



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Stephen M. Haase
Leslye Krutko

SUBJECT: SEE BELOW

DATE: November 22, 2005

Approved

Date

11/30/05

Council District: Citywide
SNI Area: All

**SUBJECT: ACCEPTANCE OF THE ANNUAL PROGRESS REPORT ON THE
IMPLEMENTATION OF THE SAN JOSE 2020 GENERAL PLAN
HOUSING ELEMENT**

RECOMMENDATION

It is recommended that the City Council accept the Annual Progress Report on the Implementation of the Housing Element.

BACKGROUND

State law requires that all jurisdictions prepare an annual progress report on the implementation of the General Plan Housing Element. The report (attached) includes statistics describing the City's accomplishments towards achieving its share of the ABAG Regional Housing Needs Allocation, together with a status report on implementation of the City's Housing programs and efforts to remove constraints to the production of affordable housing.

The City of San Jose is planning on applying for an estimated \$1 million in funds from the State Department of Housing and Community Development (HCD) Workforce Housing Reward (WFR) Program in March 2006. The WFR program awards funds based on the number of residential building permits issued for housing units affordable to low- and moderate-income households during calendar year 2004. Funds may be used for capital projects that provide a direct benefit to the local community. One of the key eligibility requirements is submission of the Annual Housing Element Progress Report to HCD by December 31, 2005.

Per State law, after Council acceptance, a copy of the Annual Report will be provided to HCD and the Governor's Office of Planning and Research.

PUBLIC OUTREACH

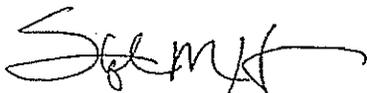
No separate public outreach was conducted as a part of preparation of this report. However, most, if not all, of the City programs described in the report include public outreach in some form.

COORDINATION

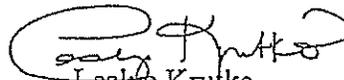
Preparation of this report was coordinated with the City Attorney's Office.

CEQA

Not a project.



Stephen M. Haase, Director
Planning, Building and Code Enforcement



Leslye Krutko
Director of Housing

**2004 Status Report on the Implementation
of the San José 2020 General Plan Housing Element**
November 22, 2005

Background

California State law provides that jurisdictions prepare an annual status report on the progress on meeting the Regional Housing Need Allocation (RHNA) and other goals and objectives as set forth in the Housing Element of the General Plan. This report was prepared pursuant to those provisions. Upon City Council acceptance of the report, it will be forwarded to the California Housing and Community Development (HCD) Department and the Governor's Office of Planning and Research.

The Housing Element is one of the mandatory elements of a General Plan, as required by State Law. California State Law required that San José update its General Plan Housing Element by December 31, 2001. The update addressed how the City proposed to meet its regional fair share housing allocation, reviewed the effectiveness of San José's housing policies and programs and included modifications to several sections of the General Plan, including the Housing Major Strategy, Housing Land Use Goals and Policies, and the Implementation Chapter, which describes San José's housing programs. The City Council adopted General Plan amendments in November, 2001 and June, 2002 intended to incorporate required revisions to the General Plan necessary to prepare the Housing Element for certification. The City received confirmation of final certification of the General Plan Housing Element by the State Housing and Community Development (HCD) Department in June 2003.

A. Progress in Meeting Regional Housing Need

The Association of Bay Area Governments (ABAG) is responsible for allocating the regional housing needs among each jurisdiction in the nine-county Bay Area. ABAG has determined that San José's fair share of the regional need for the planning period is 26,114 units. San José's allocation accounts for 45% of the total housing allocation for Santa Clara County and 11% of the nine County Bay Area region. These 26,114 units are distributed among the economic segments of the community, as depicted in Table 1.

The City of San José has surpassed this goal prior to the end of the timelines set by ABAG. To date, San José has completed 101% of its 1999-2007 Regional Housing Need Allocation (RHNA). During calendar year 2005 (through November), 1,141 new dwelling units began construction to serve Extremely Low, Very Low, Low, and Moderate Income households (see Table 1). This affordable housing consists of those dwelling units whose construction or rehabilitation was either: (a) financed, all or in part, with loans and/or tax-exempt bonds approved by the City Council and Redevelopment Agency Board, or (b) provided by developers in order to meet State-mandated inclusionary housing requirements in Redevelopment Project Areas.

