

City of San José

Coyote Valley Specific Plan

Summary of Task Force Meeting March 13, 2006 200 E. Santa Clara Street, Rooms W118-120

Task Force Members Present

Co-chair councilmember Forrest Williams, co-chair councilmember Nancy Pyle, Supervisor Don Gage, Chuck Butters, Eric Carruthers, Helen Chapman, Pat Dando, Russ Danielson, Gladwyn D'Souza, Craig Edgerton, Phaedra Ellis-Lamkins, Dan Hancock, Doreen Morgan, Chris Platten, Ken Saso, Steve Schott, Jr., Steve Speno, and Neil Struthers.

Task Force Members Absent

None.

Technical Advisory Committee (TAC) Members Present

Mike Griffis (County Roads), Michele Beasley (Greenbelt Alliance), Tedd Faraone (Coyote Valley Alliance for Smart Planning), Bobbie Fischler (League of Women Voters), Libby Lucas (California Native Plant Society), Dennis Martin (HBANC), Pat Sausedo (NAIOP), Tim Steele (Sobrato), and Kerry Williams (Coyote Housing Group).

City and Other Public Agencies Staff Present

Anthony Drummond (Council District 2), Frances Grammer (Council District 2), Lee Wilcox (Council District 10), Rachael Gibson (Office of Supervisor Don Gage), Laurel Prevetti (PBCE), Susan Walsh (PBCE), Sylvia Do (PBCE), Perihan Ozdemir (PBCE), Leslye Krutko (Housing), Mike Meyer (Housing), Rebecca Flores (Housing), and Dave Mitchell (PRNS).

Consultants Present

Doug Dahlin (Dahlin Group), Roger Shanks (Dahlin Group), Stephanie Chang (Dahlin Group), Bill Wagner (HMH Engineers), and Eileen Goodwin (Apex Strategies).

Community Members Present

Tom Armstrong, Jaime Angulo, Betsy Arroyo, Shiloh Ballard, Leo Banda, Reverend Been, Mike Biggar, Chris Block, Sean Charpentier, Esther Chen, Tracey Chew, Roger Costa, Frank Crane, Craig Champion, Tim Demetu, Jona Denz-Hamilton, Bob Dolci, Robert Eltgroth, Jack Faraone, Robert Freiri, Tom Fink, Janet Hebert, Dave Higgins, Virginia Holtz, Ron Johnson, Jack Kuzia, Pat Kuzia, Father Bill Leninger, Rick Linquest, Randy Linquist, Connie Langford, Sarah Muller, Tim Muller, Tim Nemeth, Sandy Perry, George Reilly, Alicia Ross, Peter Rothschild, Art Sanchez, Annie Saso, Stephanie Schaaf, Pete Silva, Jennifer Simmons, Sharon Simonson, Evelyn Stivers, Shellé Thomas, Saul Wachter, Charles Wu, and Lee Yoon.

1. Welcome

The meeting convened at 5:30 p.m. with co-chair councilmember Forrest Williams welcoming everyone to the 41st Coyote Valley Specific Plan (CVSP) task force meeting.

2. City Council Study Session Update

Laurel Prevetti, deputy director of the Planning, Building and Code Enforcement Department, provided an update of the City Council study session on March 3, 2006. This fifth City Council progress report focused on the Greenbelt Strategy. Council recognized the existing parcelization and discussed the Greenbelt challenges and how to make sure the strategy is implemented. Council indicated that South Coyote Valley would be more of a “rural belt” due to the existing mix of residential and agricultural land uses. The Council heard comments from the public, including those from property owners and environmentalists. Council expressed further interest in the Caltrain station. Staff will provide a CVSP overview presentation to the VTA Board of Directors on April 6, 2006. Staff is working on finding a replacement for former Task Force member Terry Watt. Staff will provide Council with a recommendation this month. The next City Council study session will take place on April 7, 2006 to discuss the transportation issues.

3. Acceptance of February 13, 2006 Task Force Meeting Summary

Councilmember Nancy Pyle called for a motion to accept the February 13, 2006 task force meeting summary. The motion passed unanimously.

