

City of San José

Coyote Valley Specific Plan

Summary of Affordable Housing Focus Group Meeting #1 August 2, 2005 801 N. First Street, Room 204

Affordable Housing Focus Group Members Present

Shiloh Ballard (SVLG), Chris Block (CHDC), Beverly Bryant (HBANC), Mary Hughes (Habitat for Humanity), Mark Lazzarini (Dal Properties, LLC), Alison Mader (IAC), Ray Panek (KB Home), Smitha Seshadri (SCC Housing Authority), Lydia Tan (BRIDGE Housing), Jose Vasquez, Jr. (MACSA), and Kerry Williams (Coyote Housing Group).

City Staff Present

Laurel Prevetti (PBCE), Sal Yakubu (PBCE), Susan Walsh (PBCE), Sylvia Do (PBCE), Leslye Krutko (Housing), Karen Wing (Housing), and Rebecca Flores (Housing).

Consultants Present

Doug Dahlin (Dahlin Group), Roger Shanks (Dahlin Group), Darin Smith (Economic and Planning Systems), and Eileen Goodwin (Apex Strategies).

1. Welcome and Introductions

Laurel Prevetti, Deputy Director with the Planning, Building and Code Enforcement (PBCE) Department, welcomed everyone to the Coyote Valley Specific Plan (CVSP) affordable housing focus group. Laurel introduced Leslye Krutko, Director of Housing Department. All other meeting attendees subsequently introduced themselves.

2. Agenda Review and Meeting Purpose

Eileen Goodwin, with Apex Strategies, reviewed the meeting agenda. The purpose of the meeting was to discuss potential elements of an affordable housing strategy for the CVSP.

3. Council's Vision Statement and Land Use Plan

Laurel provided an overview of the CVSP. Coyote Valley is located in south San Jose, north of Morgan Hill. The project area consists of three areas – the North Coyote Valley Campus Industrial, the Coyote Valley Urban Reserve and the Coyote Valley Greenbelt. The Greenbelt serves as a non-urban buffer between San Jose and Morgan Hill. The City Council initiated the CVSP in August 2002. The Council's Vision and Expected Outcomes statement consists of sixteen CVSP goals, including 25,000 residential units and 50,000 driving-industry jobs as minimums; and 20 percent of all units shall be "deed restricted, below market-rate" units. The Plan includes a broad variety of housing typologies. Staff has done extensive outreach through meetings with the City Council, Task Force, Technical Advisory Committee, community, property owners, stakeholders, sub-committees, focus groups, etc. Fixed elements in the project area include Coyote Creek, Fisher Creek, Highway 101, Monterey Road and railroad. The CVSP composite framework includes a lake, canal park, parkway, in-valley transit, Caltrain and a realigned Fisher Creek. The CVSP will be presented to the Council for consideration in 2006.

4. San Jose Housing Programs and Policy Objectives

Rebecca Flores, Senior Development Officer with the Housing Department, provided an overview of the City's housing programs and policy objectives. She discussed San Jose's affordable housing challenges and barriers to affordable housing. The City has responded to the housing challenge through land use planning, regulatory incentives and an affordable housing program. Components of the affordable housing program include housing production, housing rehabilitation, first-time homebuyers and inclusionary housing. Rebecca indicated that San Jose has led California cities in affordable housing production from 1993 through 2003. The City is on track to meet its 10,000 affordable housing unit goal from January 1999 to December 2006. Rebecca mentioned the various funding sources available for affordable housing. During fiscal years 2002-2003 and 2003-2004, for every \$1.00 of city subsidy, \$2.11 of outside funds was leveraged.

5. CVSP Affordable Housing Objectives and Issues

Eileen facilitated the discussion on affordable housing objectives and issues. The overall goal was to define clear implementation policies to meet the 20 percent affordable housing requirement ("deed restricted, below market-rate") in Coyote Valley per Council direction. The focus group provided the following comments regarding affordable housing policy objectives and issues:

- a. *Provide a mix of extremely low-income (ELI) units, very low income (VLI), low income (LI) and moderate income (MOD) units in the Plan.*
 - All focus group members agreed with this policy objective.

- b. *Consider the City's current ratio of production goals for Coyote Valley: Minimum 60 percent VLI, minimum 20 percent LI and maximum 15 percent MOD.*
- Darin Smith, with Economic and Planning Systems (EPS), recommended that there be a differentiation between City's affordable housing production goals with subsidies and without subsidies.
 - Is it possible to achieve the 20 percent affordable housing goal (5,000 affordable units) for Coyote Valley? Suggested that 4,000 affordable housing units are more realistic.
 - How many affordable ownership units will there be versus rental units? Recommended that 50 percent be below market rate.
 - Is it possible to build VLI units?
 - Which housing typologies could be ELI without additional subsidies? *ELI units are expensive. Has not seen any ELI programs without subsidies.*
 - Affordability will be affected by financing districts. Is there another method besides deed-restricted units? Suggested a hybrid method that allows people to move up.
 - The Coyote Housing Group (CHG) indicated that they could develop MOD units. It may be best to let experts develop VLI and ELI units. CHG could dedicate land or substantially underwrite the land.
 - Suggested creating a housing land trust whose mission is to accomplish the 20 percent affordable housing units with designated sites and housing trust would take proposals from non-profits.
 - Credits could be purchased and dedicated to the trust.
 - Land would be designated at first like part of the public realm. Up to 15 percent MOD units could handle that.
 - It takes a lot more than land to achieve affordable housing. There should have to be more money involved.
 - People who really know this issue, such as Ray Panek with KB Home, should discuss this topic.
 - Suggested a ratio of 20 percent for ownership and 80 percent rental.
- c. *Integrate affordable housing in each neighborhood in the planned urban Coyote Valley.*
- How are neighborhoods being defined? *Doug Dahlin, with Dahlin Group, indicated that we are still defining the neighborhoods. We're trying to integrate all typologies into all neighborhoods.*
 - Not as concerned as much about integration as I am about finding desirable sites.
 - Volume is more important than integration. Volume is bang for the buck and affordability.
 - Does not want all affordable housing units to be in one area.
 - Need a certain amount of density.
 - Timing and opportunity is critical.
- d. *Identify the housing typologies that are likely to produce affordable housing and consider others (e.g. SROs) as appropriate. Consider the amount of affordable housing that could be constructed (or required to be constructed) within each typology.*
- Residential typologies R1 to R5 support affordable housing. R6 to R9 typologies do not support affordable housing. *For clarification the CVSP Residential Building Typologies include: Typology R1, High-Rise Residential (100+ DU/AC); Typology R2, Mid-Rise*

