TOWN OF LOS GATOS

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CIVIC CENTER
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LOS GATOS, CA 95030

September 6, 2018

VIA First Class Mail

Mr. Peter Hertan, Foreperson
Santa Clara County Civil Grand Jury
Superior Court Building
191 North First Street
San Jose, CA 95113

(ENDORSED)
FILED
SEP 10 2018
Clerk of the Court
Superior Court of CA County of Santa Clara
BY _____ DEPUTY
Janice Jones

RE: Response to the Santa Clara Civil Grand Jury Report on "Affordable Housing Crisis: Density is our Destiny"

Dear Mr. Hertan,

The Town would like to thank you and the other jurors for your work on this important topic. Attached, please find the Town's response to the Santa Clara Civil Grand Jury Report on "Affordable Housing Crisis: Density is our Destiny."

The response was reviewed and approved by the Los Gatos Town Council on September 4, 2018. The Town is required to respond to 14 Findings and 11 Recommendations. The attached document contains the Town's responses to the Findings and Recommendations. In summary, the Town agrees with three Findings and partially agrees with 11 Findings. In addition, responses to the Recommendations have been included.

If you have any questions, please contact me at Manager@LosGatosCA.gov or (408) 354-6832.

Sincerely,

Laurel Prevetti

LAUREL PREVETTI
Town Manager

LP/jj

cc: Robert Schultz, Town Attorney
Honarable Patricia Lucas, Presiding Judge, Santa Clara County Superior Court, Superior Court Building,191 North First Street, San Jose, CA 95113
Clerk of the Court, Santa Clara County Superior Court, Superior Court Building,191 North First Street, San Jose, CA 95113

TOWN OF LOS GATOS RESPONSE TO THE SANTA CLARA COUNTY CIVIL GRAND JURY REPORT ON "AFFORDABLE HOUSING CRISIS: DENSITY IS OUR DESTINY" DATED JUNE 21, 2018

Finding 1a
Lack of housing near employment centers worsens traffic congestion in the County and increases the urgency to add such housing.

Response: ***Agree.***

Finding 2a
Employers in the County have created a vibrant economy resulting in an inflated housing market displacing many residents.

Response: ***Partially agree.***
While the finding correctly identified the robust job market as a contributor to the inflated housing market, there are many other factors driving higher prices and displacement.

Recommendation 2a
The County should form a task force with the cities to establish housing impact fees for employers to subsidize BMR housing, by June 30, 2019.

Response: ***Will not be implemented.***
This recommendation will not be implemented because the County has responded to this report stating that it will not implement this recommendation. However, if a task force is formed, the Town will consider participating in that effort.

Finding 2b
Contributions to BMR housing from employers in the County are not mandated nor evenly shared.

Response: ***Agree.***

Recommendation 2b
Every city in the County should enact housing impact fees for employers to create a fund that subsidizes BMR housing, by June 30, 2020.

Response: ***Requires further analysis.***
Implementation of this recommendation would require the Town to prepare a nexus study to determine if housing impact fees are warranted. This is not an identified Town Council priority, and will be considered at the Town Council's Priority Setting meeting which will occur in December 2018 or January 2019. The outcome of this meeting will determine if the required nexus study will be pursued.

Finding 3a

RHNA sub-regions formed by several San Francisco Bay Area counties enable their cities to develop promising means to meet their collective BMR requirements. Such sub-regions can serve as instructive examples for cities in the County.

Response: ***Partially agree.***

A RHNA sub-region may result in increased collaboration between jurisdictions; however, each jurisdiction will continue to be required to plan for meeting its own RHNA for all income categories.

Recommendation 3a

Every city in the County should identify at least one potential RHNA sub-region they would be willing to help form and join, and report how the sub-region(s) will increase BMR housing, by the end of 2019.

Response: ***Requires further analysis.***

The Cities Association of Santa Clara County is currently considering the formation of a RHNA sub-region for Santa Clara County. At their meeting on August 21, 2018, the Los Gatos Town Council expressed interest in participating in a RHNA sub-region.

Finding 3b

Developers are less willing to consider BMR developments in cities with the County's highest real estate values because these developments cannot meet their target return on investment.

Response: ***Partially agree.***

The Town is not in a position to comment on the business decisions of private developers.

Recommendation 3b

A RHNA sub-region should be formed including one or more low-cost cities with one or more high-cost cities, by the end of 2021.

Response: ***Requires further analysis.***

The Cities Association of Santa Clara County is currently considering the formation of a RHNA sub-region for Santa Clara County. At their meeting on August 21, 2018, the Los Gatos Town Council expressed interest in participating in a RHNA sub-region. If a RHNA sub-region is formed, it should not be predicated on whether a low-cost city participates.

