

Board of Directors

Ron Gonzales, Chair
*Hispanic Foundation
of Silicon Valley*

Janice Jensen, Vice Chair
*Habitat for Humanity
East Bay/Silicon Valley*

Kevin Zwick, Treasurer
Housing Trust Silicon Valley

Kathy Thibodeaux, Secretary
KM Thibodeaux Consulting LLC

Shiloh Ballard
Silicon Valley Bicycle Coalition

Bob Brownstein
Working Partnerships USA

Christine Carr

Katie Ferrick
LinkedIn

Amie Fishman
*Non-Profit Housing Association of
Northern California*

Javier Gonzalez
Google

Poncho Guevara
Sacred Heart Community Service

Jan Lindenthal
MidPen Housing

Jennifer Loving
Destination: Home

Mary Murtagh
EAH Housing

Chris Neale
The Core Companies

Andrea Osgood
Eden Housing

Kelly Snider
Kelly Snider Consulting

Jennifer Van Every
The Van Every Group

Staff

Leslye Corsiglia
Executive Director

TRANSMITTED VIA EMAIL

September 17, 2018

Honorable Mayor Sam Liccardo and Members of the City Council
City of San Jose
200 East Santa Clara Street, 18th Floor
San Jose, CA 95113

Dear Mayor Liccardo, Vice Mayor Carrasco and Councilmembers, Arenas, Davis, Diep, Jimenez, Jones, Khamis, Nguyen, Peralez, and Rocha,

**RE: 4.7-- Actions Relating to the Santa Clara County Civil Grand Jury
Report Entitled "Affordable Housing Crisis: Density Is Our Destiny"
and to Potential Commercial Impact Fees**

We write today to urge the City Council to take decisive action to address the City's housing crisis by **directing staff to conduct a city-wide Nexus Study for non-residential development and an accompanying fee feasibility study.**

We also ask that the City continue to provide leadership in working toward a regional linkage fee, which we understand may require State legislation.

Commercial Linkage Fees (CLF) are an important tool in a City's housing toolbox, and there are many solid reasons the City should adopt such a fee:

- Developers of market rate residential properties are required to incorporate affordable homes into their developments or pay an in-lieu fee. It is only reasonable to ask that developers of commercial uses be asked to be a part of the affordable housing solution.
- Neighboring cities have adopted CLFs, including the cities of Palo Alto, Mountain View, Cupertino, Sunnyvale, and Santa Clara. The Milpitas City Council, which considered a CLF earlier this year, is set to adopt a new fee this fall. Fees range from \$35 in Palo Alto, to \$20 and \$15 for Santa Clara and Sunnyvale respectively.
- When this issue was heard before San Jose's City Council in 2017, the decision was to revisit the nexus study when Santa Clara and Milpitas had moved forward with CLF ordinances.

The nexus between jobs and housing has long been established. It has also been established that there is insufficient ongoing revenue in San Jose to create the affordable homes needed to accommodate new jobs being added, particularly homes affordable to lower- and moderate-income residents.

By also conducting a feasibility study, the City can identify a feasible fee level given its unique economic situation. The goal is not to blindly enact a fee that

disincentivizes commercial development, but rather to determine a fee level that both enables commercial development to proceed and provides funding for the City to finance the development of new homes where those jobs can live.

San Jose has always been a leader in responding to its housing needs, yet we know the City is falling short on its affordable housing goals.

Now is the time for action.

Thank you for your consideration and for all you do for affordable housing.

Sincerely,

Leslye Corsiglia
Executive Director

Alison Brunner, Law Foundation of Silicon Valley, CEO

Louis Chicoine, Abode Services, Executive Director

Matt Franklin, MidPen Housing, President and CEO

Poncho Guevara, Sacred Heart Community Service, Executive Director

Geoffrey Morgan, First Housing, President and CEO

Mary Murtagh, EAH Housing, President and CEO

PACT - People Acting in Community Together

Dan Wu, Charities Housing, Executive Director

Kevin Zwick, Housing Trust Silicon Valley, Chief Executive Officer



TRANSMITTED VIA EMAIL

September 10, 2018

Honorable Mayor Sam Liccardo and Members of the City Council
 City of San Jose
 200 East Santa Clara Street, 18th Floor
 San Jose, CA 95113

Dear Mayor Liccardo, Vice Mayor Carrasco, and Councilmembers, Arenas, Davis, Diep, Jimenez, Jones, Khamis, Nguyen, Peralez and Rocha.