Residential (75-100 DU/AC); Typology R3, High Density Residential (45-65 DU/AC); Typologies R4 and R5, Medium High Density Residential (20-45 DU/AC); Typology R6, Low Density Residential (5-10 DU/AC) and R7, R8 and R, Medium Density Residential (10-20 DU/AC).

- Doug recommended giving credit to granny flats even though they are not deed-restricted. *Leslie Krutko, Director of Housing, indicated that granny units cannot count as affordable housing units.*
 - Darin indicated that development costs are significantly higher for R-1 typologies. Do you feel strongly about having affordable housing units in R-1? *No.*
 - Are there any typologies that are better for rental? *"R-3 typologies are more bang for the buck than R-5 typologies."*
 - The cheapest typology to build is one-story, 1,100 square feet single-family detached units with shared carports.
- e. *Consider the identification of sites for 100 percent affordable development distributed throughout the urban plan area.*
- Need to factor in price of construction (e.g. the price of concrete and steel is rising).
 - At the end of the day, affordable housing units are R-3 or R-5 typologies.
 - Recommended identifying sites for 100 percent affordable housing projects. What is the range? *"We will do 50+ units, but wants to do 100+ units. Up to 300 units is OK, but not over 500 units. Between 100-400 units is a good range."*
 - All focus group members agreed that a 100-200-unit range is best.
 - Non-profit organizations build projects with an average of 50 DU/AC.
 - What is the parking assumption? *Doug explained that R-4 typologies typically have 1.5-2 parking spaces per unit.*
 - Is mixed use a possible affordable project? *There are some developers who will do affordable housing in mixed-use projects.*
 - Affordable housing units should have access to transit and services. *Doug explained that most residential units are within a 0.25-mile walking distance to transit. A nine percent floor area ratio (FAR) credit requires a 0.25-mile within transit.*
- f. *Require construction of affordable units concurrent with market rate units in each phase of development.*
- Need to modify this policy. Need a longer lead-time to achieve it.
 - Could we create a formula for in-lieu fees that would be charged with each phase?
 - This is too uncertain. Would rather have certainty.
- g. *Consider payment of in-lieu fees as a source for subsidizing affordable housing units in developments in Coyote Valley. Create consistent policies for the payment of in-lieu fees and clear mechanisms for the use of in-lieu fees in Coyote Valley if/when such fees are collected.*
- Having a land trust would provide more flexibility. The land trust could be responsible for taking in proposals, evaluating what opportunities there are in each phase, set priorities, etc.
 - Yes, in-lieu fees should be considered as a source for subsidizing affordable housing units.

- h. *Determine goals for both affordable ownership and rental units.*
 - Suggested offering a 1:1 density bonus for inclusionary housing or fee reductions (e.g. permit fees) as an incentive. Need to provide builders with flexibility and opportunities.
 - Suggested not having density restrictions for 100 percent affordable housing.
 - As a starting part, there should be 80 percent rental units and 20 percent ownership.
 - Should not have Mello Roos for affordable housing units.

- i. *Determine based on population needs, affordable housing targets for larger families, seniors, and/or special needs populations (e.g., disabled, acute care, etc.).*
 - Recommended referring to the City's Comprehensive Housing Affordability Strategy (CHAS) as a model for categories.
 - Doug indicated that the CVSP is proposing housing for workplace recruits as a way to attract employers to Coyote Valley. The Plan would also like to provide teacher housing to help promote Coyote Valley as a learning community.
 - Suggested having a marketing strategy to attract employers.
 - Recommended against precluding housing for certain groups like workplace recruits. May be able to say that all Coyote Valley employees have housing priority. Concerned with fair housing issues.
 - Should have first-time homebuyer assistance for teachers.
 - The more layers there are, the harder it is to achieve the goal.
 - It is difficult to finance senior housing.
 - This policy may determine whether builders develop in Coyote Valley or not.

- j. *Inclusionary zoning*
 - Should have incentives for builders to build.
 - Recommended using the City's subsidy.
 - The goal should be affordable, not necessarily inclusionary housing.

- k. *Financing*
 - Darin indicated that affordable housing would not receive City or Redevelopment Agency (RDA) subsidies per the memorandum regarding CVSP timing and logistical requirements written by CVSP Task Force Co-chairs Mayor Ron Gonzales and Councilmember Forrest Williams. The Task Force is still discussing this issue.
 - Why is the City concerned with RDA subsidies in other areas in San Jose, but not in Coyote Valley? Why is there a restriction if subsidies are available? *There is a restriction based on the very nature of inclusionary housing.*
 - Financing is restricted by the very nature of inclusionary housing.
 - Need flexibility.
 - Should be able to take advantage of as many tools as other developments can.
 - Unrealistic to have ELI units without subsidies.
 - Suggested having a hybrid method for financing.

6. CVSP Affordable Housing Objectives and Issues

The meeting adjourned at 4:00 p.m.

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