TO: HOUSING AND COMMUNITY DEVELOPMENT COMMISSION

FROM: Theresa Ramos
Senior Analyst

SUBJECT: SEE BELOW
DATE: August 24, 2020

SUBJECT: 2019-2020 Third and Fourth Quarterly Mobilehome Report for the Rent Stabilization Program

INFORMATION

PURPOSE

The Rent Stabilization Program (Program) is providing a summary of Program activity, including reports and mobilehome call log inquiries, for the third and fourth Quarterly Report, FY 2019-20, January 1, 2020 to June 30, 2020, regarding mobilehome issues and trends impacting San José mobilehome park communities.

In addition, this report covers activities highlighting current issues. The Program provides education and information to protect the rights and improve relations between residents and park owners/managers. The Housing and Community Development Commission (HCDC) has requested periodic data from the Program.

PROGRAM HIGHLIGHTS

Major actions taken during the third quarter of FY 2019-20 include community engagement via public outreach and presentations about the Mobilehome Rent Ordinance. Program staff continues to engage the mobilehome community through e-mail, in-person until March 16, 2020, and telephone assistance to provide referrals to legal and social services.

Program staff generated the annual percentage rental rate increase for October 1, 2019 to September 30, 2020 which was set at 3%. The City of San José’s Mobilehome Rent Ordinance, San José Municipal Code (SJMC) Chapter 17.22.155, allows mobilehome park owners/managers to increase rents without an administrative hearing if the increase does not exceed the maximum annual percentage increase (MAPI). The MAPI is set by the City of San José, based on the Consumer Price Index (CPI) Report for San Francisco-Oakland-San Jose All-Items/All Urban

...
Consumers for the month of April. The MAPI is calculated as three-quarters of the CPI with a floor of 3% and a cap of 7%.

The Mobilehome Rent Ordinance prohibits more than one rent increase in any 12-month period and requires that all rent increases for owner-occupied mobilehomes be consolidated to a common date. The Ordinance does not require special noticing when the rent increase does not exceed the maximum annual percentage increase.

**Mobilehome Inquiries**

During the second quarter, the Rent Stabilization Program received 220 mobilehome park inquiries (Attachment A).

The chart below is a list of Summary of Issues for Mobilehomes:

<table>
<thead>
<tr>
<th>SUMMARY OF ISSUES FOR MOBILEHOMES</th>
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<tr>
<td>Referrals</td>
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<tr>
<td>Request for Information</td>
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<tr>
<td>Code Enforcement/Maintenance</td>
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<tr>
<td>Rent Increases</td>
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<td>Eviction Information</td>
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<td>Fees</td>
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<td>Site visits</td>
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<td>Lease Dispute</td>
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<td>Management/Harassment</td>
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<tr>
<td>Ordinance</td>
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<tr>
<td>Rights</td>
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<tr>
<td>COVID-19 (NEW)</td>
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<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Park Specific Issues**

Below is a summary of on-going park issues during this quarter:

**Westwinds (720 Spaces)**

There is resident concern about a change to the general plan which will impact the community. In addition, the park operator notified residents of new water utility charge alleging an illegal rent increase. Program staff is researching the matter with the utility company. The park operators, Equity LifeStyle (ELS) ends a lease agreement with the landowners, The Nicolson
Family Partnership (TNFP). Currently, ELS, formerly MHC is currently in litigation with the TNFP alleging TNFP wants ELS to evict all park residents.

San Jose Verde Mobilehome (149 Spaces)
There is resident concern about a power outage at the park. The park is in the process of making repairs to main electrical panel for the park that ignited in a fire in January. The park continues to be on generators while the proper permits were obtained in March due to COVID-19 shut down. The park manager anticipated the issue to be repaired by the end of August.

Magic Sands (541 Spaces)
There is resident concern about a power outage at the park as it’s a recurring concern. Program staff spoke with the CEO Manager of the park who said that in 2021, the park will convert their meters to PG&E. In the meantime, the park has been providing generators when a power outage occurs.

COVID-19
On March 16, 2020, City Hall shut down to the public and all employees were sent home, except for essential workers. Since this date, staff has been working remotely. Essential services continue during the shelter-in place order. During the month of March, City Council passed an Eviction Moratorium for all rental housing impacted by the COVID-19 pandemic support a Shelter-In Place order by Santa Clara County. Additional details regarding these actions are included in the Rent Stabilization Program Information memorandum.

/s/
Theresa Ramos
Senior Analyst, Department of Housing
Rent Stabilization Program

ATTACHMENT:
A- Call Log Report
TO: HOUSING & COMMUNITY DEVELOPMENT COMMISSION (HCDC)  
SUBJECT: CALL LOG REPORT  
Total Calls=152

<table>
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<th>Resolution Suggested</th>
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<td>Information</td>
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<td>Park/Manager</td>
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Brief Synopsis on Disposition of Calls

1/7/2019 - HOMETOWN EASTRIDGE ESTATES
Other: Property Manager contacted the Program to request the maximum annual percentage notice. Program staff let the Park manager know that the percentage is calculated and notices are distributed in June.

1/7/2019 - COLONIAL MOBILE MANOR MOBILE HOME PARK
Resident's Issue: Resident called Program staff to inquire about updates to the proposed informational memorandum regarding recent Park decision. Program staff let the resident know that the info memo would be made available shortly. Program staff also let the resident know that the park owner recently filed an objection to the December 2018 decision. Staff referred the resident to the Superior Court's website to pull information on the decision.

1/8/2019 - COLONIAL MOBILE MANOR MOBILE HOME PARK
Other: Mailing service was unable to deliver the Program's correspondence to the resident. Program staff contacted the park manager to obtain the resident's new address.

1/8/2019 - CHATEAU LA SALLE MOBILE HOME PARK
Resident's Issue: Resident inquired about in-place transfers and current rent control policies relating to mobilehomes. Program staff offered the appropriate information.

1/8/2019 - MILL POND 1
Resident's Issue: Resident requested information about renewing registration for their manufactured home. Program staff directed the resident to the Housing and Community Development website where home owners can enter their decal to determine whether their registration is up to date.

1/10/2019 - SUMMERSET MOBILE HOME PARK
Other: Caller requested information about mobilehome resident advocacy associations. Program staff offered referrals.

1/10/2019 - SAN JOSE VERDE MOBILE HOME PARK
Resident's Issue: Resident called staff to request names of City attorneys familiar with their open case. Staff provided
the names of the attorneys who support the Rent Stabilization Program.