**RE: Item 4.1 Response to Santa Clara County Civil Grand Jury Report
 Entitled “Affordable Housing Crisis: Density is our Destiny”**

On behalf of our members, I write today to thank the City for its timely response to the Santa Clara County Civil Grand Jury’s request to address specific findings and recommendations included in its report entitled “Affordable Housing Crisis: Density is our Destiny.”

As indicated by staff responses, the City has taken steps to implement many of the recommendations reflected in the Grand Jury report – from establishing an inclusionary ordinance that reflects best practices to taking steps to amend its accessory dwelling unit ordinance earlier this year.

And, yet, as indicated the Mayor Liccardo’s memo, “we are in the middle of a severe and stubborn housing crisis” – one that demands consideration of a broad set of tools if we are to make considerable headway on the housing scarcity and affordability issues that plague many San Jose residents. While the City is on track to build 145 percent of its market-rate housing goals, at the current pace and level of resources, it will meet only 15 percent of its low- and very-low income targets, and 9 percent of its moderate-income goal.

SV@Home strongly supports the combined direction stemming from two separate memoranda authored by Mayor Liccardo and Vice Mayor Carrasco and Councilmembers Peralez, Jimenez, and Rocha. We urge the Council to swiftly act on the two main recommendations stemming from the memoranda as soon as possible, namely:

- **To agendize a discussion regarding a potential city-wide commercial linkage fee nexus study and feasibility analysis and**

Ron Gonzales, Chair
*Hispanic Foundation
 of Silicon Valley*

Janice Jensen, Vice Chair
*Habitat for Humanity
 East Bay/Silicon Valley*

Kevin Zwick, Treasurer
Housing Trust Silicon Valley

Kathy Thibodeaux, Secretary
KM Thibodeaux Consulting LLC

Shiloh Ballard
Silicon Valley Bicycle Coalition

Bob Brownstein
Working Partnerships USA

Gina Dalma
*Silicon Valley Community
 Foundation*

Katie Ferrick
LinkedIn

Amie Fishman
*Non-Profit Housing Association of
 Northern California*

Javier Gonzalez
Google

Poncho Guevara
Sacred Heart Community Service

Nathan Ho
Silicon Valley Leadership Group

Janikke Klem
Technology Credit Union

Jan Lindenthal
MidPen Housing

Jennifer Loving
Destination: Home

Mary Murtagh
EAH Housing

Chris Neale
The Core Companies

Andrea Osgood
Eden Housing

Kelly Snider
Kelly Snider Consulting

Jennifer Van Every
The Van Every Group

Staff

Leslye Corsiglia
Executive Director

Honorable Mayor Sam Liccardo and Members of the City Council

September 11, 2018

Re: Item 4.1 Response to Santa Clara County Civil Grand Jury Report Entitled "Affordable "Housing Crisis: Density is our Destiny"

Page 2 of 2

- **To provide a detailed report back regarding nexus study and feasibility analysis implementation plan as well as updates regarding the regional commercial linkage fee and implementation of the RHNA sub-region among others.**

We are grateful for the leadership on this Council and for its shared sense of urgency and purpose for addressing the housing crisis. We continue to offer our support to ensure that, together, we find a way to provide housing affordability and stability for all San Joseans.

Sincerely,

Pilar Lorenzana
Deputy Director



WORKING PARTNERSHIPS USA

September 7, 2018

Mayor Sam Liccardo and Member of the City Council
City of San José
200 East Santa Clara Street, 18th Floor
San Jose, CA 95113

Re: Item 4.1 Response to Santa Clara County Civil Grand Jury Report Entitled “Affordable Housing Crisis: Density Is Our Destiny.”

Dear Mayor and Council:

We are writing to express our concern over the findings of the Santa Clara County Grand Jury Report entitled “Affordable Housing Crisis: Density is Our Destiny.” In particular, we urge the Council to support the recommendations from the September 7th memo from Councilmembers Peralez, Rocha, and Jimenez and Vice Mayor Carrasco to reject the staff memo’s response to Finding 4b and to agenda consideration of a Nexus Study for a City-wide Commercial Linkage Fee for the September 18th City Council meeting.