Table 1
Unit Count of Housing Produced for the
 1999-2007 Regional Housing Need Allocation (RHNA) Cycle

Affordability Categories	1999- 2006 RHNA*	Units Added - By Calendar Year							Total Units Added 1999-2005
		1999	2000	2001	2002	2003	2004	2005**	
Very Low	5,337	420	560	928	849	686	277	695	4,415
Low	2,364	199	707	1,303	383	386	469	439	3,886
Moderate	7,086	68	163	46	92	271	129	7	776
Above Moderate	11,327	2,919	3,663	2,391	1,254	3,416	1,961	1,982	17,586
TOTAL	26,114	3,606	5,093	4,668	2,578	4,759	2,836	3,123	26,663

*RHNA goals for the time period beginning January 1999 to June 2006.

**Units are reported as of October 31, 2006.

Locally Identified Affordability Categories

The City of San José has identified an additional income category, extremely low-income (ELI) households, as a special needs category based on the unmet housing needs faced by ELI families. This income category is defined as families earning less than 30% of the County median income. For the purposes of meeting the goals set by the Association of Bay Area Governments (ABAG), these units are included in the "Very Low" income category. The following table demonstrates San José's success in meeting the needs of ELI households:

Table 2
Extremely Low-Income and Very Low-Income Units Added 1999-2005

Affordability Categories	1999- 2006 RHNA	Units Added - By Calendar Year							Total Units Added 1999-2005
		1999	2000	2001	2002	2003	2004	2005**	
Very Low	5,337	420	548	869	533	316	243	651	3,580
Extremely Low			12	59	316	370	34	44	835
TOTAL	5,337	420	560	928	849	686	277	695	4,415

**Units are reported as of October 31, 2006.

B. The Effectiveness of the Housing Element in Attainment of the Community's Housing Goals and Objectives

The City of San José's Housing Department offers a comprehensive affordable housing program. The Department assists in financing both new construction and the rehabilitation of single-family and multi-family units for low- and moderate-income residents in San José. Updates on each of the affordable housing programs administered by the Housing Department are included in this section of the report. All of these programs are used to achieve the quantitative goals identified in the General Plan. The programs are primarily used to develop or conserve housing for lower income households during the 1999-2007 planning period of the housing element.

Specific programs are funded from City redevelopment area property tax increments; the federal Community Development Block Grant (CDBG) program; the HOME program; federal Emergency Shelter Grant (ESG) funds; bond sale proceeds; tax-exempt private activity bonds (CDLAC); Low-Income Housing Tax Credits; the California State Department of Housing and Community Development (HCD) Multifamily Housing Program funds (MHP); private sector investors; and commercial lending institutions. The City's overall strategy is to use available public funds to leverage financing from private sources to support a variety of housing construction and rehabilitation programs.

1. HOMEOWNER PROGRAMS

- a. **Housing Preservation Program (HPP)** - Homeowners earning up 80% of the County median income level may apply for loans up to \$100,000 to rehabilitate their homes. Owners living within the City's Strong Neighborhoods Initiative (SNI) area's, qualify for a 0% interest loan. All other City Area's receive 3% loans. By City Council policy, 75% of Rehabilitation Program funds are to be spent in Strong Neighborhood areas of the City, which are characterized by higher concentrations of lower-income households and older housing stock in greatest need of rehabilitation. This program is successful in providing funding to preserve the City's aging housing stock.
- b. **Home Owner Grant Program (HGP)** - Homeowners earning up 80% of the County median income level may apply for repair grants of up to \$15,000. This program is administered on a "Needs Basis" and primarily serves single-family owner occupied homes. The grant is forgivable if the owners remain in the home for three years. The grant is offered to owners with eligible repairs minor in nature or in conjunction with the programs HPP loan for larger repair needs.
FY 2004-05 Performance: 222 homes rehabilitated
- c. **Mobilehome Repair Grant Program (MRGP) and Mobile Home Repair Loan Program (MRLP)**- Owner occupants of mobilehomes earning less than median-income may apply for one-time repair grants up to \$12,000.

Additionally, the Housing Department offers 3% loans up to \$20,000 for low-income mobilehome owners. The MRLP has been successful in providing options to senior households limited by fixed incomes faced with health and safety concerns in their mobilehomes. Data from FY 2003-04 demonstrates 67% of funds for this program were allocated to senior households.
FY 2004-05 Performance: 131 homes rehabilitated

- d. **Paint Grant Program - Owner Occupied** – Although greatly reduced, this program provides 100% of the cost of painting the exterior of single-family homes up to a maximum of \$5,000. Paint grants are administered in conjunction with the other Housing Rehabilitation programs. The Paint Grant Program presents immediate revitalization to the neighborhoods where recipients are located. This program's ongoing success is due to the limited funds required to administer resulting in the immediate reduction of blight in San José's aging neighborhoods.
FY 2004-05 Performance: 183 homes painted