1/10/2019 - TOWN & COUNTRY MOBILE VILLAGE
Resident's Issue: Caller inquired about rent control and requested to know whether their space and their neighbor's was covered by the Mobilehome Rent Ordinance. Program staff confirmed that their spaces were covered and space rent is currently limited to 3% every 12 months. Resident also requested information about the Mobilehome Residency Law. The resident also requested referrals to legal agencies on behalf of their neighbor. Staff provided referrals to legal agencies.

1/10/2019 - COLONIAL MOBILE MANOR MOBILEHOME PARK
Other: Program staff called the resident to share the Superior Court of Santa Clara's online case portal for further information on recent litigation regarding the resident's Park.

1/11/2019 - COLONIAL MOBILE MANOR MOBILEHOME PARK
Other: Resident inquired about upcoming landlord responsibilities workshop hosted by Project Sentinel. Program staff reserved a spot for the resident.

1/14/2019 - MAGIC SANDS
Other: Program staff called park manager to inquire about actions taken to resolve ongoing resident criminal and disorderly behavior. Program staff learned that management needs legal assistance to obtain police reports. Program staff referred management to legal services and will continue to work with management.

1/14/2019 - MAGIC SANDS
Resident's Issue: Resident called with concerns about ongoing disorderly behavior from a neighbor. On several occasions, the police department has had to respond. The resident feels that their safety and enjoyment of their community is threatened by the ongoing behavior. Program staff called park management to further inquire about the issue. Program staff learned that park management has not been successful in obtaining police reports, which may be helpful in resolving the issue. Program staff offered management and ownership referrals to legal agencies. Then, staff followed up with the resident via email. Program staff will be in contact with Park management to learn about further steps.

1/14/2019 - SUMMERSET MOBILEHOME PARK
Resident's Issue: Resident included Program staff on a letter where they requested park management to give residents a full 90-day notice before implementing the annual allowable rent increase. Program staff mailed residents Program staff business cards to encourage residents to call for follow up.

1/15/2019 - COLONIAL MOBILE MANOR MOBILEHOME PARK
Other: Resident requested a list of all 59 mobilehome parks in San Jose. Program staff emailed a list to the resident.

1/15/2019 - SUMMERSET MOBILEHOME PARK
Resident's Issue: Resident contacted Program staff with concerns about park management business practices, particularly with the park's approach to park rule enforcement. The resident requested that program staff contact ownership to confirm park manager's name and contact information. After contacting ownership, Program staff followed up with the resident. Program staff also let the resident know that currently the park does not have a homeowners association, per the resident's inquiry.

1/15/2019 - HOMETOWN EASTRIDGE ESTATES
Other: New park manager inquired about the Program fee term language. Program staff clarified confusion and explained that the term dates are set to 45-days from the invoice date, per the Mobilehome Rent Ordinance.
1/15/2019 - Unavailable
Resident's Issue: Program staff received a voicemail from a mobilehome resident who has questions about transferring an existing title. Program staff returned the missed call and offered the California Department of Housing and Community Development's website where transfer of title forms may be found. Program staff has not received any follow-up calls from the resident. The mobilehome park is unknown.

1/16/2019 - MAGIC SANDS
Resident's Issue: Resident contacted Program staff requesting legal advice on park ownership's responsibility in addressing a resident's habitual violation of park rules. Program staff referred the resident to legal agencies for assistance.

1/17/2019 - CASA ALONDRA MOBILEHOME PARK
Resident's Issue: Resident contacted Program staff for advice on intermittent park rule enforcement. Program staff recommended that the resident request a copy of their lease and park rules to ensure that they are in compliance with park rules. Program staff also offered to help the resident obtain these documents. The resident agreed to reach out if necessary.

1/22/2019 - COLONIAL MOBILE MANOR MOBILEHOME PARK
Resident's issue: Resident requested information regarding a reissued decision and a meeting at their mobilehome park. Program staff explained the decision's history and referred the resident to the flyer for information.

1/22/2019 - MAYFAIR TRAILER PARK
Resident's Issue: Resident advocate contacted Program staff on behalf of mobilehome park resident who had claims of sewer and rent overcharges. Program staff requested that the resident provide staff with copies of utility bills for further investigate their claims. Upon review, staff discovered that the claims were justified. Program staff provided an analysis of the resident's bills to the owner and requested that the mobilehome resident be reimbursed and that their rent be lowered in accordance with the Mobilehome Residency Law.

1/22/2019 - RIVERBEND MOBILE HOME PARK
Other: Resident advocate called to report an eviction on behalf of a mobilehome park resident. The eviction, according to the resident advocate, is in regards to a dish satellite. Program staff requested that the resident advocate share the Rent Stabilization Program's contact information to better assist the impacted mobilehome resident.

1/22/2019 - MAGIC SANDS
Other: Resident requested to be referred to a mobilehome resident advocate. Program asked for permission to share their contact information and put them in contact with the advocate.

1/25/2019 - MOBILE HOME MANOR MOBILEHOME PARK
Resident's Issue: Resident alleges claims of harassment and intimidation from park management and park owner. Resident requested that Program staff contact the park management and request a copy of his lease agreement and park rules. Program staff referred the resident to Bay Area Legal Aid to assist him with his legal concerns. Program staff also obtained a copy of the resident's lease agreement and park rules and shared them with the resident.

1/28/2019 - RIVER GLEN MOBILE HOME PARK
Resident's Issue: Resident requested information on health and safety code standards regarding their mobilehome porch/deck and railings. Program staff prepared and mailed an information packet with the State's pamphlets and resources on health and safety codes.
1/28/2019 - CASA ALONDRA MOBILEHOME PARK
Other: Property manager contacted Program staff to request information on temporary moratorium on residential eviction for non-payment of rent by tenants affected by the federal government shutdown. Program staff returned the call and left a voicemail.

1/28/2019 - WESTERN TRAILER MOBILEHOME PARK
Resident's Issue: Resident left a voicemail requesting for information regarding a mobilehome title change. Program staff returned the call and left a voicemail with the State's phone number.

1/28/2019 - COLONIAL MOBILE MANOR MOBILEHOME PARK
Resident's Issue: Resident called Program staff to learn if their property owner had filed a motion in response to the Superior Court's decision to deny the owner's request for retroactive payment. Program staff referred the resident to the Superior Court's Case Informational Portal, which offers live data on cases.

