

From: Mathew Reed

Sent: Friday, June 8, 2018 1:34 PM

To: District4; Khamis, Johnny; District 10; Davis, Dev; District 6; Peralez, Raul; District3; Rocha, Donald; District9; District1; Jones, Chappie; Jimenez, Sergio; District2; Carrasco, Magdalena; District5; Nguyen, Tam; District7; Arenas, Sylvia; District8; Liccardo, Sam

Cc: City Clerk; Morales-Ferrand, Jacky; Walesh, Kim; Weerakoon, Ru; Kazantzis, Kyra; Hughey, Rosalynn; Leslye Corsiglia; Pilar Lorenzana; Henninger, Ragan

Subject: Item 4.3 – FY 2017/18 FY -- 2021/22 Affordable Housing Investment Plan

Attached please find comments from the Housing Leadership Group, a group assembled by the American Leadership Forum Silicon Valley, on the 2017/18 – 2021/22 Affordable Housing Investment Plan.

Mathew Reed
Policy Manager
SV@Home
Office:

San Jose, CA 95110

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Google

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Andrea Osgood
Eden Housing

Kelly Snider
Kelly Snider Consulting

Jennifer Van Every
The Van Every Group

Staff

Leslye Corsiglia
Executive Director

June 8, 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 4.3 – FY 2017/18 FY -- 2021/22 Affordable Housing Investment Plan

On behalf of the Housing Leadership Group, a group assembled by the American Leadership Forum Silicon Valley, we write you today to urge you to approve the Affordable Housing Investment Plan (AHIP) and to take steps to create a new funding source that will enable the City to meet the affordable housing production goals recently approved by the City Council.

We offer three comments:

Continued Focus on Housing for Currently Unhoused People Including Permanent Supportive Housing—we agree strongly with the AHIP recommendations that the City continue its support for housing for the most vulnerable residents of the community, particularly those who are living on our streets or in other non-permanent housing situations. Despite significant and coordinated efforts by the City and other partners, the number of homeless men, women, and children in San Jose continues to be at unacceptable levels. We need an all-hands-on-deck approach, and to identify and make available all possible tools and resources to create permanent and affordable housing opportunities for our homeless residents. For those who are chronically homeless, we need to focus on permanent housing that comes with supportive services.

Continued Focus on Housing for Extremely Low-Income (ELI) Households—we appreciate the Housing staff recommendations to create a \$125,000 subsidy cap that would enable developers to apply for City housing funds to build projects that include units affordable to ELI households (those earning less than 30% of area median income). Astoundingly, according to recently released numbers from HUD, a single person earning just under \$28,000 and a family of four earning just under \$40,000 annually are considered extremely low income. Many San Jose residents, including seniors, persons with disabilities, people on fixed incomes or earning minimum wages qualify as ELI, and struggle to find any housing that is affordable in a market with average rents of \$2,600 (all unit

Addressee
Re: Subject Line
Date
Page 2 of 2

types, RentCafe, June 2018).

Creation of an Ongoing Revenue Source to Address Funding Gaps—the HIP shows that the City has a \$548 million shortfall in funding to meet its 10K housing goal for the five-year period ending in 2023. No funding source is identified to fill this gap. We urge the City Council to immediately begin to study a potential Commercial Linkage Fee (CLF). This is the only source of local funding that could be adopted that could raise the level of funding that is needed to meet the 10K affordable housing goal.

In closing, we support the staff's recommended Affordable Housing Implementation Plan and respectfully request that the Council take affirmative action. We are very appreciative of San Jose's continued leadership around housing and homelessness, and the Council's recently established goal to create the 10K new units. Now is time to make sure that the policies, tools, and resources are in place to realize this bold and necessary goal.

Thank you for the opportunity to provide comments.

