

San Jose Downtown Association
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San Jose, CA 95113



sjdowntown.com
408.279.1775

March 8, 2022

The Honorable Mayor Sam Liccardo and City Council
City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

RE: Implementation and Amendment of the Commercial Linkage Fee Ordinance, Item 8.3

Dear Mayor Liccardo and City Councilmembers,

The San Jose Downtown Association (SJDA) expresses our support for the staff recommendation regarding the Commercial Linkage Fee (CLF).

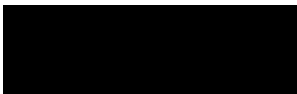
As the city revisits the CLF again, familiar issues resound. As noted in our August 28, 2020 letter to Council, generating new commercial development and business growth is crucial for San Jose to help create the jobs needed to address the city's structural budget imbalance. This has been a priority civic goal for decades and an underpinning of the city's General Plan.

What has changed since Council action on the CLF a year and a half ago? A crushing pandemic, skyrocketing construction costs, supply chain disruptions and delayed commercial projects over uncertainty with the future of work. Now is not the time to overreach with the CLF.

Staff's recommendation follows the Council direction by providing reasonable payment options, and encourages up front payments through a discounted fee structure. The deferred payment option is important for those developments that may need the flexibility to align payments with the lease up of their buildings. This flexibility will be especially critical during tough economic times when tenanting can take multiple years. The deferred payment flexibility can make a difference for projects getting out of the ground.

We understand the need for affordable housing throughout the city is great. So is the need for job growth in San Jose. If the CLF is not implemented correctly it could preclude development and recurring annual property tax, business tax, and sales and transaction tax revenue that supports the city, and ultimately our affordable housing aspirations.

Sincerely,



Scott Knies
Executive Director



SILICON VALLEY LEADERSHIP GROUP

2001 Gateway Place, Suite 101E
San Jose, California 95110

(408) 501-7864

svlg.org

DATE

March 7, 2022

Ahmad Thomas, CEO
Silicon Valley Leadership Group

Jed York, Chair
San Francisco 49ers

Eric S. Yuan, Vice Chair
Zoom Video Communications

James Gutierrez, Vice Chair
Luva

Victoria Huff Eckert, Treasurer
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EY

Alan Lowe
Lumentum

Judy C. Miner
Foothill-De Anza Community
College District

Rao Mulpuri
View

Kim Polese
CrowdSmart

Sharon Ryan
Bay Area News Group

Siva Sivaram
Western Digital

Tom Werner
SunPower

San José City Council
200 E. Santa Clara St.
San José, CA 95113

RE: March 8th Agenda Item 8.3 – Actions Related to Implementation and Amendment of the Commercial Linkage Fee Ordinance.

Dear Mayor and Council,

The Silicon Valley Leadership supports the staff memo dated February 15th which implements practical and technical changes needed to successfully implement the Commercial Linkage fee ordinance that was adopted on September 22, 2020.

The Silicon Valley Leadership Group is driven by more than 400 member companies to proactively tackle issues to improve our communities and strengthen our economy, with a focus on education, energy, environment, health care, housing, tax policy, tech & innovation policy, and transportation.

We are opposing the memo from Councilmembers Cohen, Jimenez, and Carrasco which eliminates the discounted upfront payment and deferred payment options. Additionally, it moves up the timing of reconsideration of fee rates by directing, "Staff to return to Council no later than the June 28th Council meeting with options for increasing fees by the September 2nd...." This memo was drafted without the extensive community engagement and consultation with the commercial development community that occurred in 2020 when the Commercial Linkage Fee was initially adopted.

This memo also stated council should be presented with "options for increasing fees," presupposing the outcomes of not yet completed updated feasibility analysis in these uncertain economic times for commercial real estate. Additionally, raising fees in so short a time frame will increase the level of uncertainty and unreliability in an already heavily disrupted local economic environment.

The compromise that garnered seven votes in September 2020 on Commercial Linkage Fees was not perfect from many points of view, but it was a compromise that businesses began to plan around. Changing the structure and cost of development fees every other year will hurt our ability to attract investment.