1/28/2019 - CASA ALONDRA MOBILEHOME PARK
Other: Program staff requested more information on the temporary moratorium on residential eviction for non-payment of rent by tenants affected by the federal government shutdown. Program staff shared additional details.

1/28/2019 - MAGIC SANDS
Other: Resident called and left a voicemail. Program staff returned the call but was unable to reach the resident.

1/28/2019 - Unavailable
Other: Resident left Program staff a voicemail with referrals for an issue at a mobilehome park in Hollister, CA. Program staff returned the call and left a voicemail.

1/30/2019 - SILVER CREEK MOBILEHOME PARK
Other: Resident accidentally mailed their Certificate of Title to the City rather than the State. Program staff mailed back their original and contacted the resident. The resident asked if Program staff would send the State a copy of their Certificate of Title on their behalf. Program staff mailed a copy of the title to the State.

1/31/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Resident's Issue: Resident called Program staff to request for assistance with ongoing harassment from park management. The resident feels targeted by park management and has had to call the police on different occasions because of physical altercations. The resident also has park health and safety concerns. Program referred the resident to legal aid for claims of harassment and to the State for health and safety concerns. Program staff also recommended that the resident document all interactions with park management.

1/31/2019 - WESTWINDS MANUFACTURED HOME COMMUNITY
Resident's Issue: Resident called to inquire about the Rent Ordinance Summary notice. Program staff informed the resident that the notice was a summary of the local rent control law that applies to their mobilehome space.

1/31/2019 - COYOTE CREEK MOBILEHOME COMMUNITY
Resident's Issue: Resident called with concerns about utility shut off for their mobilehome space. Program staff called at number provided and left a voicemail.

2/4/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Other: Upon request, program staff mailed the resident a copy of their park rules and lease agreement.
2/5/2019 - SUNSHADOW MOBILEHOME PARK  
Other: Resident walk-in request for mobilehome rehabilitation programs. Program staff provided the residents with an application for Habitat for Humanity's Home Repair Program. Program staff then helped prepare the application and faxed it to Habitat.

2/5/2019 - SAN JOSE VERDE MOBILEHOME PARK  
Resident's Issue: Park management has removed all but one laundry machine, of which 5 were previously available. Park resident claims that park management stated that the laundry machines were not producing enough profit, so they will be shutting down the laundry room. Resident would like Program staff to investigate the complaint and determine whether the Mobilehome Residency Law indicates anything about service reductions. Program staff will follow up with the resident and address the complaint along with several others via a letter.

2/5/2019 - COLONIAL MOBILE MANOR MOBILEHOME PARK  
Other: Resident advocate contacted Program staff on behalf of another resident regarding a rent increase notice above the allowable maximum annual percentage. Program staff requested that the resident advocate submit the notice for review. Program staff followed up with the regional manager of Silver Creek Mobilehome Park and clarified the misunderstanding. New notices, which clearly state a 3% rent increase, will be re-distributed to the residents and to Program staff.

2/6/2019 - WINCHESTER RANCH MOBILEHOME COMMUNITY  
Resident's Issue: Resident advocate contacted Program staff to report an unlawful detainer lawsuit filed against a mobilehome resident. Program staff followed up with the resident and provided referrals to legal agencies.

2/7/2019 - HOMETOWN EASTRIDGE ESTATES  
Resident's Issue: Resident and Park management are in dispute about the removal of a tree on the resident's lot. Program staff provided the resident's with a copy of the Mobilehome Residency Law section on Trees and Driveways and referred them to legal services for further assistance and legal interpretation.

2/7/2019 - MAYFAIR TRAILER PARK  
Other: Program staff met with Park Owner regarding a rent increase above the allowable percentage. Staff is providing analysis of resident bills to assist in resolving the issue.

2/8/2019 - MAGIC SANDS  
Resident's Issue: Resident requested an application for duplicate of title. Program staff directed the resident to the State's Housing and Community Development Department, Registration and Titling Forms. Program staff followed up in an email and sent the resident the form.

2/8/2019 - RIVER GLEN MOBILEHOME PARK  
Resident's Issue: Resident called to request information regarding health and safety codes pertaining to modifying their mobilehome deck. Program staff referred the question to the State's Mobilehome Assistance Center.

2/8/2019 - CASA ALONDRA MOBILEHOME PARK  
Resident's Issue: Resident is unable to pay their rent in full due to an unusual spike in their gas utility bill. Program staff analyzed previous bills and also noted a spike in usage. Program staff referred the complaint to Weights and Measures to have the resident's gas meter inspected for accuracy. Program staff also referred the resident the Emergency Response Network for one-time rent payment assistance. Program staff has not heard back from the resident.
2/11/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Resident's Issue: Park resident would like to know if the park is scheduled for a State inspection, since park management and ownership were conducting a community inspection. Program staff called on the resident's behalf to inquire about the issue and follow up with the resident. The State inspector noted that there were no scheduled inspections, but that they had a meeting scheduled with ownership.

2/11/2019 - HOMETOWN EASTRIDGE ESTATES
Resident's Issue: Resident requested program staff to provide them with their park owner's name and contact information. Program staff called park ownership to ask if their information could be shared with the residents. Program staff then provided park residents with park ownership's contact information.

2/11/2019 - CHATEAU LA SALLE MOBILEHOME PARK
Resident's Issue: Resident would like to schedule a homeowner's association meeting and has invited program staff to attend. The resident would like Program staff to provide resources such as copies of the Mobilehome Rent Ordinance and the State's Mobilehome Residency Law. Program staff has agreed to come and is waiting to confirm dates.

2/11/2019 - SUMMERSET MOBILEHOME PARK
Other: Resident requested referrals for residents interested in engaging in mobilehome issues. Program staff shared with the resident a list of resources.

2/11/2019 - CHATEAU LA SALLE MOBILEHOME PARK
Resident's Issue: Homeowner's association president reached out to request program staff's presence at an upcoming meeting. Residents would like Program staff to bring informational materials from the City and the State.

2/12/2019 - MAYFAIR TRAILER PARK
Other: Program staff reached out to schedule a park visit regarding sewer overcharges. Program staff intends to meet with park management and the resident in question to resolve the issue and inform all parties of the applicable laws.

2/13/2019 - Unavailable
Resident's issue: Resident requested legal advice regarding illegal eviction. Program staff referred the resident to legal services for assistance.

