



AFFORDABLE HOUSING AND HOMELESSNESS

Despite a prosperous local economy and high median incomes, thousands of Santa Clara County residents experience homelessness each year. An increasing number of people are one missed paycheck away from relocation or homelessness. From 2012-16, wages in Santa Clara County, San Mateo County and San Francisco County areas have risen an average of 2.8 percent a year, while average housing rents have risen roughly 9 percent a year. Housing production growth continues to fall far behind job growth in the County. From 2010 through 2016, employment in Silicon Valley jumped 29%, while housing inventory rose just 4%.

The lack of affordable housing is destined to have an increasingly profound impact on the County. Ironically, the County's great economic success is a cause of the exceedingly high housing costs. In January 2017, more than 7,300 individuals were living on the streets, in shelters, or in transitional housing across the county. As of January 2019, that number has increased to more than 9,700 individuals. There has been a 20% increase in the homeless population within the City of Santa Clara over this two-year period. Cities across the state have struggled to address the growing affordable housing and homelessness crisis as housing prices continue to soar.

To address the lack of affordable housing, both the County and the State have taken significant measures to provide much needed support to local jurisdictions. In November 2016, Santa Clara County residents approved Measure A, a \$950 million general obligation bond that will create new affordable rental and homeowner housing opportunities. Measure A is part of an ongoing effort to: 1) increase affordable housing opportunities for our community's most vulnerable and poorest residents; and 2) to prevent and reduce homelessness throughout Santa Clara County. Measure A builds on key policy shifts and communitywide partnerships that occurred over the last five years. In response, the City of Santa Clara is partnering with the County on multiple development projects in order to access Measure A resources and to reach some of our community's most vulnerable and poorest residents.

To address the needs of its most vulnerable residents, Santa Clara County's supportive housing system provides shelter, supportive housing, and homelessness prevention services. However, these resources are limited and the demand for affordable housing and supportive services far exceeds the system's current capacity. Santa Clara County's Community Plan to End Homelessness, created in 2015, outlines a coordinated strategy to address homelessness that is powered by collaboration. Building partnerships across County departments, local governments, the business sector, and non-profit and philanthropic partners to leverage available resources and bring in new funding streams is fundamental to expanding the reach of the supportive housing system. As the 5-year period covered by this plan comes to an end, this year will see a renewed community planning process to develop a roadmap for future work to end homelessness in 2020 and beyond.

At the State level, in 2017, then-Governor Jerry Brown signed into law a legislative housing package aimed to help alleviate the affordability crisis by streamlining housing development (AB 73, SB 35 and SB 540); increasing accountability of cities and enforcement housing goals (AB

72, AB 678, AB 879, AB 1387, AB 1515, SB 166, and SB 167); and creating and preserving more affordable housing (AB 571, AB 1505, AB 1521, SB 2, and SB 3).

In 2018, additional bills were approved by the Legislature, and signed into law by Governor Brown, aimed at increasing housing opportunities and density (AB 2372, AB 2753, AB 2797, AB 2923, and SB 1227); streamlining housing production (AB 2162, AB 2263, AB 3194, and SB 765); and amending planning processes (AB 686, AB 1771, SB 828, and SB 1333).

In 2019, Governor Gavin Newsom established a target of building 3.5 million new housing units in California over the next decade. The Governor worked with the Legislature to advance several bills aimed at boosting housing production and improving tenant protections. Among the bills that were signed into law were:

SB 330 – The Housing Crisis Act of 2019 will accelerate housing production in California by streamlining permitting and approval processes, ensuring no net loss in zoning capacity and limiting fees after projects are approved.

AB 1482 – The Tenant Protection Act of 2019 enacts a cap of 5 percent plus inflation per year on rent increases statewide for the next 10 years. The law does not apply to properties built in the last 15 years, nor does it apply to single-family home rentals (unless owned by large corporations) or to projects already under construction or under current rent control schemes.

In 2018, the City of Santa Clara acted to ensure the availability of affordable housing to moderate, low, very-low and extremely-low income households through the adoption of the Affordable Housing Ordinance and Impact Fees. The new requirements include a combination of inclusionary requirements for residential projects, and impact fees for smaller projects and nonresidential projects, to provide a steady stream of affordable housing units and revenue to fund the provision of affordable housing projects across the City.

