

City of San José

Coyote Valley Specific Plan

Summary of Affordable Housing Focus Group Meeting #4 January 12, 2006 City Hall, Room T-332

Affordable Housing Focus Group Members Present

Jamie Angulo (NHSSV), Chris Block (CHDC), Sean Charpentier (Working Partnerships), Joshua Howard (CAA), Mary Hughes (Habitat for Humanity), Mark Lazzarini (DAL Properties), Dennis Martin (HBANC), Alex Sanchez (HACSC), Stephanie Schaaf (EHC LifeBuilders), Smitha Seshadri (BRIDGE Housing), Jennifer Simmons (Habitat for Humanity), Kerry Williams (Coyote Housing Group).

City Staff Present

Sal Yakubu (PBCE), Susan Walsh (PBCE), Sylvia Do (PBCE), Mike Meyer (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

Eileen Goodwin, with Apex Strategies, welcomed everyone to the fourth Coyote Valley Specific Plan (CVSP) affordable housing focus group meeting. The meeting began with introductions around the room.

2. Agenda Review and Meeting Purpose

Eileen reviewed the meeting agenda. The purpose of the meeting was to review the affordable housing financial gap analysis.

3. Affordable Housing Financial Gap Analysis

Darin Smith, with Economic and Planning Systems, reviewed the affordable housing financial gap analysis from the EPS memorandum dated January 4, 2006. The analysis may be used to inform policy discussions regarding the appropriate financial burden or responsibility of developers or other entities in creating affordable housing in Coyote Valley.

The financing gap was determined by comparing the development costs for affordable housing units to the values that can be achieved for those units. Darin explained the affordable unit mortgage assumptions and calculations, the development program and cost assumptions, the financing gap for three-story buildings with surface parking, the financing gap analysis for four-story buildings with podium parking, and the financing gap analysis including estimated tax credit proceeds. Comparing financial gap figures to those with no outside funding sources, EPS concluded that tax credits and other funding sources will have a substantial positive effect on financing of affordable housing projects, and are critical for developing units for the lowest income households.

Darin reviewed a handout with revised financial gap estimates that incorporate BRIDGE Housing Corporation's comments from their January 9, 2006 memorandum. The memorandum provided feedback regarding the original assumptions from EPS's January 4, 2006 memorandum. BRIDGE Housing recommended using a 75 percent efficiency ratio for four-story buildings with podium parking since EPS's original 86 percent efficiency ratio was too high. EPS used an 80 percent efficiency ratio for the revised estimates.

Focus group members provided the following comments:

- The California Housing Finance Agency (CalHFA) has very high standards for affordable housing development.
- What determines the availability of four and nine-percent tax credit funding? *Both tax credits are available on a competitive basis. The nine-percent tax credit is more competitive since it provides greater subsidy. Tax credit funding is based on the affordable housing project's proximity to transit, services, and other amenities.*
- The competition for the four-percent tax credits depends on tax-exempt bond financing. If a project receives tax-exempt bond financing, it automatically receives the four-percent tax credit.
- The nine-percent tax credit funding should not drive this discussion. At best, only two affordable housing projects in the county qualify for the nine-percent tax credits each year.
- Should determine the financial gap based on 50 and 30 percent of the median family income, rather than on 80 and 60 percent of the MFI.
- Need to look at "soft" and "hard" costs to complete the financial gap analysis.
- Will affordable housing projects be exempt from the city's PDO fees (Parkland Dedication Ordinance)? *Staff indicated that they will be exempt from PDO fees.*

- Potential assessments for affordable housing projects should be quantified. There will be greater financial gaps when assessment fees are factored in. *Staff will check to see what additional fees might be involved.*
- Should identify a ballpark figure for the financial gap.
- The amount of affordable housing subsidy is not an exact science. Recommended developing broad subsidy ranges to present to the CVSP Task Force.
- The CVSP Task Force supported using city and Redevelopment Agency subsidy for very low income and extremely low income affordable units. What other funding sources are available to subsidize the financial gap? *Housing Department Staff explained that the other funding sources include (1) state funds, although funds from Proposition 46 will only last through the end of 2006; (2) CDBG (Community Development Block Grants); and (3) miscellaneous "soft" money from various foundations. Housing Department staff will provide prepare a list of miscellaneous funding sources and their respective sunset times.*
- Miscellaneous funding sources typically only comprise no more than two-percent of the total subsidy.
- The RDA 20% funds are projected to have a \$20 million bonding capacity for future tax increments over the next 25-30 years. \$20 million would realistically only fund 2-4 projects.
- Do mixed income projects typically provide affordable units? *No.*
- Jean Simmons of Habitat for Humanity will provide financial information for ownership affordable housing.
- What will be presented to the CVSP Task Force? *Staff will provide the Task Force with an affordable housing status report that will be based upon all of the information provided at the Affordable Housing Focus Group and other stakeholder meetings.*

Roger Shanks, Dahlin Group, provided an update on the affordable housing distribution map. Affordable housing projects will be integrated throughout the Plan, located within a quarter-mile of transit and a half-mile of other amenities and will be sited to meet as many of the 9% criteria as possible. The map will be updated with new site criteria provided by Sean Charpentier with Working Partnerships USA. The map will be provided to all focus group meetings.

4. Next Steps/Adjourn

The next CVSP Task Force meeting will take place on February 13, 2006.

The meeting adjourned at 3:12 p.m.