2/14/2019 - COLONIAL MOBILE MANOR MOBILEHOME PARK
Resident's Issue: Resident reported a possible rent increase of $48, without proper noticing in accordance with State law. Program staff investigated the issue and spoke to ownership.

2/14/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Resident's Issue: Resident requested state and local resources to prepare for a state mobilehome park inspection. Program staff prepared a packet of information including the mobilehome resident inspection booklet, a home repair program application, and local resources.

2/19/2019 - GOLDEN WHEEL PARK
Other: Animal services called to report a hoarding issue. Program staff referred the issue to the State Ombudsman Office.

2/21/2019 - MAYFAIR TRAILER PARK
Other: Program staff conducted a site visit and met with the resident and property management to resolve a sewer
overcharge and rent roll back issue. Park management and the resident agreed with Program staff’s analysis. Park management paid the resident in full for overcharges, and also agreed to lower the resident’s rent to the correct amount.

2/21/2019 - HOMETOWN EASTRIDGE ESTATES
Resident’s Issue: Resident has questions and concerns about their mortgage payment and interest rates. Program staff assisted the resident to the best of their ability and referred the resident to the loan company for further questions.

2/21/2019 - MAYFAIR TRAILER PARK
Other: Program staff plans to conduct a site visit to provide park management with outreach materials on the local Rent Ordinance (English and Spanish), and State resources on the Mobilehome Residency Law.

2/21/2019 - CHATEAU LA SALLE MOBILEHOME PARK
Resident’s Issue: Resident contacted Program staff to learn about City and State protections for mobilehome residents. Program staff provided a list of resources, including the City's Mobilehome Rent Ordinance, the State's Mobilehome Residency Law, and referrals to social services and legal counsel.

2/21/2019 - WESTERN TRAILER MOBILEHOME PARK
Other: Program staff contacted Park manager on behalf of a mobilehome resident has concerns about a tree on their lot. The park manager will assess the issue and determine whether a tree arborist should be called or if park ownership should remove it right away. Management will contact Program staff when the issue has been resolved.

2/26/2019 - SAN JOSE VERDE MOBILEHOME PARK
Resident’s Issue: Resident requested Program staff’s assistance with producing copies of their complaints for their records. Program staff provided assistance.

2/26/2019 - SAN JOSE VERDE MOBILEHOME PARK
Resident’s Issue: According to the resident, they were coerced into signing a long-term lease agreement, which exempts the space from rent control. The resident is now in a predicament as they try and sell their mobilehome, since the starting rent for the purchasing resident will go up by $600, versus a mere 3%. According to the resident, their interested buyer has pulled out of the deal because the space rent is no longer affordable. Program staff has referred the resident to legal counsel for further assistance.

3/1/2019 - MAGIC SANDS
Resident’s Issue: Resident may be receiving an eviction notice because of ‘repeated park rule violations,’ including feeding feral cats. Program staff provided the resident referrals to legal counsel and a resident advocacy organization.

3/6/2019 - WESTERN TRAILER MOBILEHOME PARK
Other: Manager contacted Program staff to offer an update on an ongoing tree issue. Park management has trimmed and removed decaying parts of the tree.

3/6/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Resident’s Issue: A resident and his elderly mother feel harassed by their manager. According to the resident the manager has insisted that the residents need to leave. Program staff shared a list of private attorneys, the Mobilehome Residency Law, Golden State Manufactured Home-Owner's League contact information, and the Program’s Resource Guide.

3/6/2019 - MAGIC SANDS
Other: Resident let Program staff know that they contacted a mobilehome-resident advocacy organization to assist them with their issue. The resident's eviction notice has been rescinded.

3/6/2019 - OAKCREST ESTATES MOBILEHOME PARK
Other: Program staff was invited to speak at an Homeowner's Association meeting to speak about utility overcharges. Program staff provided resources, such as the MRL, contact information for Weights and Measures, the California Public Utilities Commission, and legal counsel. Program staff has asked residents to submit their utility bills for further review and analysis.

3/6/2019 - PEPPERTREE MOBILEHOME ESTATES
Resident's Issue: Resident reported a homeless encampment at the Monterrey Hwy entrance to Pepper Tree Mobilehome Park. The resident is concerned for the health and safety of their community. The resident has contacted their Council Member for support.

3/7/2019 - HOMETOWN EASTRIDGE ESTATES
Resident's Issue: Resident requested staff's presence during a meeting with park management regarding an ongoing tree issue. Program staff provided English interpretation to assist the two parties in reaching a resolution. The resident felt that they were not met with a fair resolution, so Program staff referred the issue to a local mobilehome resident advocacy group.

3/7/2019 - Unavailable
Resident's Issue: Resident needs help navigating mobilehome title changes. Program staff shared the State's website and forms specific to the resident's issue.

3/8/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Resident's Issue: Resident is being harassed by park management and ownership. Resident has reason to believe that park ownership intends to evict him. Program staff had previously offered a referral to Law Foundation, but after failed attempts to assist the residents, program staff has decided to offer private attorney referrals. Resident is looking to file a housing discrimination case.

3/12/2019 - SOUTH BAY MOBILEHOME PARK
Resident's Issue: Resident is applying for assistance from Rebuilding Together, however, their mobilehome registration is overdue. Program staff referred the resident to the State's website where registration may be paid.

3/13/2019 - LAMPLIGHTER MOBILEHOME PARK
Resident's Issue: Resident contacted Housing staff to report an electrical outage at the park impacting 17 mobilehomes. According to the resident, the electricity has been out for a month without repair, and thus impacting resident's ability to cook, use their heaters, and dryers. Residents have incurred high costs, due to no electricity. Program staff recommended that residents come together and speak to an attorney or contact a mobilehome resident advocacy organization for support. Staff also referred the resident to the Mobilehome Residency Law, which covers instances when utility services are interrupted without notice or repair.

3/14/2019 - SAN JOSE VERDE MOBILEHOME PARK
Resident's Issue: Resident requested assistance with a duplicate of title for their mobilehome. Program staff assisted the resident in completing and sending the required form to State.

3/14/2019 - MILL POND 1
Other: Realtor requested information on paying mobilehome property taxes. Staff referred them to the State's website.
3/15/2019 - WINCHESTER RANCH MOBILEHOME COMMUNITY
Resident's Issue: The park owners have served the resident with an eviction notice. The resident's attorney will be filing an answer before the deadline.