4. Acceptance of February 27, 2006 Task Force Meeting Summary

Councilmember Pyle called for a motion to accept the February 27, 2006 task force meeting summary. The motion passed unanimously.

5. Acceptance of February 23, 2006 Community Meeting Summary

Councilmember Pyle called for a motion to accept the February 23, 2006 community meeting summary. The motion passed unanimously.

6. Review Draft Affordable Housing Strategy

Councilmember Williams introduced this item by indicating that per the Council's Vision and Expected Outcome statement, 20 percent of all CVSP residential units shall be "deed restricted, below market-rate units." The task force previously asked staff to create an affordable housing focus group to look at affordable housing strategies. Councilmember Williams explained that the CVSP must be financially feasible for private development and that affordable housing must be borne by the plan. Any modifications to this Council direction would require a policy change. The purpose of today's affordable housing discussion is to obtain input from the task force regarding the initial status report of the affordable housing strategy.

Supervisor Gage did not receive the task force meeting packet until Friday, March 10, 2006, and he was not able to review the documents until the day of the meeting. He indicated that he did not have sufficient time to review the draft affordable housing strategy.

Laurel Prevetti, deputy director of the Planning, Building and Code Enforcement Department, explained that staff will take task force comments back to the affordable housing focus group and the city's Housing Advisory Committee for discussion. The additional focus group and HAC feedback would then be presented to the task force for further review.

Leslye Krutko, director of the Housing Department, reviewed the draft CVSP Affordable Housing Strategy, contained in a report from she and Joseph Horwedel, Acting Director of the Planning, Building and Code Enforcement Department, to the CVSP Task Force. The City Council-approved Vision and Expected Outcome statements included a requirement that 20 percent of all

housing units developed in Coyote Valley shall be “deed restricted,” “below market-rate units.” Housing and Planning staff convened an affordable housing focus group and worked with the CVSP Technical Advisory Committee and the HAC on affordable housing issues. Leslye reviewed the city’s affordable housing program and the city’s Inclusionary Housing Ordinance. She cited successful examples of affordable housing development projects throughout San Jose.

Mike Meyer, assistant director of the Housing Department, reviewed staff recommendations for the affordable housing strategy. Staff recommended a 55-year affordability restriction for rental housing and a 45-year affordability restriction for for-sale housing. Staff also recommended allowing a city equity share for affordable for-sale housing in which the city captures a portion of the profit upon resale. The city would then recycle the profits collected to provide assistance to other eligible lower income homebuyers. From discussions with the focus group, a vision statement emerged for CVSP affordable housing:

- (1) Create a healthy and memorable community where residents of all incomes, races and ethnicities, education, and occupation have reasonable access to affordable housing that is phased over time and distributed throughout the community with good access to transit, schools, parks, trails, open spaces, and other community amenities; and
- (2) Facilitate the development of an affordable housing stock where differences in unit size, tenure, and income eligibility would contribute to community diversity, and provide a building block for a stronger, healthier, and more dynamic and interesting Coyote Valley community, so that each individual and the community at large can realize their full potential for maximum productivity and livability.

In order to achieve Council’s 20 percent affordable housing requirement, the focus group discussed implementation options that included a strict inclusionary option, land dedication, an in-lieu fee option, and a range of combined options. Consistent with the city’s existing inclusionary housing policy, developers would provide units for moderate, low-, and very low-income households. Staff recommended a requirement that each market-rate development provide 20 percent of its units as affordable, with for-sale developers providing moderate (MOD) units and rental developers providing 8 percent to very low income (VLI) households and 12 percent low income (LI) households. Staff also recommended allowing projects to compete for the city’s 20 percent low and moderate income housing funds for projects with 50 percent or more affordable units, for projects to deepen affordability from VLI rental units to extremely low income (ELI) rental levels, and for projects that exceed the inclusionary requirement.

Next steps include obtaining input from the task force, returning to the focus group and HAC for comments, returning to the task force for further recommendations, and going to Council for recommendations.