Sincerely,

Leslye Corsiglia
SV@Home

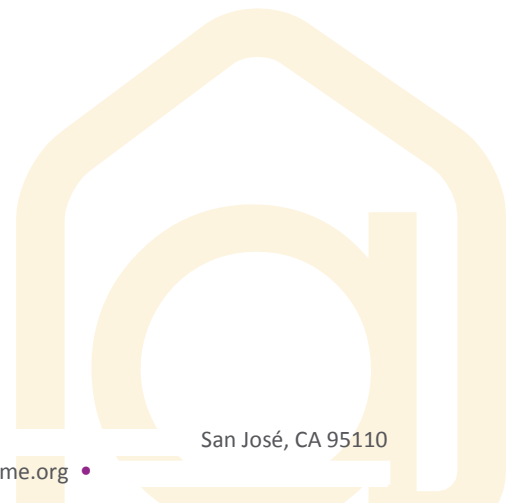
Jennifer Loving
Destination: Home

Kevin Zwick
Housing Trust of Silicon Valley

Chris Block
Charities Housing

Alison Brunner
Law Foundation of Silicon Valley

Poncho Guevara
Sacred Heart Community Service



San José, CA 95110

From: Mathew Reed

Sent: Monday, June 11, 2018 1:00 PM

To: Arenas, Sylvia; Carrasco, Magdalena; Davis, Dev; Diep, Lan; Jimenez, Sergio; Jones, Chappie; Khamis, Johnny; Liccardo, Sam; Nguyen, Tam; Peralez, Raul; Rocha, Donald

Cc: Morales-Ferrand, Jacky; Walesh, Kim; Hughey, Rosalynn; Kazantzis, Kyra; Henninger, Ragan; City Clerk; Leslye Corsiglia

Subject: RE: Item 4.3 – FY 2017/18 FY -- 2021/22 Affordable Housing Investment Plan

On behalf of our members and the undersigned partner organizations, I am pleased to submit our attached letter regarding the Affordable Housing Investment Plan being discussed on Tuesday. We hope you will take the necessary steps to address the shortfall in funding for affordable homes.

Thank you for the opportunity to weigh in on this important issue.

Sincerely,

Mathew Reed
Policy Manager
SV@Home
Office:

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The Van Every Group

Staff

Leslye Corsiglia
Executive Director

June 11, 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 4.3 – FY 2017/18 FY -- 2021/22 Affordable Housing Investment Plan

On behalf of our members and the undersigned partner organizations, we write you today to urge you to take swift action to address the shortfall in funding for affordable homes, as outlined in the Housing Department staff memo.

San Jose has truly been a national leader in creating affordable housing opportunities for its residents, financing the development and improvement of over 21,000 affordable housing opportunities over the past 30 years. The City recently reinforced its leadership position with a plan to create 25,000 housing units, of which 10,000 will be affordable, over a five-year period.

While we are energized by the City's commitment, we are dismayed to learn that the City is \$548 million short in the funding needed to meet the affordable housing goal. As outlined in the memo, City staff projects that it will have the resources needed to create 3,375 homes, including 1,099 that are already funded or under construction. Added to 2,240 unduplicated units subsidized by other funders, this results in total production of only 5,615 affordable homes, 4,385 units short of the goal.

It is clear that a funding source must be identified to subsidize the development of affordable housing. While the City memo does not discuss potential solutions, there are two revenue sources that could produce sufficient funding to raise \$500M. One such source is a housing bond, which would require voter approval. Although the City is reportedly considering placing a general obligation bond on the November ballot, housing was not on the list of potential uses when the City recently conducted an opinion survey.

A second option is a Commercial Linkage Fee (CLF). A CLF does not require a vote of the people, but requires that the City conduct a Nexus Study. This source is a feasible option that many neighboring cities have already employed. The Housing Crisis Workplan that you will also be considering at the meeting on the 12th highlights the CLF as an option. **We urge the City Council to take action to immediately conduct a Nexus Study and a companion Feasibility Study to create a CLF that would help fill this funding gap.**

It is important to note that the City already requires that residential developers build affordable units or pay a fee. Given that there is a strong nexus between the addition of new jobs and the need for affordable homes, commercial developers should also be required to offset the impact their development has on the need for affordable homes.

We also recognize that there are limits to the City's capacity to process development proposals as the City works to add 25,000 new homes. **We encourage the Council to provide the needed resources to both the Housing and Planning Departments** to ensure that they can respond quickly to development proposals and meet the Housing Implementation Plan goals.

