



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember
Donald Rocha

SUBJECT: HOUSING CRISIS WORK PLAN

DATE: June 11, 2018

Approved

Date

6-11-18

RECOMMENDATION

Accept the staff report and approve the Housing Crisis Work Plan with the following amendments:

Direct staff to begin work now on conducting a citywide Nexus Study and Financial Feasibility Study for a Commercial Linkage Fee. Staff should identify funding to conduct these studies and return to Council for any necessary direction or approval.

ANALYSIS

Last September, the Mayor issued a memo on the Housing Crisis which set a goal of building 10,000 affordable housing units within five years. Achieving this goal would help alleviate the crisis of housing affordability and homelessness that our community is currently suffering through. I'm very appreciative of staff's proposed Housing Crisis



Work Plan and hope that it will move us closer to the Mayor's goal.

The challenge before us is daunting. In the Affordable Housing Investment Plan staff report, staff estimates that with current funding sources, the City and other funders will be able to produce 5,615 units over the next five years, leaving us 4,385 units short of our 10,000 unit goal. Staff estimates that the City's cost for producing 4,385 units would be \$548.1 million.

The Housing Crisis Work Plan includes many work items that would adjust City policy or ordinance related to housing, but it only includes one item that would establish a new source of City funding for affordable housing: the Commercial Impact Fee. New funding will

need to be a part of our strategy to reach the 10,000 unit goal. I believe we should begin studying a Commercial Impact Fee to ensure that we can make a timely and informed decision on whether to enact it.

The next step in analyzing a Commercial Impact Fee would be to conduct a nexus study and a feasibility study. Staff's proposed work plan would have the Council decide whether to pursue these studies next fall, after the Commercial Cost of Development Study Session. The thinking seems to be that the study session might help educate the Council and inform how the nexus study and feasibility studies are conducted.

With this memo, I propose that we direct staff to begin pursuing a nexus study and feasibility study now. It takes a long time for these studies to be completed—staff estimates it will take about a year—and before they can even begin staff must conduct a procurement process to secure a consultant. It makes sense for staff to begin the procurement process for a consultant now so that we can have one in place by the time of the study session or soon thereafter. The study session could still inform our approach to the nexus study and the feasibility study, but with the procurement process already out of the way, the consultant could begin work more quickly and the timeline for getting to a final decision could be shortened.

I understand that not all of my colleagues may agree that we should adopt a Commercial Impact Fee. As I pointed out earlier, we are 4,385 units and half a billion dollars short of the Mayor's 10,000 unit goal. If we are serious about achieving that goal, we need to consider every option available to us. By conducting a feasibility study and a nexus study, we are not committing ourselves to adopt a Commercial Impact Fee. We are merely committing to study the issue. The results of that study, in particular the results of the feasibility study, will help us understand how a fee would impact commercial development and make an informed decision about whether we want to adopt one. It's time for us to do the work on this issue.

I'll close by noting that I support pursuing items 1 (a) and (b) in the Mayor's memo. An affordable housing bond and a jobs-housing imbalance impact fee are certainly worth pursuing. I still believe, as I proposed in this memo, that we should pursue study of a Commercial Impact Fee alongside those efforts. Producing 10,000 units in five years is an urgent, time-sensitive goal. Should our strategies for developing additional funding falter, it will be very difficult to achieve it. We need to have as many options on the table as possible to maximize the chances that one will succeed.