Eileen Goodwin of Apex Strategies facilitated the task force discussion regarding the draft CVSP affordable housing strategy. The first task force discussion focused on the vision statement that emerged from the affordable housing focus group. The task force provided the following questions and comments:

- The vision statement looks good.
- What does “tenure” mean with regards to facilitating the development of affordable housing? *“Tenure” identifies the difference between rental and ownership opportunities.*
- Recommended defining “tenure” in the draft CVSP affordable housing strategy.
- In regards to the second part of the vision statement that emerged from the focus group, will affordable housing units be counted by the total number of units or by square footage? *Affordable housing units would be counted by the total number of units.*
- Concerned about the lack of ELI housing as an affordable housing option. ELI housing is only mentioned on page 2 of the document. Page 5 discusses the strict inclusionary option, but it does not mention what level of affordable housing is offered. *ELI housing is also addressed on page 4 regarding the affordable housing financing gap and in the staff recommendations section.*

The second task force discussion focused on the affordable housing implementation options: the strict inclusionary option, land dedication, the in-lieu fee option, and a range of options. The task force provided the following questions and comments:

- Are there examples from other areas that have used these implementation strategies?
- The strict inclusionary option works well for creating MOD units, but not for VLI units.
- Concerned that if the strict inclusionary option was read literally, it would result in very few LI, VLI, and ELI units. *Leslye indicated that MOD units can be done without subsidy. LI and VLI rental units can be done without city funding, but it cannot reach down to ELI units. The city administers inclusionary programs throughout the city. Would like to have a program that is as similar as possible to the city’s existing inclusionary program. Otherwise, it would be administratively difficult for the city to manage multiple programs.*
- The strict inclusionary option is a “one size fits all” program and is not sensitive to our CVSP affordable housing goals. The Bay Area has some of the best non-profit affordable housing developers in the nation. They know what they are doing and know how to access various funding sources. It takes multiple funding sources to create an affordable housing project. The inclusionary option is sufficient to create MOD units, but we need to let the affordable housing specialists do LI, VLI, and ELI units.
- Preferred the strict inclusionary option because what we are doing is complex in terms of providing mobility and unbundling parking. Having a predetermined mix of housing is easier to achieve.
- Has the city done any land banking? *The city does not do land banking since it wants to develop properties as quickly as possible. The city has experience in purchasing surplus property and putting out a request for proposals (RFP) to developers.*
- In regards to land dedication, do developers have the responsibility to provide 20 percent of its residential units as affordable units or can they pool resources? For instance, what if a parcel is not large enough to create affordable housing? Who purchases the land? Who carries the property taxes? Need have a specific entity that does this, contracts it out, or

- have a third-party non-profit entity to manage all the affordable housing requirements. Need to take a closer look at the land dedication option.
- The range of options creates more flexibility. For instance, the affordable housing goal can be achieved if we combine the land dedication and in-lieu fee option. If there is a gap in funding for land dedication, in-lieu fees can be used to fund that gap.
 - An implementation strategy that combines a range of options would create the most affordable housing opportunities in Coyote Valley. The strict inclusionary option may result in primarily ownership units. We have an opportunity to create a program specifically for Coyote Valley that is flexible, address a variety of income groups, and takes advantage of non-profit affordable housing developers' talents.
 - The current market leans towards developing for-sale units, which would reduce the number of LI and VLI units. The market changes over time. It would not be fair if a developer was obligated to do LI and VLI units when it is not economically desirable. Need to make sure we achieve our LI and VLI goals, but we need equity for developers.
 - How will the phasing of affordable housing work? *If a project contains both market-rate and affordable units, it could be done at the same time. For the Hitachi project, affordable housing is required in each phase. The next phase of development cannot be done until the previous phase meets the affordable housing requirement.*
 - If a specific affordable housing policy has been created for a large development like Hitachi, can a specific policy be created for Coyote Valley? *Leslye recommended using the Hitachi policy for Coyote Valley. Having similar programs would minimize staff implementation and administrative time.*
 - New schools mean that there will be a number of young teachers situated at the low end of the pay scale. Particularly need affordable housing for new teachers. Teachers should be able to live in the community where they work.
 - In California, the only option for overriding zoning ordinances is if you create more affordable housing (up to 25 percent affordable housing). The HAC should take a look at this and determine how this could impact affordable housing requirements.
 - Need to know what it will take to achieve the various levels of affordable housing, what the burden will be borne by the project, and how affordable housing will be delivered. The project needs to be financially feasible, but we need to be sensitive to the need for affordable housing, too.