2. HOMEBUYER PROGRAMS

- a. **First-Time Homebuyers Mortgage Credit Certificates (MCC)** - In cooperation with the County, the City offers Mortgage Credit Certificates (MCC) to qualified buyers. An MCC enables qualified first-time buyers to reduce the amount of their federal income tax liability by a specified percentage of the interest rate they pay on a conventional loan. This reduction may be applied to a new or existing loan. By reducing the tax liability, an MCC effectively increases the homebuyer's income level. The program has proven to be an effective means for enabling low- and moderate-income households to purchase homes that they might not otherwise afford. The program has been effectively combined with other City homebuyer assistance programs to further enhance home purchasing power in one of the nation's highest housing cost areas. The City will continue its cooperation with the County on this program.
*FY 2004-05 Performance: 52 MCC issued in San José
110 MCC issued in Santa Clara County*
- b. **Teacher Housing Program (THP)** - This program provides a deferred equity-share loan of up to \$65,000 to low- and moderate-income San José public school teachers. The THP program has proven to be an effective means for attracting and retaining public school teachers in one of the nation's highest housing cost areas. The City continuously markets and evaluates the program to ensure that program goals and maximum leveraging of City funds are achieved.
FY 2004-05 Performance: 57 loans closed
- c. **Project-Based Second Mortgages** - The City is providing 30-year second mortgages up to \$50,000 for moderate-income, first-time homebuyers in ownership housing projects for which the City has previously provided financial

assistance for development. Interest rates vary, depending upon the borrower's ability to pay. This financing approach has proven to be an effective means for stimulating an increase in the supply of newly constructed housing that is affordable for both low- and moderate-income households. The City is expanding its project-based mortgage program as new sources of funding are identified and secured for San José residents. The City applied for \$1.2 million of Building Equity and Growth in Neighborhoods (BEGIN) project based funding. These funds will assist an additional 40 households with a \$30,000 low-interest loan to be used for downpayment and/or closing cost assistance in four new developments.

FY 2004-05 Performance: 48 loans closed

- a. **The Home Venture Fund (formerly Vernal Fund)** – Private lenders entered into an agreement with Neighborhood Housing Services Silicon Valley, a nonprofit organization, to provide down payment assistance loans to both low- and moderate-income homebuyers. Loan amounts ranged from \$10,000 to \$80,000. Interest income derived from \$4.5 million in City grants is used to make interest payments on behalf of the borrower during the five-year loan deferral period. This is a highly successful and innovative program.

FY 2004-05 Performance: 83 loans closed

2. HOUSING DEVELOPERS/INVESTMENT PROPERTY OWNERS

- a. **Predevelopment Loan Program** – This program is designed to assist nonprofit housing developers with funds necessary to explore the feasibility of a proposed housing project. Under this revolving-loan program, nonprofits may apply for option fees and preliminary environmental or design studies. Loans are currently set at 4% interest and range from \$15,000 to \$100,000 with repayment due at the close of escrow on construction loans or within two years.

FY 2004-05 Performance: 0 loan closed

- b. **Project Development Loans for Construction and Acquisition/ Rehabilitation** – Below market rate gap loans and grants, made to both for-profit and nonprofit developers, are typically subordinated to the primary lender's loan. The loans provide funding for apartments for families and seniors, SROs, transitional housing, and housing for special needs populations. Loans pay for predevelopment, construction, and for other specific development-related costs. Funding for the acquisition and rehabilitation of existing apartment complexes focuses on blighted properties where rehabilitation would have a significant revitalizing impact on the surrounding neighborhood and those projects with expiring HUD loans and rent restrictions ("preservation" projects).

This is an award-winning program that has resulted in the creation of over 13,500 new housing units affordable to low-income households in San José.

Due to recent declines in 20% Tax Increment Funds, this program has a somewhat limited amount of funds available to for-profit and nonprofit developers. A NOFA is therefore used for the selection of developers to receive funding from this program, which helps to ensure targeting of funds to the deepest affordability levels and to the projects that maximize leveraging of City funds. The City desires to continue funding its most effective affordable housing program in future years.

*FY 04-05 Performance: 699 affordable units financed
34 affordable units completed*

- c. **City as “Developer”** – State law stipulates that affordable housing (along with parks and public education) have priority for surplus property owned by any public agency created under State auspices. The Housing Department aggressively seeks to purchase such properties owned by the City of San José, the Valley Transportation Authority (VTA), CalTrans, the 19 school districts in San José, the Santa Clara Valley Water District and other public agencies for housing development. As a result of this program's success, over 180 affordable rental units are completed, 89 affordable rental units are under construction, two affordable ownership units have been completed and 18 affordable ownership units are under construction. The Housing Department continues to utilize this successful approach to securing land for affordable housing.

FY 2004-05 Performance: 180 affordable rental units completed; 1 new City-owned parcel prepared for purchase.

