

Housing Prototypes

David Paul Rosen & Associates (DRA) has been retained by the City of San Jose Housing Department to prepare an economic analysis of a potential inclusionary housing program in the City. The study will examine the potential effects of alternative inclusionary housing requirements on a range of housing prototypes that represent market rate housing currently being built or planned in San Jose.

The study will focus on up to six prototypes of housing products. The purpose of the prototypes is to accurately represent the range of market rate housing (owner and renter) likely to be developed in the near term in San Jose.

The prototypes were developed in collaboration with the City of San Jose Housing Department, Planning Department and Redevelopment Agency. The prototypes are based on a thorough understanding of the development pipeline in San Jose, as well as DRA's extensive development experience statewide.

DRA's study will model the following prototypes, which are presented in greater detail at www.sjhousing.org :

Owner Housing Prototypes:

1. High Rise Condominiums (Type I construction / subterranean parking)
75 du/a*
2. Stacked Flat Condominiums (Type V construction / podium parking)
70 du/a
3. Single Family Townhomes (Type V construction / garage parking at grade)
17 du/a
4. Single Family Detached Homes (garage parking at grade)
7 du/a

Renter Housing Prototype:

1. Stacked Flat Apartments (Type V construction / podium parking)
70 du/a

* dwelling unit per acre

Developer Incentives and Alternative Compliance Options

DRA will also model the economic benefit of a variety of development incentives and alternative compliance options offered to housing developers. This will measure the value of the incentives and alternative compliance options. The following potential incentives and options were developed in collaboration with the City of San Jose Housing Department, Planning Department and Redevelopment Agency.

1. Design Modification:

Allow less expensive interior finishes in the required below market rate (BMR) units.

2. Off-site New Construction:

Allow inclusionary requirement to be met with off-site construction of BMR units.

3. Off-site Acquisition/Rehabilitation:

Allow inclusionary requirement to be met with acquisition/rehabilitation of BMR units off-site.

4. Alternative Unit Type:

- Allow inclusionary requirement to be met with stacked flat units in lieu of townhomes, and/or attached townhomes in lieu of detached single family homes.
- Define inclusionary requirement as a certain number of bedrooms, rather than units, and provide an incentive for meeting the requirement with larger units. This would allow the requirement to be met with fewer units with more bedrooms, which are less expensive to build than smaller units.

5. Density Bonus:

Allow higher maximum densities for including BMR units.

Alternative Inclusionary Housing Set-Aside Requirements

DRA will examine the economic effect of several alternative inclusionary requirements. The alternatives specify the percentage of a development's units that must be affordable to households of specified income levels. The set-aside percentages and income targeting varies based on whether the development is owner or renter housing. The following alternative inclusionary requirements will be modeled, and were developed in collaboration with the City of San Jose Housing Department.

RENTER SCENARIOS

<u>Definition of Affordable Housing Expense</u> ¹	<u>Income Level</u>	<u>Set Aside Percentages Modeled</u>		
		<u>Scenario 1</u> ²	<u>Scenario 2</u>	<u>Scenario 3</u>
30% of 35% of AMI	Extremely Low Income (ELI)	0%	0%	5%
30% of 50% of AMI	Very Low Income (VLI)	8%	5%	5%
30% of 60% of AMI	Low Income (LI)	12%	10%	0%

OWNER SCENARIOS

<u>Definition of Affordable Housing Expense</u> ¹	<u>Income Level</u>	<u>Set Aside Percentages Modeled</u>		
		<u>Scenario 1</u> ²	<u>Scenario 2</u>	<u>Scenario 3</u>
30% of 70% of AMI	Low Income	0%	0%	5%
30% of 90% of AMI	Moderate Income	0%	5%	5%
35% of 110% of AMI	Moderate Income	20%	10%	0%

¹ Affordable housing expense is expressed as a percentage of household income, specified as a percentage of Area Median Income (AMI). See "Definition of Affordable Housing Expense."

² Reflects current policy in Redevelopment Areas.

Definition of Affordable Housing Expense

The definition of affordable housing expense used in the analysis will comply with California Redevelopment Law and California Health and Safety Code standards. For renters, housing expense includes rent and utilities. For owners, housing expense includes mortgage, property tax, insurance, and condominium fees and/or maintenance expenses, and utilities. The definition of affordable housing expense varies depending on income level and tenure of occupants. Household income is adjusted for household size based on the California Health and Safety Code occupancy standard of one person per bedroom plus one. The definition of affordable housing is proposed as follows:

Income Level of Occupants	Type of Housing	
	Rental	Ownership
Extremely Low Income (35% AMI and below)	30% of 35% AMI	NA
Very Low Income (50% AMI and below)	30% of 50% AMI	30% of 50% AMI
Lower Income (greater than 50% AMI to 80% AMI)	30% of 60% AMI	30% of 70% AMI
Moderate Income (greater than 80% to 120% AMI)	NA	35% of 110%