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Memo Author

AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: HONORABLE MAYOR, CITY COUNCIL, REDEVELOPMENT AGENCY	FROM: HARRY S. MAVROGENES DEL D. BORGSORF
SUBJECT: SEE BELOW	DATE: JANUARY 11, 2005

SUBJECT: AMENDMENT TO THE INCLUSIONARY HOUSING POLICY

RECOMMENDATION

It is recommended that the City Council and Agency Board adopt resolutions clarifying that the City's Policy on Inclusionary Housing requires that the payment of the in-lieu fee for for-sale Small Housing Projects be based on twenty percent of the project's total units.

BACKGROUND

State redevelopment law requires that at least 15% of all new and substantially rehabilitated dwelling units developed within a Redevelopment Project Area that is adopted after January 1, 1976 shall be available at affordable housing cost to persons or families of very low to moderate income. The City's Policy on Inclusionary Housing requires developers to provide affordable housing units in each new residential project to ensure that the required numbers of affordable units are being built within each Redevelopment Project Area.

The Inclusionary Housing Policy has been amended from time to time to better encourage new housing development in Redevelopment Project Areas, while continuing to meet or exceed the State's requirement to provide the required number of affordable units. The last amendment to the Policy was adopted on September 30, 2003, in response to the approval of the Strong Neighborhoods Initiative (SNI) Project Area in June 2002 and the City Council and Agency Board's desire to encourage more housing ownership opportunities. The September 30, 2003, amendment reduced barriers to for-sale projects and small infill projects, which are expected to be prevalent in the newly created SNI areas.

ANALYSIS

Developers of for-sale housing have two options to meet the City's Inclusionary Housing requirement; they can elect to make at least 20% of the project's units available to households who are of moderate or low income, or they can elect the standard 15% minimum obligation of which at least 9% of the units are available to households of moderate or low income and at least 6% of the units are available to households of very low income. The Inclusionary Housing Policy also allows market rate housing projects with 11 to 20 units to pay an in-lieu fee rather than providing the affordable units. With respect to for-sale projects, the small project exception does not address whether to use 15% or 20% in calculating the in-lieu.


The proposed amendment would make it clear in the Inclusionary Housing Policy that if a developer of a project with 11 to 20 units chooses to pay the in-lieu fee instead of providing units, the in-lieu fee will be paid based on 20% of the total number of dwelling units in the project rather than 15% of the total number of dwelling units. The Agency "Procedures for Complying with the City of San Jose Inclusionary Policy" would also reflect this change.

COORDINATION

This memo has been coordinated with the Departments of Housing; Planning, Building, and Code Enforcement; the City Attorney, and with the Agency's General Counsel.

FISCAL IMPACT

There is no direct fiscal impact associated with this amendment. The Technical Amendment is requested to avoid possible confusion or challenges regarding the amount of the in-lieu fee for small projects.


DEL D. BORGS DORF
City Manager


HARRY S. MAVROGENES
Interim Executive Director