



June 25, 2018

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

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**Re: Notice of Opposition to Private Development Workforce Mandates
Support for Reduction of Inclusionary Housing Rental In-Lieu Fees to \$0 – Council Item 2.2**

Honorable Mayor Liccardo and City Council:

On behalf of The Silicon Valley Organization (The SVO), I am writing to support city staff’s memorandum to adopt a resolution authorizing a reduction in the Inclusionary In-Lieu fee to \$0 for high-rise rental developments in the Downtown San Jose core, provided that the development meets certain criteria. Furthermore, we oppose Councilmember Peralez’s memorandum which would impose private development workforce standards, if the Inclusionary In-Lieu fee is amended by any future council action. By way of background, we are 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 April 26th earlier this year, the San Jose City Council hosted a study session on the cost of private development, specifically to identify the root causes of our city’s housing shortage. The study session revealed that soaring construction and labor costs have made new rental developments practically unviable in most parts of the city. The average San Jose tenant would need to pay an additional 25% rent increase in order to make it economically feasible for new high-rise developments. These market conditions make it extremely difficult to meet the goals of Mayor Liccardo’s 15-point housing plan and work towards making rental housing more affordable for all San Jose residents. This goal can only be achieved by significantly increasing market rate housing supply to meet San Jose’s growing demand and growth in order to stabilize market prices.

Councilmember Peralez’s memorandum to impose private development workforce standards is counterproductive to these goals, which would unequivocally increase labor costs for downtown high-rises and continue to make those projects economically unviable. Furthermore, city staff recommendations specifically note that the In-Lieu Fee reduction is not a new public subsidy or cost reduction and should not be subjected to private development workforce standards.

For these reasons, the SVO urges the Mayor and City Council to support city staff recommendations to reduce the Inclusionary In-Lieu Fee to \$0 and to oppose Councilmember Peralez’s memorandum to impose additional costly/burdensome mandates onto private development projects. Should you have any further questions, please contact Eddie Truong, Director of Public Policy & Advocacy, at 408-291-5267.

Sincerely,

Matthew R. Mahood
President & CEO