3. HOMELESS SERVICES PROGRAMS

- a. **Emergency Shelter Grant Program (ESG):** ESG is a federally funded program designed to be the “first step” in the prevention of homelessness. The program strives to address the immediate needs of persons residing on the street and needing emergency shelter and transitional housing, as well as assistance in their move to independent living. In FY 2004-05, the City received \$439,756 in funding, which was allocated to 12 nonprofits for operations/maintenance.
FY 2004-05 Performance: 19,248 individuals assisted
- b. **Housing Opportunities for People with AIDS or HIV (HOPWA)** - HOPWA is a federally funded program designed to assist nonprofit agencies in providing housing assistance and supportive services to low-income individuals and families living with HIV/AIDS. Eligible use of funds includes tenant-based rental assistance, project-based rental assistance, housing information and supportive services. For FY 204-05, San José received \$748,000.
FY 2004-05 Performance: 1,901 individuals assisted
- c. **Housing Trust Fund** – In June 2003, the Mayor and City Council approved the allocation of funds to establish a Housing Trust Fund. These funds can be used for a variety of activities, including the development of special needs housing.

The City of San José was successful in securing \$1.5 million of Prop 46 funds in 2003 to use as a new source of funding for this program. A Notice of Funding Availability (NOFA) process has been established for the distribution of these new funds.

FY 2004-05 Performance: 9 direct service grants awarded

- d. **Mayor's Homeless Families and Children Fund:** The Mayor's Homeless Families and Children's Initiative Fund was a two-phase (FY's 2001-03 and 2002-04) competitive funding opportunity, provided by the City of San José, which is designed to support creative and collaborative proposals for one-time projects from the community to address the needs of homeless families and individuals. Due to decreased funding in recent years, this program is no longer available.
- e. **Promoting Growth and Early Self-Sufficiency (PROGRESS)** - In 1998, the City Council authorized the Department of Housing to implement a two-year, \$400,000 program to provide housing and supportive services to homeless families and individuals with the desire to become self-sufficient. The success of the first program prompted the Council to approve another two-year program in 2001. The program averaged a 78% success rate. Due to decreased funding, this has not been available. However, staff is currently determining the feasibility of implementing this program again in 2005.

4. NEIGHBORHOOD IMPROVEMENT PROJECTS

- a. **Strong Neighborhood Initiative (SNI) Demonstration Project Program –** *(formerly known as the Rental Housing Rehabilitation Program and Tenant Occupied Paint Program)* During FY 2004-05, over 300 units in SNI areas were completed through the SNI Demonstration Project Program. Improvements for these units included roofs, exterior landscape, exterior paint, driveways, park strip improvements, and interior improvements such as plumbing. These projects were coordinated with the Redevelopment Agency; Parks, Recreation and Neighborhood Services; Planning Building and Code Enforcement; Property Owner Associations; Tenant Associations; Neighborhood Advisory Committees (NACs); and consultants selected by the NACs.

FY 2004-05 Performance: Colonial Gardens – 100 units completed, Underwood – 84 units completed, Richmond Mencker – 123 units completed, Hoffman/Via Monte – 16 units completed.

C. Progress in Removing Governmental Constraints to Housing Production

The Housing Appendix of the General Plan discusses potential governmental constraints to housing production. The City has taken a number of steps over the past several years that continue to reduce or eliminate these constraints thereby facilitating the production of housing within the City of San José. These include measures intended to improve and

streamline the development review process to insure that the process does not constrain housing development. In addition, a variety of Smart Growth Planning endeavors have been developed that provide housing strategies at a Citywide and neighborhood level.

The following is a summary of the City's efforts in the past year to improve the development review process to remove constraints to housing development.

1. PROCEDURAL IMPROVEMENTS

- a. **Consolidation of Services in the New City Hall** – The most significant change in public services in 2005 was the opening of the new San José City Hall in Downtown San José. The new City Hall consolidates the City Staff from seven previous locations to improve the convenience for the public accessing City services, as well as the efficiency of City staff interaction to conduct business.

The new City Hall includes the Development Services Center which provides all services required by citizens and developers pursuing all types of development approvals from minor single family house alterations to the largest residential, commercial and industrial development projects. The Development Services Center brings together representatives of all departments participating in the development review process, including Planning, Building, Fire, Public Works, and Transportation to provide consolidated review of development applications. The new service eliminates multiple locations that customers previously had to contact to complete the development review process. In addition, the Housing and Economic Development Departments and the Redevelopment Agency, all important participants in the provision of housing in San José, are now located in City Hall, significantly improving both staff and customer coordination.