3/15/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Resident's Issue: Resident requested that Program staff work with legal services to set up a workshop on resident's rights to address harassment from management occurring at the park. Program staff reached out to legal services to set up a meeting.

3/18/2019 - HOMETOWN EASTRIDGE ESTATES
Resident's Issue: Resident requested referrals to a home repair program.

3/19/2019 - FOOTHILLS MOBILELODGE
Resident's issue: Resident requested information regarding allowable rent increases. Program staff explained to the resident the annual percentage increase is 3%.

3/20/2019 - Unavailable
Resident's Issue: A Morgan Hill mobilehome resident met with Program staff to address questions about State permit process, health and code standards, and registration and titling. Program staff offered a slew of resources, including two different home repair programs, the State's assistance center, the State's Mobilehome Residency Law, legal services, and the State's online payment portal for registration.

3/21/2019 - Unavailable
Resident's Issue: Resident is going to be gifted a mobilehome, but is unsure how to navigate the title change process. Staff directed the resident to the State's Duplicate of Title Form and resources.

3/21/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Resident's Issue: Resident is concerned about their safety due to recent inspection of his property without notice. According to the resident, two men, who would not identify themselves took pictures of his home and entered the property without permission or notice. Upon their inspection they returned to the management's office, but refused to say whether they worked with the State or were new employees of the park. Program staff has referred the resident to legal counsel, but will also work with the Law Foundation to see how the Department can inform the residents of their rights.

3/27/2019 - CARIBBEES MOBILEHOME PARK
Resident's Issue: Resident believes that they are being retaliated against for not paying attorney fees that the park has incurred. Park management refuses to cash the resident's check and has verbally stated that the resident is going to be evicted for not having paid the fees. Program staff shared the Mobilehome Residency Law, which denotes the seven authorized reasons for just cause-evictions. Program staff also referred the resident to the Law Foundation of Silicon Valley and the Golden State Manufactured Homeowner's League.

3/29/2019 - WILLOW GLEN MOBILEHOME ESTATES
Resident's Issue: A resident received an eviction notice for non-payment of rent. Program staff became aware of the eviction because the City holds legal ownership of the mobilehome. Program staff learned that the resident is unable to maintain ownership due to sever medical issues. The resident is currently receiving medical attention out of State and would like to relinquish his rights as a homeowner.

4/2/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Resident's Issue: Resident inquired about their rights in situations where they experience harassment from
management. Program staff referred the issue to legal services.

4/2/2019 - ACE TRAILER INN VILLAGE
Resident's Issue: Resident has concerns about recent changes to their park rules and evictions occurring in their community. Program staff referred the resident to legal services for further assistance.

4/2/2019 - HOMETOWN EASTRIDGE ESTATES
Other: Resident notified staff with the outcome of an ongoing tree dispute on their lot. The park owners have paid for its removal.

4/3/2019 - CASA ALONDRA MOBILEHOME PARK
Other: Program staff conducted a site visit to assist the resident with scheduling an appointment with Habitat for Humanity for proposed home repairs.

4/5/2019 - WINCHESTER RANCH MOBILEHOME COMMUNITY
Resident's Issue: Management has asked the resident to permanently remove their padlock to allow ownership to access the utilities. The resident has concerns about how the legality and noticing requirements for accessing a resident’s property.

4/5/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Other: Residents invited Program staff to visit the park to learn about ongoing alleged harassment at the park. Program staff met with several residents and noted their concerns. Program staff will host a workshop with service providers that can further assist the residents.

4/8/2019 - FOOTHILLS MOBILELODGE
Resident's Issue: Resident claims to have been overcharged and feels threatened by property manager. Program staff referred the resident to legal services for further assistance.

4/8/2019 - FOOTHILLS MOBILELODGE
Resident's issue: Resident is concerned about a rent increase. Program staff explained to the resident the 3% allowable rent increase and referred the resident to speak with the park manager to adjust his rent increase.

4/9/2019 - ACE TRAILER INN VILLAGE
Resident's Issue: The resident wrote to Program staff requesting assistance with a rent increase they believe is over the allowable 3%. Program staff will investigate the claim and assist the residents.

4/10/2019 - CHATEAU LA SALLE MOBILEHOME PARK
Other: A resident representative from the park would like to schedule a workshop where Program staff can speak to the Mobilehome Rent Ordinance and offer resources for ongoing park issues. Program staff is working with the representative to schedule a meeting.

4/10/2019 - COLONIAL MOBILE MANOR MOBILEHOME PARK
Other: A resident advocate contacted Program staff with concerns about a new rule implemented at a mobilehome park regarding payment methods. The park is requiring all residents to pay their rent via an online portal or to pay their rent at a local retailer. Staff investigated the issue, referred the resident to the Civil Codes that apply, and also referred the advocate to legal services.
4/10/2019 - SAN JOSE VERDE MOBILEHOME PARK
Resident's Issue: Resident needs a copy of their mobilehome title. Program staff referred the resident to the State's website and contact information.

4/10/2019 - PEPPERTREE MOBILEHOME ESTATES
Resident's Issue: Resident followed up with City staff on a complaint regarding an encampment near the mobilehome park. City staff is made aware and is working with service providers to address the issue.

4/12/2019 - CASA DEL LAGO
Resident's Issue: Resident called to ask for assistance in reviewing his utility bill. The resident alleges utility overcharges for water and gas. Program staff recommended that the resident track the meter readings and then file a complaint with the California Public Utilities Commission and Weights and Measures.

4/16/2019 - Unavailable
Other: Real estate agent called to inquire about vacancy decontrol. Program staff referred the agent to the Mobilehome Rent Ordinance, Section 17.22.450.

4/16/2019 - CASA ALONDRA MOBILEHOME PARK
Other: Inspector from Habitat for Humanity called on behalf of the resident to summarize his findings. The resident's home will require major plumbing and electrical work. The Program will begin repairs within a 4-6 month time frame.

4/16/2019 - CASA DEL LAGO
Resident's Concern: Potential buyer inquired about the Mobilehome Rent Ordinance.

4/16/2019 - OAKCREST ESTATES MOBILEHOME PARK
Resident's Issue: Resident called regarding a security deposit complaint. The resident would like to contest the park's claims without going through small claims. Program staff referred the resident to legal and community services.