In closing, we face a housing situation today that is unlike any other time in recent history. Housing prices are out of reach for all but the most wealthy, leading to overcrowding, over payment, displacement, and increased homelessness. San Jose has shown its leadership by setting bold goals. Now it is time to step up and take action to fully fund its 10,000 unit affordable housing goal.

Thank you for the opportunity to provide comments.

Sincerely,

Leslye Corsiglia - SV@Home

Dan Wu - Charities Housing

Geoffrey Morgan - First Community Housing

Poncho Guevara - Sacred Heart Community Service

Janice Jensen - Habitat for Humanity East Bay/Silicon Valley

Louis Chicoine - Abode Services

Jim Silverwood - Affirmed Housing

Kevin Zwick - Housing Trust of Silicon Valley

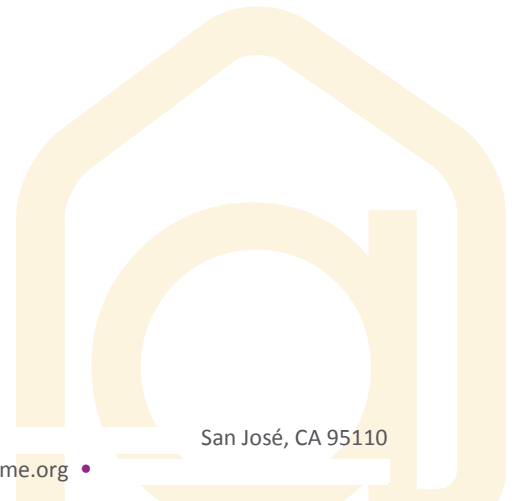
Chris Block - Affordable Housing Consultant

Alison Brunner - Law Foundation of Silicon Valley

People Acting in Community Together

Matthew O. Franklin – MidPen Housing

Mary Murtagh - EAH Housing



From: Aboubacar Ndiaye
Sent: Monday, June 11, 2018 6:00 PM
To: City Clerk; City Clerk
Cc: Louise Auerhahn; Jeffrey Buchanan
Subject: Re: Item 4.4 Housing Crisis Workplan Letter

Hello,

Please accept this letter on behalf of Working Partnerships USA regarding Item 4.4 on the June 12, 2018 City Council Agenda. Please confirm your receipt of this correspondence.

Thank you in advance,

Aboubacar "Asn" Ndiaye
Research & Policy Associate
Working Partnerships USA
Phone:

WORKING PARTNERSHIPS USA

June 11, 2018

Honorable Mayor and City Councilmembers
City of San José
200 East Santa Clara Street
San José, CA 95113

Re: June 12, 2018 City Council, Item 4.4: Housing Crisis Workplan

Dear Mayor and City Councilmembers,

The high and rising cost of housing is indeed a crisis for hundreds of thousands of families who live or work in the San Jose region – including many families who have already been displaced by a combination of low wages and rent increases. We applaud the City's recent conversations emphasizing the need to build more housing affordable to all income levels while protecting the affordability of existing homes, and we thank City staff for their work in developing this memo and associated analysis.

The Housing Crisis Workplan is a complex memo encompassing a number of different subjects and recommendations. At this time Working Partnerships USA respectfully submits our comments on the sections entitled *Commercial Impact Fee* and *Downtown Highrise Construction Tax Reduction and Affordable Housing Exemption*.

Commercial Impact Fee: Recognizing that achieving the City's affordable housing goal will require exploring new funding sources, we support moving forward now with a Nexus Study to assess a possible city -wide commercial linkage fee, not a study for the Diridon area alone.

Unless we develop new, broad sources of revenue reaching a goal of building 10,000 units of affordable housing by 2022 in San Jose will not be possible. In fact, the City of San Jose has fallen behind on its even more modest goals under the Regional Housing Needs Allocation, producing only 11% of our low income housing goal in 2017. Marshalling the resources to meet a challenge this large will require all segments of our community to do their part.

In looking at the current approach of the Housing Department, it is clear how many different segments of our city's life, from homeowners to residential developers to non-profits, are being asked to contribute to solving the affordable housing crisis. But we have yet to adopt any policy tool to ensure commercial developers contribute to addressing their impact on housing costs.