- b. **Housing Department NOFA Process and Underwriting Guidelines** – In February 2004, the City Council adopted a new NOFA process for awarding funds for affordable housing development. At the same time, Underwriting Guidelines were made available to for profit and non-profit affordable housing developers interested in receiving funding from the City. The public noticing of these documents has provided additional stability to the development community. Through a series of Developer Roundtable discussions, the Housing Department continues to make process improvements in an effort to remove constraints to developing new affordable housing in San José.
- c. **Second Units Pilot Program** - On November 15, the City Council approved a limited pilot program lasting for one year and allowing up to 100 new second units. This pilot program represents a major change in the city's policies towards second units, coming after a 20-year prohibition. The pilot program is meant as means of collecting data on second unit production and location, and as a way to determine whether second units have adverse impacts on surrounding neighborhoods. The pilot program also allows property owners with existing

unpermitted units the ability to legalize their second unit, provided that the unit can meet the second unit ordinance criteria. This pilot program goes into effect January 2, 2006. City staff has received dozens of phone calls per week from residents interested in participating in the pilot program, and based on that, are anticipating significant interest.

- d. **Planning in San José: A Community Guide** – Planning Staff collaborated with the San José State University Department of Urban and Regional Planning to develop a community guide to the planning process. It is a technical resource that explains and demystifies the planning process for residents, business owners and property owners, as well as developers interested in building in San José. The *Guide* clearly identifies specific ways for the community to access information and participate in the planning and development process. The *Guide* is posted on the Planning webpage and is distributed at community meetings. The *Guide* also won an American Planning Association Award for Leadership and Service – Academic Category.
- e. **Completion of Electronic Imaging Backlog Processing** – The Planning and Building Divisions completed a 16-month effort to create electronic images of 6,700 boxes of records previously stored at the City's warehouse. These records, that previously required several days lead time for access and retrieval from storage, are now accessible on-line for ease of staff use and also for viewing by the public.
- f. **Building Inspection Process Improvements** – Two improvements to building inspection procedures were accomplished in 2005, both designed to improve the efficiency and accuracy of building inspections. In response to requests from developers and contractors, the Field Inspection section revised the way inspections are assigned and distributed to allow assignment of the same inspector to all inspections for a development project. The concept known as "Inspector of Record" reduces the potential for variation in code interpretations between inspectors on the same project.
- g. The second change in procedure is the creation of the Plan Check Field Liaison position, assigned to facilitate improved coordination between the engineering plan review and building inspection services. The primary objectives of this position are to support inspection staff in resolving Building Code compliance issues identified during construction, provide feedback to Plan Check Engineering Staff on code issues arising in the field, and to develop and implement uniform interpretations of code applications to typical building construction design conditions. This process has led to significant improvements in resolving potentially costly changes during building construction.

Several successful programs or procedures initiated previously have continued to benefit the approval of housing in San José. They include the following:

- h. Public Outreach Policy** – This policy is designed to ensure participation in the development process by affected and interested members of the community. In particular, the revised policy emphasizes the importance of early notification of new development projects so that community input can be integrated into the review process at an earlier stage and reduce the potential for significant delay due to last minute concerns and opposition from the community.
- i. San José Permits Online (Automated Permit Issuance and Tracking System)** – This comprehensive system facilitates more effective processing of development applications and improved accuracy of tracking project permitting and construction. The San José Permits On-line website (www.sjpermits.org) allows citizens and development customers to view all existing permits and proposed development activity, perform on-line map queries to locate geographic and property data, map locations of all active permits and applications within 2,000 feet of a selected property or view land use maps on-line to help determine if a property is suitable for development. The system includes both Interactive Voice Recognition (IVR) and on-line inspection scheduling and viewing of inspection results, on-line submittal and issuance of simple permits and on-line viewing of electronically-imaged permit documents and plans. The web-based services are available during non-business hours.
- j. Preliminary Review Process** - The Preliminary Review Process allows applicants to receive any of three increasingly in-depth levels of review of development proposals, prior to submittal of a development application. The staff feedback provided allows applicants the opportunity to finalize applications and project design materials that more closely align with City policies and standards, thereby facilitating more efficient and timely processing.
- k. Plan Conformance Process** – This process consists of Planning Project Manager review and sign-off of Building Permit plans for new construction projects, verifying that the Building Plans conform to the Planning permit approval. This process ensures that the construction plans match the Planning approval while providing the opportunity to catch design errors prior to commencement of construction when such mistakes are usually more costly in both time and money.
- l. Multiple General Plan hearings** - The City holds up to the four General Plan hearings allowed by State law, based on the number of amendments submitted. This approach has been praised by both the development industry and City Council as helping expedite approval of new development projects, particularly housing.