4/23/2019 - OAKCREST ESTATES MOBILEHOME PARK
Resident's Concern: The resident is in dispute with park management about the amount of security deposit returned to him. Program staff offered the resident referrals to legal services.

4/26/2019 - Unavailable
Resident's Concern: Resident contacted program staff regarding an additional charge to have an additional resident approved by the park. Park management claims that in order to approve the additional resident, they must be married and are required to provide documentation. Program staff referred the resident to legal services for further assistance.

4/29/2019 - WESTWINDS MANUFACTURED HOME COMMUNITY
Other: Program staff learned about a potential mobilehome eviction lawsuit due to non-compliance with park rules. Program staff shared a list of legal resources with the resident.

4/29/2019 - OAKCREST ESTATES MOBILEHOME PARK
Resident's Concern: Mobilehome resident advocate submitted utility bills for several residents at the park for Program staff's review. Program staff was unable to make a determination, but provided some thoughts and suggestions. Staff also provided the City's resolutions for trash and sewer rates as they apply to mobilehome residents. Program staff also provided referrals to enforcement agencies.
4/29/2019 - COYOTE CREEK MOBILEHOME COMMUNITY
Resident's Request: Resident requested assistance with renewing their mobilehome registration. Program staff contacted the State on the resident's behalf and learned that the mobilehome registration was under Local Property Taxation. Program staff referred the resident to the County of Santa Clara to pay their registration fee.

5/2/2019 - HOMETOWN AMERICA COMMUNITIES
Manager's Concern: Park manager requested information about State permits to alter a mobilehome. Program staff referred the resident to the State's website.

5/2/2019 - CASA DEL LAGO
Other: Resident left a message asking for more information on mobilehome evictions. Program staff returned the resident's call and learned that they are an unapproved tenant in the park and are being threatened with an eviction from the homeowner. The tenant requested information on their rights and referrals to legal agencies.

5/2/2019 - WESTWINDS MANUFACTURED HOME COMMUNITY
Resident's Concern: Resident discovered a new $10 fee on his bill for the Mobilehome Residency Law Protection Act. Resident requested information about the State's program. Program staff contacted park management requesting that residents be properly noticed and informed about the program and associated fees.

5/2/2019 - VILLAGE OF THE FOUR SEASONS
Resident's Concern: Resident asked for more information about the unlawful detainer process for mobilehomes. Program staff referred the resident to legal services.

5/2/2019 - Unavailable
Resident's Concern: The resident is concerned about a charge on their bill. Program staff returned the resident's call and left a voicemail asking that the resident call Program staff back.

5/6/2019 - GOLDEN WHEEL PARK
Other: Caller inquired about case management assistance. Program staff referred the resident to social services.

5/10/2019 - Unavailable
Other: Caller inquired about purchasing a mobilehome. Program staff explained the Mobilehome Rent Ordinance and referred the state for additional information.

5/13/2019 - CASA ALONDRA MOBILEHOME PARK
Other: A representative from Habitat for Humanity are currently processing a mobilehome resident's request for home repairs. The representative from Habitat would like the resident's up-to-date contact information. Program staff received consent from the resident and shared their contact information.

5/14/2019 - COLONIAL MOBILE MANOR MOBILEHOME PARK
Other: Program staff shared Assembly Bill No. 3066- Mobilehome Residency Law Protection Act with the mobilehome resident advocate.

5/14/2019 - WESTWINDS MANUFACTURED HOME COMMUNITY
Resident's Concern: Mobilehome resident would like Program staff to mail him a copy of Assembly Bill No. 3066, and to confirm that the associated fee is only an annual charge.
5/14/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Other: Program staff conducted a site visit at the resident's park due to ongoing claims of harassment and discrimination at the park. Program staff spoke to several residents and documented several complaints.

5/17/2019 - WESTWINDS MANUFACTURED HOME COMMUNITY
Resident's Concern: Mobilehome resident contacted Program staff with concerns about her mobilehome park converting. The management company's lease is set to expire in 2020, therefore the resident is concerned that the landlord will choose to sell the land and will displace the residents. Program staff explained the Mobilehome Conversion Ordinance, City Council Policy 6-33, and State-wide protections. Program staff also mailed a copy of all documents to the resident for future reference.

5/17/2019 - WESTWINDS MANUFACTURED HOME COMMUNITY
Resident's Concern: Resident contacted Program staff with concerns about a park closure. The management company's lease is set to expire in 2020, and the residents are unsure of what the landlords are going to decide. Program staff shared local and state law protections for mobilehome resident's whose parks choose to convert.

5/20/2019 - WESTWINDS MANUFACTURED HOME COMMUNITY
Manager's Concern: Community manager is concerned about the future of the park and whether the owners will renew their lease with the management company. Program staff shared with the manager Council Policy Number 6-33 that supports the Mobilehome Conversion Ordinance, the Conversion Ordinance, the City memorandum that summarizes potential zoning protections for mobilehome parks, and lastly, the proposed Assembly Bill Number 705.

5/21/2019 - SUNSHADOW MOBILEHOME PARK
Manager's Concern: Property manager contacted Program staff to share electronic files of park rent increase notices.

5/22/2019 - SUNSHADOW MOBILEHOME PARK
Resident's issue: Resident requested information regarding cable charge. Program staff requested from resident a copy of rental agreement for review.

5/24/2019 - WESTWINDS MANUFACTURED HOME COMMUNITY
Other: Program staff received copies of all rent increase notices distributed at the park from park management.

5/24/2019 - COLONIAL MOBILE MANOR MOBILEHOME PARK
Other: Mobilehome advocate contacted Program staff with news about the sale of a mobilehome park in the City. Program staff notified the Housing Department director.

5/29/2019 - COLONIAL MOBILE MANOR MOBILEHOME PARK
Other: Resident advocate included Program staff in a letter addressed to park management requesting that a storage space be converted back to a clubhouse for the community to utilize. Resident advocate also requested for a resident lease agreement of their behalf.

6/3/2019 - HOMETOWN EASTRIDGE ESTATES
Other: Property Manager contacted the Program to request the Maximum Annual Percentage Increase notice. Program staff shared an electronic copy of the notice to the manager.

6/4/2019 - COLONIAL MOBILE MANOR MOBILEHOME PARK
Resident's Concern: Resident shared a letter addressed to park ownership in regards to vacant lots on the property. According to the letter, the owner has claimed a lack of fair return for their investments. According to the letter, the
owners have not rented out the two new homes on the property, which could yield income. Resident of the park have
decided to form a "Rent Adjustment Committee" to document park expenses and lost revenue.