The commercial linkage fee is an important tool utilized in many cities across Silicon Valley, including neighboring cities of Santa Clara, Cupertino, Sunnyvale, Mountain View, Fremont,

and Palo Alto (Milpitas is also considering such a fee) to mitigate the impacts of different types of commercial developments (including office, industrial, hotel, retail and other uses) on housing affordability by charging a modest fee on new developments.

A commercial linkage fee is a flexible tool, so the City of San Jose's economic circumstances and priorities in attracting different types of commercial development should not be seen as being in conflict with the policy goals of establishing a meaningful yet competitive fee, within the bounds of our regional competitors while still ensuring progress towards our affordable housing goals. Many cities choose to assess fees based on how local planning prioritizes different types of commercial development. For example, cities often charge substantially lower fees for retail, even though such establishments contribute to a significant proportion of affordable housing needs, due to the importance of increasing sales tax revenues. Impact fees cover a wide range (ie \$35-\$8 per square foot for construction of commercial office or R&D space, and \$20.37-\$2.68 per square foot, for retail developments.) Similarly, most cities charge less for industrial facilities than for office space in hopes of recruiting middle wage jobs believed to be provided by industrial and manufacturing development.

In order for the City of San Jose to move forward with a commercial linkage fee, the City must first commission a nexus study of the affordable housing impact of different types of commercial developments to assess the maximum allowable fees that could legally be assessed. Once a nexus study is completed, the City will use that data as an input to help City Council assess its goals, balancing the need for affordable housing, our fiscal and economic development priorities and the realities of the development market, to debate and select a policy that meets our needs.

With exciting new commercial developments moving forward including San Jose Adobe's expansion downtown, Apple's potential campus in North San Jose, a new 20 story commercial tower downtown by DiNapoli Co, and other developments being announced around the City, and understanding the limited resources of the Housing Department, we believe it is critically begin by considering a city-wide Nexus Study and thus a City-wide Commercial Linkage Fee, rather than limiting the fee study to any one particular area of the City such as Diridon.

While the proposed Google campus surrounding Diridon Station will certainly have a large impact on the affordability of and access to housing in downtown and across the City, San Jose needs to look at a range of opportunities to address those impacts by working with Google and the community, whether as a part of a community benefits agreement, within a development agreement or within new policies stemming displacement, to ensure that the project will require produce sufficient new housing, address housing affordability, and protect tenants as it moves forward. Many of these housing impacts are specific to the proposed Google project, and would not fall within the scope of a local area commercial impact fee nexus study.

We urge the Council to initiate a nexus study of a potential City-wide commercial impact fee to ensure the kind of high tech office space envisioned in Diridon and in other parts of the City, as well as a range of other types of commercial real estate products, are captured under a City-wide policy meaningfully contributing to solving the housing crisis.

Downtown High-Rise Developer Incentives: We urge the Council to follow through with its commitment to ensure that any private development receiving taxpayer-funded subsidies or incentives agrees to abide by minimum workforce standards and local hiring goals, and that any program proposing to offer developer incentives incorporates those standards.. Further, we recommend that the Council carefully evaluate all incentives, tax breaks, or fee reductions being offered to market-rate development and weight the potential benefits against the costs and impacts to City residents and taxpayers.

On April 3, 2018, the City Council voted to approve a motion which stated, in part:

“Workforce standards (including prevailing wage, apprentice ratios, local and targeted hire, and monitoring and compliance provisions, all described in Paragraph D., below) shall be mandated upon private development where there is a public subsidy for that project.”

The stated intent of this Council decision was to require projects receiving taxpayer-funded subsidies to comply with basic workforce standards, in order to ensure that where private developers are receiving taxpayer subsidies for development projects, those projects are being built with a local workforce and paying wages adequate to ensure that the workers building the project can afford to live in San Jose, and are not themselves in need of low-income housing.

However, the Housing Crisis memo does not include any option for Council to consider an incentive program that would include basic workforce standards. Instead, it recommends jumping immediately to a complex process to exempt the Downtown High-Rise Incentive from any workforce standards.