2. SMART GROWTH LAND USE PLANNING

San José has been performing Smart Growth Planning for more than 30 years. Key activities include:

- Careful planning for future use of all vacant land, together with proactive efforts to plan for the reuse of outmoded and underutilized properties
- Identifying appropriate locations for increased development intensities, primarily along transit corridors
- Developing specific plans that further the goals of the General Plan by defining housing opportunities in strategic locations throughout the City.

a. Availability of Vacant Land

The availability of vacant residential land is frequently cited as the most important constraint in meeting housing needs. The annual Vacant Land Inventory (VLI) provides information on San José's vacant land supply by General Plan Land Use/Transportation Diagram designation, along with the rate of development (or absorption) of remaining vacant land.

According to the VLI, the vacant residential land supply was estimated at approximately 1,090 acres in July 2005. Approximately two-thirds of the vacant residential land is designated for single-family development, and is located primarily in the Almaden, Alum Rock, Berryessa, or Evergreen planning areas. On the other hand, multi-family lands are more evenly distributed, with the greatest concentration (27%) occurring in the South planning area (in the Communications Hill Specific Plan area).

Given the limited supply of vacant land, the future rate of land absorption is expected to be much slower and more stable than in the past. In fact, the rate of vacant residential land absorption during Fiscal Year 2004/05 was the slowest in the last 25 years (129.5 acres). However, slower land absorption has not translated into reduced production of new housing units. This is because development is now more commonly occurring on previously developed land (i.e., not vacant) and residential densities are increasing. Today, only about one-fifth of San José's new housing is made up of single-family detached units, with the large majority being higher-density apartments, condominiums, and townhomes.

As noted above, San José produced 2,433 dwelling units during 2005 (through October), clearly indicating that the slowly diminishing vacant land supply is not a limiting factor in the development of new housing. An example of the City's anticipated future success in providing new housing despite diminishing vacant land resources is the fact that there are approximately 34,700 units of new housing capacity planned in the combined Downtown and North San José areas and only approximately 80 acres of remaining vacant land. A description of the recent land use

policy changes affecting Downtown and North San José is included in the following section.

b. Long Range Planning

General Plan Hearings

As described below and in the following section on Specific Plans and Special Land Use Studies, this year the City Council approved a combination of General Plan amendments and related land use policy changes that resulted in a significant increase in the residential holding capacity of the General Plan, not estimated at approximately 75,000 dwelling units.

Transit-Oriented Development

The City has completed the third and final phase of the Housing Opportunity Study (HOS). The HOS is a proactive approach to facilitate increased housing production, support transit with appropriate development intensities, and further the City's longstanding policy of infill development. The HOS seeks to identify specific vacant or underutilized parcels, particularly within or near Transit-Oriented Development (TOD) Corridors that would be suitable for higher density or mixed-use development. These TOD Corridors include Guadalupe, Stevens Creek Boulevard/West San Carlos Street, Santa Clara Street/Alum Rock Avenue, Winchester Boulevard, Capitol Avenue/Expressway, and the Vasona Light Rail Transit line.

Planning staff identified and analyzed 13 sites that were potentially appropriate for conversion to high density residential. After further analysis, staff eliminated six of the sites. Of the five sites that were approved by the City Council in Fall 2004, two sites proposed conversion to high density residential on a total of approximately 13.2 acres and could produce up to approximately 650 dwelling units.

In June 2005, staff-initiated General Plan amendments related to Vision North San José added the capacity for 24,700 new housing units within proximity to an existing Light Rail Transit corridor.

Also in June 2005, the City Council approved San José Redevelopment Agency initiated General Plan amendments that expanded the Greater Downtown Core Area Boundary and increased the maximum building height in this area so that maximum building height would be defined by the airspace requirements of the Federal Aviation Administration Regulations instead of specific heights and floor area ratios. These changes increase the potential number of housing units that can be built within proximity to Light Rail Transit, Bus Rapid Transit, and future BART stations. Projects totaling approximately 2,000 new dwelling units in high density residential towers are in various stages of the approval process in the original and expanded Downtown Core area.

Several privately initiated General Plan amendments converted land from non-residential uses to high-density residential uses within proximity to existing Light Rail and Caltrain stations, as well as future BART stations. Most notably, the Hitachi campus mixed-use General Plan amendment added approximately 2,900 housing units within proximity to Light Rail Transit and Caltrain to the General Plan residential holding capacity. Other General Plan amendments comprising approximately 28 acres in other locations close to Light Rail Transit corridors and BART Station Area Nodes added approximately 460 units to the General Plan residential holding capacity.