The public provided the following questions and comments:

- Tom Fink, Chair of the HAC, expressed concern about the lack of ELI discussion in the draft CVSP Affordable Housing Strategy. There is a great need for ELI housing. There is a shortage of 25,000 ELI units in the county.
- Chris Block, with Charities Housing Development Corporation, stated that he was excited about the affordable housing discussion. The Bay Area is better at providing affordable housing than almost any other community in the nation. The reason for that is because the city has a great housing department, great leadership on the City Council, and great

leadership in the community. Chris indicated that he was looking forward to working with the city, task force, and HAC to create a housing legacy in Coyote Valley.

- Bobbie Fischler, with the League of Women Voters, stated that the organization does not support or advocate the development of Coyote Valley. If the city proceeds with the CVSP, however, it is imperative to follow smart growth principles. The League of Women Voters supports safe, decent, and adequate housing. They also support percentages of allocation for affordable housing that are equal to or above the city's General Plan policies. Affordable housing should be distributed throughout Coyote Valley. The League of Women Voters support most of the staff recommendations for affordable housing in Coyote Valley, but one of the staff recommendations is too specific for the organization to support.
- Jona Denz-Hamilton, with People Acting in Community Together (PACT), expressed concern about affordable housing. She recommended that 30 percent of the 20 percent affordable units be ELI units. There is currently a shortage of 25,000 ELI units in the county. The CVSP should establish affordable housing or else it will not happen in the area.
- Saul Wachter, with the Santa Clara County Affordable Housing Network, supported the HAC's recommendations. He recommended 30 percent ELI units, 30 percent VLI units, 25 percent LI units, and 15 percent MOD units. Coyote Valley should be self-sustaining and should not use city funds to finance affordable housing.
- Sandy Perry, with the Community Homeless Alliance Ministry, commended the vision statement that emerged from focus group discussions, particularly in regards to facilitating the development affordable housing for residents of all income levels. There is a housing crisis in San Jose. Housing is a human right and we are violating it. Sandy recommended maximizing ELI housing by creating 30 percent ELI units. She recommended against using city funds for affordable housing in Coyote Valley.
- Shiloh Ballard, with the Silicon Valley Leadership Group, indicated that the organization represents about 200 businesses in and around Silicon Valley. Affordable housing is imperative to recruiting and retaining employees. She commended the city's role in affordable housing. Shiloh recommended determining the affordable housing needs before establishing an arbitrary goal for ELI units. She recommended allowing the affordable housing focus group to further examine land banking.
- Beverly Bryant, with the Home Builders Association of Northern California, stated that "On Common Ground" is a document that reflects shared beliefs between market-rate and non-profit affordable housing developers about inclusionary housing. Beverly indicated that affordability begins with availability. Existing San Jose residents will end up living in Coyote Valley.
- Father Bill Leninger, with the Interfaith Council, indicated that infrastructure needs to be in place or else Coyote Valley would become a bedroom community. He expressed concern about the lack of ELI housing. If people do not have a place to live, this compounds a lot of other problems.
- Reverend Carol Been, with the Interfaith Council, explained that her job was to educate people about what poverty is about. It would be "really stupid" if the task force did not

seize the opportunity to prevent poverty from occurring in Coyote Valley. If ELI units are not developed in Coyote Valley, they will not get built elsewhere.

The third task force discussion focused on staff recommendations for CVSP affordable housing. The task force provided the following questions and comments:

- Would the task force recommend all of these implementation options as a package? Some options conflict with each other.
- Recommended that the focus group discuss how to achieve ELI rental units. Recommended that the focus group develop a recommendation for financing 30 percent ELI units, 30 percent VLI units, 25 percent LI units, and 15 percent MOD units.
- Need to determine how the strict inclusionary option addresses ELI housing.
- Would like more information about the 55-year affordability restriction for rental housing and the 45-year restriction for for-sale housing. *These affordability restrictions are per state requirements.*
- Need clarification between the citywide affordable housing goals versus the goals for an area like Coyote Valley.
- Coyote Valley is part of the city. Not persuaded that Coyote Valley should not be allowed to compete for city funds. *The CVSP should be self-sustaining per Council's recommendation.*
- It is inappropriate for developers to build rental housing without subsidy, particularly for ELI units. In appropriate circumstances based on market conditions, the city should provide some level of funding to encourage VLI and ELI rental units. Need to consider how we will create rental units because we do not want all affordable units to be for-sale units. Recommended that staff and the focus group address this issue.
- The City Council would have to approve any changes to the original Council Vision and Expected Outcome statements. The initial statement does not specifically address ELI issues. Today's affordable housing discussion is consistent with Attachment 1 of the draft CVSP Affordable Housing Strategy, in which the task force recommended allowing city and Redevelopment Agency subsidy for VLI and ELI units.
- Attachment 1 is not consistent with staff recommendation #4.
- Would like information about the city's demographics and affordable housing needs.
- What we are trying to do in Coyote Valley requires a lot of financing. We need to determine how much of it we can afford to do. Coyote Valley cannot solve all of the city's problems, particularly since Coyote Valley has not contributed to these problems. Need to keep in mind that Coyote Valley will not be developed in ten years. Coyote Valley may not even begin development in 10 years.
- Need to find a way for the project to support itself. Need to be consistent with the Council's vision.

The public provided the following questions and comments:

- Stephanie Schaaf, with EHC LifeBuilders, indicated that she was impressed with the task force discussion. As a member of the affordable housing focus group, Stephanie said that it was inspiring to see a group with disparate interests come to a consensus about major principles. She explained how the focus group addressed the issue of affordable housing. The focus group looked at affordable housing needs and determined the goals for each income category, and came up with a recommendation similar to the HAC's recommendation and the city's production goals (30 percent ELI, 30 percent VLI, 25 percent LI, and 15 percent MOD). The focus group also discussed implementation options. There was a strong consensus that the land dedication model was a good method of achieving the affordable housing goals. The strict inclusionary option and in-lieu fee option could help bridge the gap for land dedication. Stephanie encouraged the task force to consider the land dedication option. She recommended against allowing affordable housing development to be market-driven, which could result in 100 percent for-sale MOD units. Stephanie recommended developing a quantified goal for ELI units, with land dedication as a basis for affordable housing.
- Bob Dolci, with EHC LifeBuilders, indicated that this was a unique opportunity to design a community that includes LI, VLI, and ELI households. He hoped that the task force will not give into fears about how to finance affordable housing, who will provide affordable housing, and the administrative challenges of managing different housing programs throughout the city. Bob indicated that the task force was part of the political will to achieve the goals for LI, VLI, and ELI housing.
- Tracey Chew, with the Santa Clara County Collaborative on Affordable Housing and Homeless Issues, explained that the organization has over 100 members that are non-profit and government service providers. The Collaborative helps the county's homeless and VLI populations move from homelessness to ownership. She emphasized that this was a circular process. Tracey indicated that task force member Phaedra Ellis-Lamkins reflects the organization's perspective and the people they are trying to serve. Stephanie indicated that there is a need for 25,000 units for the county's ELI population. The Collaborative likes the staff recommendations, but further discussion is needed to address how 30 percent ELI units can be achieved. She recommended against using Redevelopment Agency funds as the first choice for financing ELI units.
- Michele Beasley, with the Greenbelt Alliance, stated that if Coyote Valley is to be a smart growth community, affordable housing needs should be met locally to allow employees to live where they work and to reduce traffic congestion. Based on the projected 50,000 jobs, a good percentage of the workforce would earn very low incomes. The Greenbelt Alliance's Coyote Valley visioning project projected that at least 16 percent of the workforce would very low incomes. The plan should provide rental housing for ELI households. The focus group identified the need for 80 percent rental units and 20 percent ownership units and targeted 1,500 ELI units. In order to prevent draining the city's housing funds, Michele encouraged taking advantage of non-profit affordable

housing developers' expertise in finding additional funding sources. Those funds should be targeted for infill housing.

7. Public Comments

None.

8. Adjourn

Councilmember Williams adjourned the meeting at 7:29 p.m. The next task force meeting will take place on March 27, 2006.