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Finally, I will share the direction from council on September 1st, 2020 which directed staff to "Conduct a new feasibility study, to be undertaken no more than two years from fee adoption." The fee was adopted on September 22, 2020. We can and should have conversations around feasibility which should be underway this year, but not necessarily enacted in the timelines the March 4, 2022 memo from Councilmembers Cohen, Carrasco and Jimenez states, and certainly not without input of those paying the fees. Those who want to invest in San José need to be able to reliably calculate their costs long-term.

Thank you for your consideration of our comments. If you have any questions please reach out to Vince Rocha, Vice President of Housing and Community Development at vrocha@svlg.org.

Sincerely,



Ahmad Thomas
Chief Executive Officer
Silicon Valley Leadership Group

Item 8.3 of 3/8/22 Council Agenda Re Commercial Linkage Fee

Aaron Fenton <[REDACTED]>

Tue 3/8/2022 8:35 AM

To: City Clerk <[REDACTED]> The Office of Mayor Sam Liccardo <[REDACTED]>
 District1 <[REDACTED]> District2 <[REDACTED]> District3 <[REDACTED]> District4 <[REDACTED]>
 District5 <[REDACTED]> District 6 <[REDACTED]> District7 <[REDACTED]>
 District8 <[REDACTED]> District9 <[REDACTED]> District 10 <[REDACTED]>

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Dear Honorable Mayor and City Councilmembers,

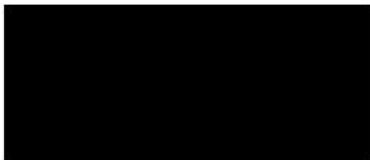
I am writing on behalf of Boston Properties in strong support of staff's recommendations proposing various payment options for the Commercial Linkage Fee (CLF). Providing developer's the option to phase-in their CLF payments should allow more development projects to get off the ground

The office market has slightly recovered over the past year, driven by several large lease transactions by tenants such as Apple and Facebook. However, the impacts of Covid-19, corporate shifts to hybrid working models, and major macro economic uncertainties continue to be a headwind for our industry and present significant risk for commercial development. Adding to the uncertainties of what the workplace will look like moving forward, construction costs have significantly risen since the onset of the pandemic driven by commodity pricing and supply chain issues, among other things, and we don't expect there to be a moderation of costs as we move forward. Construction costs have risen nearly 15% since the beginning of the pandemic and rents have not kept up, making speculative development very challenging.

Given the uncertainties around construction cost increases, we strongly disagree with the recommendation to re-evaluate the CLF and whether it should be increased later this year. While we are extremely bullish on San Jose and the vibrancy of the city to support large tech tenants as evidenced by the restart of our Platform 16 project, there has been no large scale leasing of the new office developments yet, and so only time will tell. We are also still recovering from the pandemic and the pace of demand for office space in the future is still uncertain.

We urge you to approve staff's recommendations on providing developer's flexibility on timing of the CLF, and we strongly disagree with increasing the CLF in the near future

Aaron Fenton
SVP, Development





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San Jose Chamber
of Commerce

Mayor Sam Liccardo and San Jose City Councilmembers
City of San Jose
200 E. Santa Clara Street
San Jose, CA 95113

March 8, 2022

RE: Item 8.3 – Commercial Linkage Fees

Mayor Liccardo and City Councilmembers:

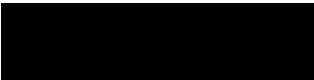
The San Jose Chamber of Commerce would like to express our support for the February 15th staff memo regarding commercial linkage fee (CLF) collection and would request its adoption under Item 8.3 on the March 8, 2022, Council agenda.

The goal of the commercial linkage fee, namely that a nexus exists between commercial development and the need for more affordable housing, is laudable, and even more pressing in the current crisis of housing affordability. The means, however, of the collection of these fees must also be driven towards another laudable goal: increasing commercial development and enhancing the likelihood of full leasing of these buildings. By providing flexible payment options that are conscience of current economic conditions, the staff memo is the best option for achieving these goals concurrently.