Specific Plans and Special Land Use and Transportation Studies

During 2005, staff from Planning, together with other key City Departments completed two major land use and transportation studies, resulting in City Council adoption of the North San José Area Development Policy update and the revision to the City's Transportation Level of Service Policy. In addition, significant progress continued on two other major efforts intended to provide a vision for San José's future growth and development. These are the Coyote Valley Specific Plan and the Evergreen Visioning Project.

- Vision North San José – In June, 2005 the San José City Council approved an update to the North San José Area Development Policy intended to guide the continued development in the North San José area, the City's primary employment center and home to many Silicon Valley Hi-Tech companies. The policy update will facilitate the future development of 26.7 million square feet of new industrial office space and 1.7 million square feet of new neighborhood serving commercial/ retail space.

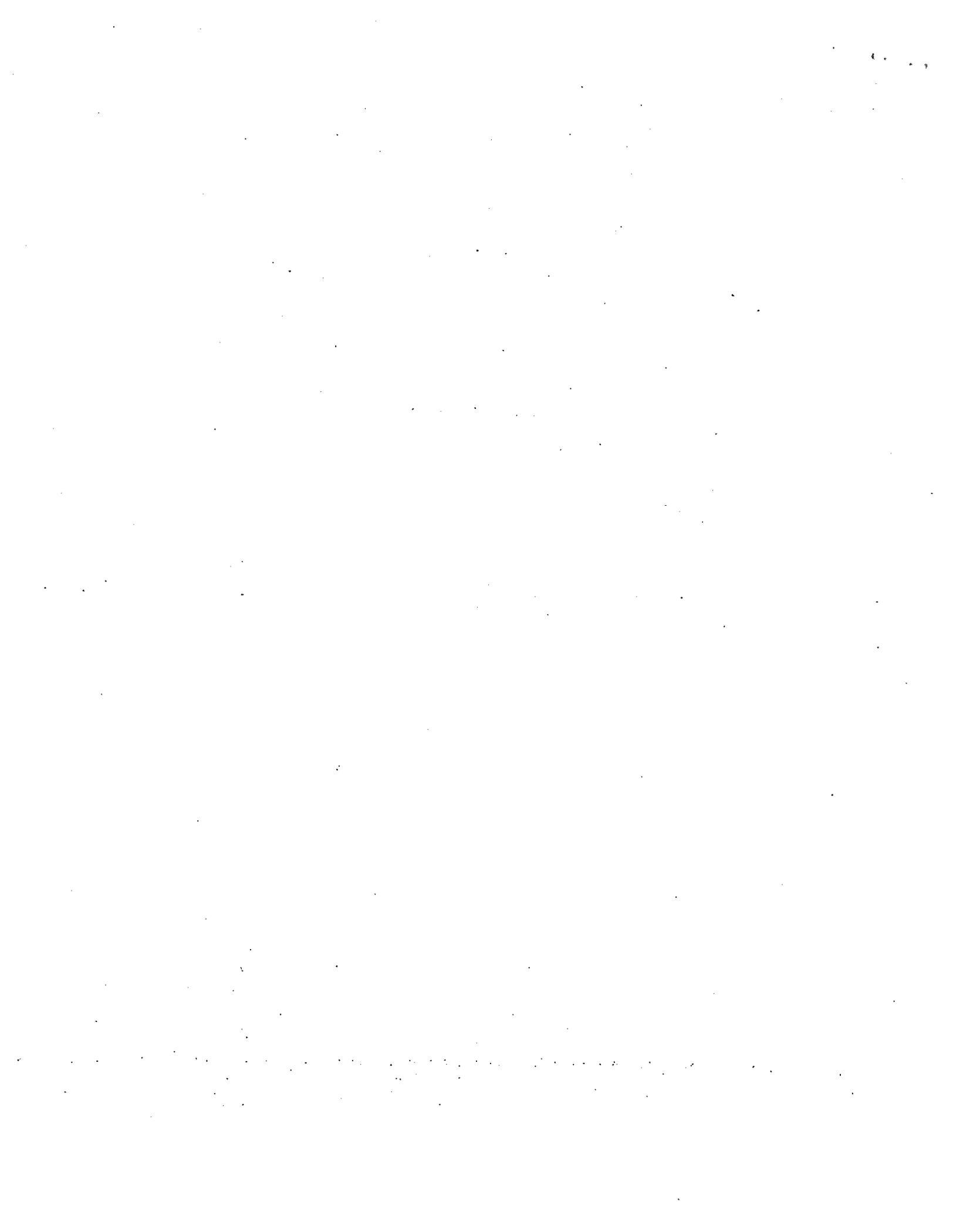
A key component of the update was the addition of 24,700 new housing units to the City's General Plan capacity for the North San José area, including the potential conversion of 300 acres of existing industrial land to residential use. These units were added to the North San José area to provide housing opportunities in close proximity to existing job centers and to support their future growth. The Vision project also provided environmental clearance for the development of existing residential lands totaling 32,000 units in combination with the new capacity. All of these new units will be located within a Redevelopment Policy Area and subject to a 20% requirement for below market rate units. The adopted policy includes a phasing plan designed to coordinate the timing of the new industrial, commercial and residential development with construction of \$519 million in planned infrastructure improvements. 8,000 residential units are included in the first phase. The City has begun to receive development applications for new residential development consistent with the new policy.