The staff memo in response to the Grand Jury findings does not address the need for dedicated sources of funding that shares the burden of addressing affordable housing across all stakeholders, specifically among commercial developers. The response does not address the fact that while the city is far ahead of its market-rate production goals, it is falling dramatically short of its below market rate housing needs. By continuing to delay the adoption of a commercial linkage fee, the city is also allowing mega-developers like Google to get away with building commercial projects that lead to further gentrification and displacement without paying their fair share to address our growing affordable housing needs.

In the city’s response to Finding 4a, staff acknowledges that commercial linkage fees can be an important tool to generate critical revenues to support below market-rate housing. As has been shown by the adoption of these critical funding tools by nearly every other significant city in Santa Clara County¹, these fees ask developers and tech companies to pay for their impact on the increased need for affordable housing. Commercial linkage fees are based not on regional housing production, local tax bases, or the state of individual municipality finances. They are based on firm economic impact analysis that has been recognized by state legislative and judicial bodies the basis for measuring the *specific* impact of individual projects².

In its reply to Finding 4b which found that the use of the commercial linkage fees is overdue and could be expected to substantially increase BMR units, the staff memo makes a number of claims that are diversions from the central issue of the Grand Jury’s findings. The city provides information about the current asking rents for commercial office space in the city and compares it to the cost of development of office space in the region to conclude that a commercial linkage fee may diminish the likelihood of new commercial development. No significant evidence exists to suggest that either the lack of a commercial impact fee for the past 15 years has

¹ Commercial Linkage Fees in Santa Clara County: <https://siliconvalleyathome.org/resources/#commercial-linkage-fees>

² BIA vs. City of Patterson: <https://caselaw.findlaw.com/ca-court-of-appeal/1165068.html>



September 10, 2018

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

Re: Commercial Linkage Fees (Council Item 4.1) – OPPOSE

Dear Mayor Liccardo and City Council:

On behalf of The Silicon Valley Organization (The SVO), I am writing to express our strong opposition to any consideration of a commercial linkage fee, which would create disincentives for employers to add jobs and would worsen San Jose's already poor "jobs-to-housing" imbalance. By way of background, The SVO is the Silicon Valley's premier business advocacy organization representing 1,400+ companies that employ nearly 300,000 workers and we represent our membership as the region's largest Chamber of Commerce.

On June 12th earlier this year, the city council directed staff to drop any consideration of a commercial linkage fee on the premise that this policy would further worsen San Jose's jobs-to-housing imbalance. We agree with city staff's analysis on finding 4b of the Civil Grand Jury report, which states that any additional cost to the commercial development and construction process would likely diminish such developments in San Jose. Furthermore, the San Jose City Council recently hosted a study session on the "cost of development" which also released findings that soaring construction and labor costs have made private development practically unviable in most parts of the city. An additional commercial linkage fee would only exacerbate these problems, instead of addressing the root cause of the problem: housing supply.

There is no doubt that Silicon Valley is experiencing an unprecedented housing crisis and there have been numerous local and state solutions designed to tackling this problem. However, the key systemic solution is to drastically increase housing supply at all income levels throughout the region. The best way to accomplish this goal is to relax regulatory barriers established by San Jose's general plan in order to significantly accelerate housing production. Through Mayor Liccardo's leadership and his 15-point housing plan, we are already looking at ways to build an additional 25,000 new housing units through multiple, nuanced policy approaches. As such, commercial impact fees only worsens San Jose's job-to-housing imbalance, has the potential to greatly increase commercial displacement of low to middle-income jobs, and does not address our regional housing crisis.

For these reasons, The SVO strongly urges you to reject this proposal. Should you have any further questions on The SVO's position, please contact Eddie Truong, Director of Government and Community Relations, at 408-291-5267.

Sincerely,

Matthew R. Mahood
President & CEO
The Silicon Valley Organization

Executive Committee

2018 BOARD CHAIR
Lennies Gutierrez
Comcast

FIRST VICE CHAIR
Marc Parkinson
Petrinovich Pugh & Company

SECOND VICE CHAIR
Roxanne Vane
Heritage Bank

VICE CHAIR ECONOMIC
DEVELOPMENT
Rick Beatty
Lehigh Hanson

VICE CHAIR MEMBERSHIP
Jeanne Serpa
Republic Services

VICE CHAIR PUBLIC POLICY &
ADVOCACY
Paul Cardus
Silicon Valley Assoc. of Realtors

VICE CHAIR
COMMUNITY ADVANCEMENT
Janikke Klem
Technology Credit Union

AT-LARGE
Michael Bangs
Oracle

Sean Cottle
Hoge Fenton

Tony Mirenda
Blach Construction Company

Michael Turpin
Bay Area News Group

Hanh Nguyen
Kaiser Permanente

Tracey Enfantino
Environmental Systems, Inc.