If the Council does vote to initiate a study attempting to exempt the Downtown High-Rise Incentive from workforce standards by demonstrating that all downtown high-rises are infeasible without such subsidy, that study should include the parameters outlined in the April 3 Council-approved motion, including:

- “1. Whether all projects in the subcategory are financially infeasible;
2. The reasons why all projects in the subcategory are financially infeasible;
3. An estimate of the size of the gap between financial feasibility and infeasibility;
4. The anticipated duration that these conditions of infeasibility will persist;
5. The options available to the City and project developers to achieve feasibility.”

Under point 5 “Options available to the City and project developers to achieve feasibility”, the study should not only evaluate the options of (a) providing the incentive with no workforce standards or (b) doing nothing, but should also evaluate, at minimum, the following:

(c) Because high-rise development is a complex matter with multiple approaches, any feasibility study should consider projects with various financing structures, reflecting the different types of financing structures being used in the real world on the product type being considered for a subsidy. This should include a detailed assessment of “construction costs”, which typically are made up primarily of financing, profits, materials, engineering and design, with only a minority of “construction costs” attributable to workers’ wages.

(d) Any feasibility study should also evaluate the potential impacts of proposals to speed up or simplify the development approvals process, such as those outlined in the Housing Crisis memo or others that are brought forward by Council members or department staff, and whether these proposals, if enacted, might contribute as much or more to feasibility than the proposed incentives.

Finally, it will be important for Council to evaluate the impacts of proposed incentives in the context of all tax/fee reductions being granted to this product type. Any feasibility study should therefore include the impacts on financial feasibility of (1) the recent reduction in park impact fees for high-rises, relative to the previous fee rate and (2) any existing or proposed exemption or reduction of affordable housing obligations for downtown high-rises, as well as any other proposed fee/tax reductions or exemptions. How are these other fee/tax reductions projected to contribute to financial feasibility?

In addition, we continue to have concerns about the proposal to exempt downtown high-rises completely from the Inclusionary Housing Ordinance through June 30, 2021 (based on Certificate of Occupancy date). We understand details of this proposal may be brought back to Council at a later date; we ask that there be an opportunity for the public to fully consider and comment on the proposed IHO exemption before any decision is made.

Sincerely,

Jeffrey Buchanan, Director of Public Policy

From: Inamine, Nicole
Sent: Tuesday, June 12, 2018 1:19 PM
To: City Clerk
Subject: FW: Item 4.4 Housing Crisis Workplan Letter from Working Partnerships

Hello! Please include in the public record.

Kindly,
Nicole

From: Aboubacar Ndiaye
Sent: Tuesday, June 12, 2018 12:02 PM
Cc: Jeffrey Buchanan Louise Auerhahn
Subject: RE: Item 4.4 Housing Crisis Workplan Letter from Working Partnerships

Hello,

Please accept this letter on behalf of Working Partnerships USA regarding Item 4.4 on today's agenda. We are respectfully offering the following recommendations to improve the City's Housing Crisis Workplan and move us further toward reaching our housing goals:

- □□□□□□ Commercial Impact Fee: Recognizing that achieving the City's affordable housing goal will require exploring new funding sources, we support moving forward now with a Nexus Study to assess a possible city -wide commercial linkage fee, not a study for the Diridon area alone.
- □□□□□□ Downtown High-Rise Developer Incentives: We urge the Council to follow through with its commitment to ensure that any private development receiving taxpayer-funded subsidies or incentives agrees to abide by minimum workforce standards and local hiring goals, and that any program proposing to offer developer incentives incorporates those standards.. Further, we recommend that the Council carefully evaluate all incentives, tax breaks, or fee reductions being offered to market-rate development and weight the potential benefits against the costs and impacts to City residents and taxpayers.

Thank you in advance,

Aboubacar "Asn" Ndiaye

Research & Policy Associate

Working Partnerships USA

Phone:

WORKING PARTNERSHIPS USA

June 11, 2018

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200 East Santa Clara Street
San José, CA 95113

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Sincerely,

Jeffrey Buchanan, Director of Public Policy