6/5/2019 - OAKCREST ESTATES MOBILEHOME PARK
Other: Resident contact Program staff to share the outcome of the security deposit dispute. After writing a formal
letter to the owner's, the resident was granted the full security deposit amount.

6/6/2019 - CHATEAU LA SALLE MOBILEHOME PARK
Resident's Concern: HOA board member included Program staff in an email to the State's Department of Housing and
Community Development for concerns about fire safety at the park. Park residents argue that for the size of their park
(approximately 400 units) a one-way entrance and exit is not enough in case of an emergency. Park resident are
requesting that the State come out to the park to inspect and determine whether another exit is necessary.

6/6/2019 - VILLA TERESA MOBILEHOME PARK
Landlord's Concern: The landlord of Villa Teresa Mobilehome Park is changing their meter reading company from
Meter Man to Yes Energy. Yes Energy wants to charge individual residents a fee of $4.00/month. The park is arguing
that it's not allowed because it would result in a rent increase, but the company's attorneys argue that it would be
legal. Program staff referred the issue to legal services.

6/6/2019 - CHATEAU LA SALLE MOBILEHOME PARK
Other: Program staff was invited to an HOA meeting in which staff was asked to share general information about City
and State laws. Program staff also shared referrals and resources. Staff will also reach out to park management to
share the same resources.

6/10/2019 - SUNSHADOW MOBILEHOME PARK
Other: Program staff mailed the resident a letter explaining to them that cable service is a park of their lease agreement
with the park, which they agreed to pay upon signing the contract. Program staff let the resident know that the charge
cannot be waived.

6/10/2019 - LAMPLIGHTER MOBILEHOME PARK
Resident's Concern: Residents believe they are being retaliated against because they have been served with a 7-day
notice for noncompliance. Program staff referred the residents to legal assistance.

6/10/2019 - CASA DEL LAGO
Resident's Concern: Resident requested an application for Habitat for Humanity's Home Repair Program. Program
staff offered the referral.

6/10/2019 - MAGIC SANDS
Manager's Concern: Manager contacted Program staff to request a copy of the City's Maximum Annual Percentage
Increase Notice. Program staff faxed a copy of the notice to the main office.

6/12/2019 - RANCHO SANTA TERESA MOBILEHOME PARK
Other: Assistant manager of the park contacted Program staff to request an electronic copy of the Mobilehome Rent
Ordinance for their future reference.

6/12/2019 - WESTWINDS MANUFACTURED HOME COMMUNITY
Resident's Concern: Resident is concerned about the future of their park, because the land owners do not want to
renew the current management company's lease. Program staff explained that it is likely that the land owners will
contract with a new management company, or manage the park themselves. Program staff also shared with the resident the Conversion Ordinance, City Council Policy, and State protections.

6/13/2019 - OAKCREST ESTATES MOBILEHOME PARK
Resident's Concern: Mobilehome resident is concerned about their utility charges. Program staff offered the resident resources for making an overcharge claim with the California Public Utilities Commission.

6/13/2019 - OAKCREST ESTATES MOBILEHOME PARK
Resident's Concern: According to the resident, park management has threatened to move forward with an eviction lawsuit for reporting service reductions and referring complaints to management. Program staff referred the mobilehome resident to legal services for further assistance.

6/13/2019 - OAKCREST ESTATES MOBILEHOME PARK
Resident's Concern: Program staff was contacted by a mobilehome resident with concerns about allowable rent increases. Program staff shared an electronic copy of the landlord and resident guidebook.

6/13/2019 - WESTWINDS MANUFACTURED HOME COMMUNITY
Resident's Concern: A mobilehome resident has been given three separate notices for park maintenance violations. The mobilehome resident has complied with all requests, but has not satisfied the requirements up the management's standards. The park resident feels that they are being targeted. Program staff referred the resident to legal services for further assistance.

6/13/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Other: Mobilehome residents are in search of a meeting location for future HOA meetings. Program staff contacted the Council office representative to assist residents with the costs associated with reserving a space at the local community center.

6/13/2019 - Unavailable
Other: The resident inherited the mobilehome from his father and changed the title and registration under his name. However, the resident never notified the Park of the change in ownership, and so when he applied to become an approved resident at the park, he was rejected (multiple times). The resident questions whether it is legal to do that. Program staff referred the issue to legal services.

6/14/2019 - RIVERBEND MOBILEHOME PARK
Manager's Concern: Park manager is concerned for their community's safety due to the homeless encampment present at the neighboring mobilehome park. Over the course of the year, the individuals residing at the encampment have started multiple fires, which were contained. However, management is concerned that they may not be as fortunate next time. Program staff shared the Homelessness Concerns Line and the State's Housing and Community Development Department.

6/14/2019 - MOBILEHOME MANOR MOBILEHOME PARK
Resident's Issue: Resident requested referrals to case management services.

6/14/2019 - HOMETOWN EASTRIDGE ESTATES
Resident's Concern: Perspective buyer inquired with the Program about the space's coverage under the Mobilehome Rent Ordinance.

6/17/2019 - RIVERBEND MOBILEHOME PARK
Resident's issue: Resident requested legal advice regarding notice to make repairs. Program staff reviewed the notice and referred the resident to legal service and the state's Mobilehome Title Registry for assistance.

6/18/2019 - WESTWINDS MANUFACTURED HOME COMMUNITY
Resident's Concern: The resident received a letter from the management company at the park notifying the community of the owner's decision to not renew their lease. The resident is concerned about the future of the park. Program staff shared City and State protections with the resident.

6/24/2019 - MAGIC SANDS
Property Manager's Concern: The park manager has requested that staff help prepare a list of all allowable pass-through fees throughout the City as they apply to mobilehome parks. Staff shared information about Program fees of which half of the fee may be passed through to mobilehome residents.

6/24/2019 - VILLAGE OF THE FOUR SEASONS
Resident's Concern: The resident has been served with a 3-day notice to pay-or-quit and a 60-day notice to vacate. The tenant has attempted to pay his rent but the park has refused to accept the payment. Program staff referred to legal services.

6/26/2019 - SOUTH BAY MOBILEHOME PARK
Property Manager's Concern: Property manager agreed to work with Program staff to brainstorm solutions to address the resident's safety concerns.