SVO PAC CO-CHAIR
Anil Babbar
California Apartment Association

SVO PAC CO-CHAIR
Tracey Enfantino
Environmental Systems, Inc.

LEGAL COUNSEL
Eugene Ashley, Esq.
Hoge Fenton

TREASURER
Michael Fox Jr.
Goodwill Silicon Valley

IMMEDIATE PAST CHAIR
Dan Bozzuto
Bozzuto Insurance Services

PRESIDENT & CEO
Matthew R. Mahood
The silicon valley organization



Michael E. Fox, Jr.
President & CEO

September 14, 2018

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

Re: Commercial Linkage Fees

Dear Mayor Liccardo and City Council:

As a business owner in San Jose, I am writing to share my serious concerns and opposition to moving forward with a potential study of a commercial linkage fee in San Jose. As the CEO of Goodwill of Silicon Valley and my past roles as President of an Anheuser Busch and beverage distributorship I can testify to the fact that regulatory and development fees are choking the small and medium size business person. Many of these people are in family businesses and employ other family members as well as residents. Family and small businesses struggle to keep up with the large technology companies who sell their product to a global marketplace. When the cost of development goes up it unfairly hits their bottom line.

The San Jose City Council recently hosted a study session on the "cost of development", which released findings that soaring construction and labor costs have made private development practically not viable in most parts of the city. The significant number of fees and regulatory barriers in San Jose is a major reason for this. An additional commercial linkage fee would only exacerbate these problems, especially when we should be encouraging development in order to meet the housing supply need in our city.

A commercial linkage fee will make San Jose's jobs-to-housing imbalance even worse and does not guarantee new housing. The city's tax base increases when we encourage more businesses and jobs to invest in San Jose. This fee would be counterproductive to that goal and could potentially discourage commercial development, which would send San Jose into a downward spiral with ever

decreasing revenue that would cause a ripple effect and forcing cuts to essential city services that San Jose residents deserve to have.

Instead of punishing job creators with a new fee, we should be facilitating new housing developments so that we can meet the market's demand for housing. By facilitating more housing production, we can create more naturally affordable homes so that we can tackle the housing crisis head-on. This is a real, regional solution to the housing supply problem.

Please don't vote for this poor policy and waste taxpayer dollars on a study to implement commercial linkage fees.

Best Regards,

Michael E. Fox, Jr.

September 13, 2018

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

Re: Commercial Linkage Fees

Dear Mayor Liccardo and City Council:

I am a San Jose native and resident. I am writing to share my serious concerns and opposition to moving forward with a potential study of a commercial linkage fee in San Jose. Lehigh Hanson is a major supplier of the key building materials used in the construction of San Jose and surrounding Silicon Valley. Our Permanente cement plant and quarry in the hills above Cupertino employs more than 150 workers and has supplied cement and construction aggregates to build San Jose and the Santa Clara Valley since 1939.

The San Jose City Council recently hosted a study session on the “cost of development”, which released findings that soaring construction and labor costs have made private development practically unviable in most parts of the city. The significant number of fees and regulatory barriers in San Jose is a major reason for this. An additional commercial linkage fee would only exacerbate these problems, especially when we should be encouraging development in order to meet the housing supply need in our city.

A commercial linkage fee will make San Jose’s jobs-to-housing imbalance even worse and does not guarantee new housing. The city’s tax base increases when we encourage more businesses and jobs to invest in San Jose. This fee would be counterproductive to that goal and could potentially discourage commercial development, which would send San Jose into a downward spiral with ever decreasing revenue that would cause a ripple effect and forcing cuts to essential city services that San Jose residents deserve to have.

Instead of punishing job creators with a new fee, we should be facilitating new housing developments so that we can meet the market’s demand for housing. By facilitating more housing production, we can create more naturally affordable homes so that we can tackle the housing crisis head-on. This is a real, regional solution to the housing supply problem.

Please do not vote for this poor policy and waste taxpayer dollars on a study to implement commercial linkage fees. I encourage you all to find ways to welcome new sensible development to our City without placing more burdens on an already complicated process.

Best Regards,

Sincerely,

Rick Beatty
Vice President Sales
Bay Area Materials