

Background on Inclusionary Housing Study in San José

On June 19, 2007, the Mayor and City Council adopted actions items related the Five-Year Housing Investment Plans (FYHIP) for Fiscal Years 2007-2012. One of the actions included in the FYHIP was a recommendation that the City consider the feasibility of a Citywide policy for inclusionary housing.

On December 11, 2007, the City Council held a study session to adopt a public process for receiving feedback about a potential Citywide inclusionary housing program. As part of the review of this policy, the City Council approved moving forward with an economic feasibility analysis.

In preparation for this feasibility study and the public meetings, a list of over 700 individuals, developers, and community organizations was developed to share information about the study process, upcoming meetings, meeting summaries, and materials. The City, along with its consultant, David Paul Rosen and Associates (DRA), held three meetings to gather information from stakeholders.

- ❖ The first meeting, attended by approximately 30 public members, primarily focused on the prototypes, affordability set aside scenarios, and desired developer incentives (or offsets) that should be studied. This meeting became the foundation for the study and provided an opportunity for developers and interested public members to provide input into the initial phase and structure of the report.
- ❖ The second public meeting was attended by 40 participants, representing nonprofit and for-profit developers, market rate developers, community organizations, and interested public individuals. At this meeting DRA presented the draft pro forma budgets for each of the five selected development prototypes. DRA held interviews with 11 developers to collect information about recent, actual projects in San Jose and received project budgets, which were incorporated into the study and became the basis for analyzing the cost of development.
- ❖ At the final meeting, attended by an estimated 40 people, the consultant reviewed the Draft Administrative Review plan and gave a presentation on the study findings. Attendees raised questions about the study, including whether inclusionary housing represented a taking under California State law and concerns about the assumptions made for mezzanine debt. The Homebuilders Association went on record that its members do not favor inclusionary housing policies. In response, it was stated that inclusionary housing is not a taking according to legal opinions that have been produced in response to this question. With respect to the issue of mezzanine debt, it was agreed that the mezzanine debt assumption was too low and the consultant made changes to reflect the higher numbers.

On April 16, 2008, the Mayor and Councilmember Liccardo brought forward a memorandum to Rules and Open Government Committee requesting a City Council discussion to examine the

consultant's findings and discuss the next steps. The Housing Department provided a new timeline that included this discussion, which was approved by the City Council on May 6, 2008. Under this new adopted timeline, City staff is recommending more time for public review, comment, and policy formulation.

The new schedule adds an additional four public meetings. The meetings will provide an educational overview of inclusionary housing.

- Wednesday, May 7th-Almaden Community Center
- Wednesday, May 14th-Southside Community Center
- Thursday, May 29- Alum Rock Library
- Wednesday, June 18th – West Valley Library

In addition, the City Administration plans to hold several more public meetings in July 2008, with specific dates to be determined. The goal is to discuss the issue of an inclusionary housing policy with the City Council's Community and Economic Development Committee and Neighborhood Services and Education Committee in August or September, with a final recommendation to City Council anticipated in September or October 2008.