Theresa Ramos
Rental Rights & Referrals Program
Analyst II, Policy and Special Projects
Affordable Housing Rent Increases

Housing & Community Development Commission

November 12, 2020

Kemit Mawakana
Division Manager
Housing Department

Tascha Mattos
Senior Development Officer
Housing Department

Shelsy Bass
Development Officer
Housing Department
October 1, 2019:

- Prepare a report on rent burdened households in affordable housing developments
- Provide potential policy and or program recommendations regarding allowable rent increases in affordable housing developments

Staff’s report back to the Council’s Community and Economic Development Committee was deferred until November 23, 2020 due to Covid-19 response priorities.
Rent Burden Defined by HUD

Rent-Burdened

A household is “rent-burdened” if it spends over 30% of its gross income on rent plus a reasonable set of utility costs.

Severely Rent-Burdened

A household is “severely rent-burdened” if it spends 50% or more of its gross income on rent plus a reasonable set of utility costs.
From 2016 to 2019, the State’s allowable Income (and Rent) limits increased between 23% and 31%.
Overall Rent Burden Data

Staff analyzed rents from 2016 to 2019 for all developers with 6 or more properties in the City’s portfolio (9,889 apartments)

- 4,739 Had no rent burden
- 3,073 Had no burden & rent subsidy
- 1,276 Had rent burden of 50% or greater
- 811 Had rent burden of 70% or greater

- 31%
- 48%
- 13%
- 8%
Rent Burden Data – 2,978 Senior Units

- **835** had no rent burden
- **1,312** had no burden & rent subsidy
- **322** had rent burden of 70% or greater
- **509** had rent burden of 50% or greater

**Statistics:**
- 44% of units have a burden of 50% or greater
- 28% have no burden and a rent subsidy
- 17% have a burden of 50% or greater
- 11% have a burden of 70% or greater
Rent Burden Data – 1,610 ELI Units

- 599 had no rent burden
- 576 had no burden & rent subsidy
- 181 had rent burden of 70% or greater
- 254 had rent burden of 50% or greater

- 37%
- 36%
- 11%
- 16%
Recommendation

Receive the staff report on rent-burdened households in affordable housing developments and provide feedback to staff.
Affordable Housing
Rent Increases

Housing & Community Development Commission

November 12, 2020

Kemit Mawakana
Division Manager
Housing Department

Tascha Mattos
Senior Development Officer
Housing Department

Shelsy Bass
Development Officer
Housing Department
Draft Diridon Affordable Housing Implementation Plan

Housing & Community Development Commission

November 12, 2020

Kristen Clements | Housing
City Council Direction

Memorandum of Understanding with Google (2018)

• Develop and preserve housing & contribute funding to help rising costs and displacement
• Housing in Diridon Station Area should include ELI to ‘missing middle’ with market-rate
• Goal of 25% of all housing in DSA to be restricted affordable for a range of incomes
• Community Benefits Plan could include affordable housing, displacement prevention & mitigation

City Council Motions (2018 & 2019)

• Return to Council with plan for residential displacement
• Examine making 25% an aggregate requirement for affordable housing in DSA including an implementation plan
• Examine various options for affordability including 45% ELI within 25% affordability goal
3Ps Approach

**PRODUCTION**
Construct new affordable units with public subsidies and private sector contributions

**PRESERVATION**
Preserve existing housing as permanently affordable to low- and moderate-income households

**PROTECTION**
Enact policies & run programs to protect vulnerable households from displacement
Focus Areas for 3Ps Approach

Study Area Boundaries
- Census Study Area*
- Diridon Station Area
- Neighborhood Stabilization Study Area
- BART Extension Phase II
- Caltrain
- VTA Light Rail

*The Census Study Area comprises Census Tracts 5003, 5006, 5008, 5017, 5018, and 5019 within Santa Clara County.

**The Preservation Study Area is a half-mile buffer area from the Diridon Station Area Boundary.
Draft AHIP Goals and Metrics

**Diridon Station Area:**
• 25% of all housing at buildout of the Draft Amended DSAP will be restricted affordable housing for extremely low-income to moderate-income households

**Neighborhood Stabilization Study Area:**
• No net loss in the number of low-income renter households
• Decrease in percentage of severely cost-burdened renter households
• No net loss in the number of deed-restricted units beyond 2040
• Establish a Preservation Pilot Program to acquire and rehabilitate existing multifamily units and convert to restricted affordable housing

**Racial Equity:**
• Number of Hispanic/Latinx and Black residents in the Study Area over time
Draft AHIP Strategies - Production

1. Prioritize sites within walking distance (1/2 mile) of Diridon Station for affordable housing development to maximize competitiveness

2. Partner with transit agencies/developers to apply for the State’s AHSC funding

3. Adopt updates to Inclusionary Housing Ordinance

4. Update regulations to facilitate lower-cost construction technologies

5. Prioritize the use of Commercial Linkage Fee revenues generated in the DSA for affordable housing projects within the DSA

6. Explore potential changes to park fees to decrease overall residential development costs

7. Support policies that increase the production of accessory dwelling units (ADUs) in the Diridon Station Area and surrounding neighborhoods
1. Establish a Preservation Pilot Program to acquire and rehabilitate existing multifamily units
2. Conduct outreach to non-profit and community-based organizations with capacity to conduct preservation activities
3. Identify funding sources for preservation
4. Implement complimentary policies that support preservation activity
Draft AHIP Strategies - Protection

1. Provide support for legal services for tenants facing eviction*
2. Consider options for locally enforcing State rent cap and just cause eviction protection under AB 1482*
3. Expand Tenant Protection Ordinance to include all rental units, including single-family, duplex, and condo/townhomes
4. Expand Apartment Rent Ordinance to include renter-occupied duplex units
5. Create a “satellite office” in the DSA to provide education resources to tenants and landlords

*Note: Also included in the Citywide Residential Anti-Displacement Strategy
Next Steps

- Housing Department outreach meetings in December 2020 (dates TBD)
- Accepting public comments until January 8, 2021
- Posted at: www.diridonsj.org/fall2020-housing
  - Includes an online feedback form
- Many opportunities to provide feedback at fall 2020 engagement events
  - Events: https://www.diridonsj.org/fall2020
- Target for City Council consideration in spring 2021
Recommendation

Receive the staff report on the Draft Diridon Affordable Housing Implementation Plan and give feedback to Housing Department staff.