The benefits of this approach are multi-faceted. Facing an uneven recovery, San Jose's small businesses and customer facing organizations require a vibrant and active city, with feet on the sidewalks and abundant commercial activity. We have seen the myriad of impediments to this occurring, many of which – like the supply chain disruption and ongoing work from home policies – are out of our control. It is for that reason that Council, when the decision is within their purview, should adopt the approach on CLF that is most likely to lead to continuing robust development throughout San Jose.

We appreciate the consideration of this position and respectfully request that Council adopt the staff memo on Item 8.3 during your meeting this afternoon. Thank you for all you do to make San Jose a premiere destination to start and grow your business.

Sincerely,



Derrick Seaver
President & CEO

Via Email

March 8, 2022

Honorable Mayor Sam Liccardo and Members of the City Council
City of San Jose

Dear Mayor Liccardo, Vice Mayor Jones, and Councilmembers Arenas, Davis, Carrasco, Cohen, Esparza, Foley, Jimenez, Mahan, and Peralez.

Item 8.3 – Actions Related to the Implementation of the Commercial Linkage Fee

We write today to express our concern that despite falling short in our response to the pressing affordability crisis in our communities, San Jose is not adequately preparing for the increased need for affordable housing that will accompany the post pandemic growth in the city. The Commercial Linkage Fee is the primary tool used by cities throughout the county to fund affordable housing development as they increase local employment. San Jose's policy is the weakest in the county and fails to equitably confront these challenges.

We ask the Council to support the memorandum from Councilmembers Cohen, Jimenez, and Carrasco and take two actions:

- **Amend the ordinance to require payment of Commercial Linkage Fees at time of issuance of building permits.**
- **Direct City Staff to follow the direction from September 2020, return to Council by September, 2022 for consideration of increasing the fees across the city.**

We also ask for the following:

Remove the current waiver of fees for the first 40,000 square feet of new office space, and align any fee reductions with neighboring jurisdictions.

When the last City Council finally adopted a Commercial Linkage Fee in 2020, following years of advocacy and the active engagement of over 50 community-serving organizations, fees were set well below what was feasible due to the uncertainty of the pandemic. At that time, recognizing the immense number of new jobs planned around the city, the council accepted the recommendation from Mayor Liccardo to have City Staff prepare an update of the Fee Feasibility Study and return in no more than two years to reassess appropriate fee levels. ***It is critical that the Council affirm its own direction, and support increasing the fees by September of this year.***

We are not through the extensive human, social, and economic impact of the pandemic, but our major employers have fared well, and the current commercial development pipeline will bring well over 100,000 new jobs to the city. It is imperative for appropriate Commercial Linkage Fees be in place prior to the start of post-pandemic construction to be effective in addressing increased demand for affordable housing. Our existing need is already tremendous. Inaction would be a failure of our commitment to our communities in recovery.

Sincerely,

Nadia Aziz, Directing Attorney
Law Foundation of Silicon Valley

Gabriela Chavez-Lopez, Executive Director
Latina Coalition of Silicon Valley

Louis Chicoine, Chief Executive Officer
Abode Services

Gina D. Dalma, Executive Vice President
Silicon Valley Community Foundation

Jennifer Hark Dietz, CEO
PATH

Amie Fishman, Executive Director
Non-Profit Housing Association of Northern California

Poncho Guevara, Executive Director
Sacred Heart Community Service

Maricela Gutiérrez, Executive Director
Services, Immigrant Rights and Education Network (SIREN)

Janice Jensen, President & Chief Executive Officer
Habitat for Humanity East Bay/Silicon Valley

Gregory R. Kepferle, Chief Executive Officer
Catholic Charities of Santa Clara County

Jennifer Loving, Chief Executive Officer
DESTINATION: HOME

Derecka Mehrens, Executive Director
Working Partnerships USA

Sandy Perry
Affordable Housing Network

Andrea K. Urton, Chief Executive Officer
HomeFirst Services of Santa Clara County

Victor Vasquez, Co-Executive Director
SOMOS Mayfair

Jon White, Chief Real Estate Officer
Allied Housing

Regina Celestin Williams, Executive Director
SV@Home

Dan Wu, Executive Director
Charities Housing