- Transportation Level of Service Policy Update - In June, 2005, the San José City Council adopted an update to the citywide Transportation Level of Service (LOS) Policy, designed to facilitate continued residential and commercial development within transit corridors and on infill sites, consistent with the City's General Plan. The previous policy in some cases acted as a barrier to infill development or intensification of the City's transit corridors by requiring that such projects include funding for intersections improvements (e.g. adding turn lanes or through lanes to an intersection) that were undesirable given General Plan goals and neighborhood interests. The updated Policy includes more flexible mechanisms to allow the City to designate specific "protected" intersections at which the City could consider alternative pedestrian and transit facility improvements in place of expansion of an intersection to accommodate new development in the intersection's vicinity. The update to this Policy will facilitate ongoing residential development within several areas of the City, particularly along transit corridors.
- Coyote Valley Specific Plan - The Coyote Valley Specific Plan (CVSP) area contains 7,000 acres of mostly undeveloped land in the southern reaches of San José. The City's overall vision for the Coyote Valley, as stated in the General Plan, is a unique, vibrant, balanced community of at least 50,000 driving industry jobs and 25,000 housing units on the northerly 3,600 acres, where people live, work and play. At least 20% of the new homes must be affordable to persons of moderate or lower income levels. The remaining 3,400 acres are planned as a permanent non-urban buffer (South Coyote Valley Greenbelt). The proposed land uses should be sensitive to the environment and well connected through a rich network of open spaces, trails, bicycle paths, roads and transit. The CVSP process was initiated by the City Council in August, 2002 and provides the ability to plan land uses in detail, determine infrastructure and community services, formulate financing and implementation programs, and phase the implementation of the plan elements as necessary. The process is led by a 20 member citizen Task Force appointed by the City Council, including the participation of affected agencies, property owners, developers, and other community and regional stakeholders. The Task Force is currently evaluating the timing and logistical requirements for different job/housing development scenarios based on a preferred conceptual infrastructure and land use plan for Coyote Valley. The Environmental Impact Report analysis, based on these preferred plans, commenced with two public scoping meetings in June 2005. Task Force, community and stakeholder meetings will continue for the rest of 2005 and through 2006, discussing the various components of the specific plan, including new zoning regulations, design guidelines, fiscal impact analysis, financing plan, phasing and implementation plan. The City Council is expected to consider the CVSP in late 2006 or early 2007.
- Evergreen ♦ East Hills Visioning Strategy - The Evergreen ♦ East Hills Visioning Strategy (EEHVS) is a community-based planning initiative intended to establish future planning and land use policies and guide the construction of transportation and community amenities to enhance Evergreen's character and quality of life. A

City Council appointed community Task Force is currently considering a range of development scenarios that would add capacity for 540 to 825 new housing units within the Evergreen - East Hills area, depending upon the final scenario selected. As currently proposed, a significant portion of these units (1,500 to 1,825) could be allocated to a site located within a Redevelopment Area subject to a 20% inclusionary housing requirement. The Task Force is also considering additional affordable housing requirements as part of the Strategy. One of the key challenges for the Task Force is to determine an appropriate balance between new housing growth, transportation improvements and community amenities.

Conclusion

San José remains committed to the production of housing for all economic segments of the community. This commitment is articulated in the Housing Element and in the ongoing implementation of a wide range of housing plans and programs.



December 22, 2005

Richard Loa
Assistant to the Director for Local Government Affairs
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RE: Transmittal of Annual Progress Report on the Implementation of the San Jose 2020 General Plan Housing Element

Dear Mr. Loa:

Enclosed please find a copy of the Annual Progress Report on the Implementation of the San Jose 2020 General Plan Housing Element. This letter constitutes the formal transmittal of the Annual Progress Report to the Department of Housing and Community Development, as required by Government Code Section 65400. The Progress Report was accepted by the San Jose City Council on December 13, 2005.

Should you have any questions, please contact me at (408) 535-7876.

Sincerely,


for Stan Ketchum
Principal Planner

Attach.

c Stephen M. Haase, Director of Planning
Leslye Krutko, Director of Housing
Laurel Prevetti, Deputy Director of Planning
Rachel Vanderveen, Housing Department