Finding 3c

More BMR units could be developed if cities with lower housing costs form RHNA sub-regions with adjacent cities with higher housing costs.

Response: ***Partially agree.***

A RHNA sub-region may result in increased collaboration between jurisdictions; however, each jurisdiction will continue to be required to plan for meeting its own RHNA for all income categories regardless of whether the community has high or low housing costs.

Recommendation 3c

High-cost cities and the County should provide compensation to low-cost cities for increased public services required for taking on more BMR units in any high-rent/low-rent RHNA sub-region, by the end of 2021.

Response: ***Requires further analysis.***

If a RHNA sub-region is formed, then the participating jurisdictions can consider whether compensation to other jurisdictions is appropriate. However, even if a sub-region is formed high-cost jurisdictions will still be required to plan for the production of BMR units.

Finding 3e

High-cost/low-cost RHNA sub-regions could be attractive to high-cost cities because they could meet their BMR requirements without providing units in their cities.

Response: ***Partially agree.***

A RHNA sub-region may result in increased collaboration between jurisdictions; however, each jurisdiction will continue to be required to plan for meeting its own RHNA for all income categories regardless of whether the community has high or low housing costs.

Finding 4a

Commercial linkage fees can be an important tool to generate critical revenues to support BMR housing.

Response: ***Partially agree.***

This is one revenue generating approach assuming a jurisdiction has sufficient new commercial development.

Finding 4b
Use of commercial linkage fees is overdue and could be expected to substantially increase BMR units.

Response: ***Partially agree.***
This is one revenue generating approach assuming a jurisdiction has sufficient new commercial development to raise enough funds to build affordable housing.

Recommendation 4
Campbell, Milpitas, Los Gatos, Los Altos and San Jose should enact commercial linkage fees to promote additional BMR housing, by June 2019.

Response: ***Will not be implemented.***
Implementation of this recommendation would require the Town to prepare a nexus study to determine if commercial linkage fees are warranted. This is not an identified Town Council priority and it could not be completed prior to June 2019.

Finding 5a
Uneven BMR achievements among cities is caused in part by varying inclusionary BMR unit percentage requirements.

Response: ***Partially agree.***
The Town of Los Gatos has had success with its inclusionary requirements that have resulted in the production of BMR units.

Finding 6
In-lieu fees, when offered as an option, are too low to produce the needed number of BMR units and delay their creation.

Response: ***Partially agree.***
The costs of housing construction may not be keeping pace with established in-lieu fees.

Finding 7
NIMBY (Not in My Backyard) opposition adversely affects the supply of BMR housing units.

Response: ***Partially agree.***
NIMBY is only one of many factors affecting the production of BMR units.

Recommendation 7

A task force to communicate the value and importance of each city meeting its RHNA objectives for BMR housing should be created and funded by the County and all 15 cities, by June 30, 2019.

Response: ***Will not be implemented.***
This recommendation will not be implemented because the County has responded to this report stating that it will not implement this recommendation because it is not warranted. However, if a task force is formed the Town will consider participating in that effort.

Finding 8

It is unnecessarily difficult to confirm how many BMR units are constructed in a particular year or RHNA cycle because cities and the County only report permitted units.

Response: ***Partially agree.***
State law requires all jurisdictions to prepare an annual report of their Housing Elements following the guidance of the California Department of Housing and Community Development. This guidance requires reporting of Building Permit issuance since it is a reliable metric of actual housing production.

Recommendation 8

All 15 cities and the County should annually publish the number of constructed BMR units, starting in April 2019.

Response: ***Has not been implemented, but will be implemented in the future.***
The Town will make information available regarding Building Permits Finaled/Certificates of Occupancy issued (i.e., construction complete) on the Town's website before June 30, 2019.

Finding 9

Accessory Dwelling Units (ADUs) offer a prime opportunity for cities with low housing density and limited developable land to produce more BMR units.

Response: ***Agree.***

Recommendation 9a

ADU creation should be encouraged by decreasing minimum lot size requirements and increasing the allowed unit maximum square footage to that prescribed by state law, by the end of 2019.

Response: ***Has been implemented.***

In February 2018, the Town Council adopted a revised ADU ordinance that does not contain a minimum lot size requirement. Additionally, the revised ADU ordinance increased the allowable floor area ration by 10 percent to allow larger ADUs.

Recommendation 9b

Increasing BMR unit creation by incentivizing long-term affordability through deed restrictions for ADUs should be adopted, by the end of 2019.

Response: ***Has been implemented.***

As an incentive for long-term ADU affordability the Town pays the ADU planning application fee for property owners who are willing to record a deed restriction. The incentive requires the unit to be rented as a low-income BMR unit if the unit is occupied by someone other than a member of the household occupying the primary unit.