Since the dissolution of Redevelopment Agencies, the City of Santa Clara's two main sources of funding for affordable housing are from the federal Community Development Block Grant (CDBG) and HOME Investment Partnerships Act Program (HOME) entitlement grants. The federal entitlement grants are used to promote affordable housing, rehabilitate substandard housing, build new park facilities, provide neighborhood improvements and remove barriers to the handicapped, and fund public services for low and moderate income residents. Thus, Community Development Block Grant (CDBG) and Home Investment Partnerships Program (HOME) continue to be significant sources of funding for the City. There were proposals to cut federal funding programs such as CDBG, HOME, and the Section 8 voucher program in 2018 and 2019, which would have greatly impeded the City's affordable housing goals. Fortunately, the U.S. Department of Housing and Urban Development budget was not cut during those periods and City staff continues to monitor federal funding for housing.

The City of Santa Clara is committed to being a leader at the local level in providing affordable housing, as well as making a fair share contribution to the overall need for housing production within Silicon Valley, and will continue to proactively take concrete steps to realize new housing production within the City. Santa Clara is also prepared to participate in broader regional efforts that are collaborative, recognize the unique characteristics of local jurisdictions, and provide opportunities for local representation. The City is concerned about potential measures imposed at the State or regional level that reduce local control, recognizing that in some instances such measures can be necessary or helpful to advance common goals across multiple jurisdictions, but also aware that such efforts may have unintended consequences, limited effectiveness, or create inequities due to a lack of accountability to localized circumstances.

Specifically, City staff has been tracking progress on SB 50 and has expressed its concerns with the potential shift in decision making represented by SB 50 from the local jurisdiction to a single mandated approach. The City of Santa Clara continues to believe that the local jurisdiction is the appropriate level to conduct land use planning that fully incorporates the involvement of local community members and an understanding of conditions unique to the community.

On January 21, 2020, the City of Santa Clara submitted a letter to Senator Scott Wiener expressing specific concerns with the legislation. Despite recent amendments to the bill, the City felt unable to evaluate whether the “local flexibility plan” was a viable alternative planning option without clearly identified criteria. On January 30, 2020, California State Senators rejected Senate Bill 50, which means that this bill will not advance in 2020. The City anticipates future efforts to enact similar legislation and will continue to monitor this issue.

Ongoing City advocacy efforts will continue to focus on encouraging the State and federal government to provide more resources (funding, legal authority, technical support, streamlining of burdensome administrative requirements associated with federal funding, etc.) to local governments to address local housing needs. At the State level, the City will encourage the State to engage in constructive dialogue with local governments to seek realistic solutions to local fiscal challenges and challenges in meeting local affordable housing goals, rather than adopting measures that reduce local control and are mainly punitive in nature. The City also monitors and supports ongoing efforts at the State level to reform the California Environmental Quality Act (CEQA) and in particular streamlining of CEQA provisions to support the production of affordable housing or to reduce the potential for unmerited CEQA litigation. At the federal level, the City will focus on increased federal funding for affordable housing and community development programs for local governments; preserving and strengthening the low-income housing tax credit (LIHTC) program and federal tax exemptions for private activity bonds (PABs); preserving federal tax exemptions for state and local taxes including state and local property, sales, and income taxes, and maintaining federal tax exemptions for mortgage interest payments on primary residences (at least). Elimination or weakening of the LIHTC and/or PAB programs and/or SALT and mortgage interest deduction could have significant negative impacts on affordable housing production, first-time home buyers, local and state governments’ fiscal health, and the stability of the California housing market.

The City will continue to monitor other legislation of potential concern, including the following bills during the 2020 legislative session:

AB 725 – Current State Law requires a city’s general plan housing element to include an inventory of land suitable for a specified amount of housing development (the City’s Regional Housing Needs Allocation or RHNA) within a planning period. AB 725 would require that at least 25% of a metropolitan jurisdiction RHNA for above moderate-income housing be allocated to sites with zoning with a maximum density of 35 units per acre. This requirement is both impractical for Santa Clara and counter to good planning principles for an urban environment, as it would require a significant amount of already developed commercial land be designated for low density residential use, contrary to the City’s increasingly urban setting and high land values. The City can provide significantly more housing capacity, consistent with market demand, by planning for higher-density residential neighborhoods. This bill could undermine housing production or force the unnecessary conversion of industrial areas to residential use.

SB 795 – This bill would create a new State funding source for affordable housing available to local jurisdictions through a voluntary, application-based process. The City supports this

legislation as it provides additional funding opportunities for new affordable housing which could assist the City in meeting its goals for developing affordable housing within Santa Clara.