San Jose's In-lieu proposed fee runs 50% higher or more than the comparable neighboring cities. San Jose does not have the rental valuations to charge fees in the same ranges as San Francisco, Palo Alto & Mountain View. BIA recommends lowering in lieu fees on multifamily projects across the City.

According to Beacon Economics/SVO recent study, since 2014 San Jose, by far the largest city in Santa Clara County, has permitted less than 50% of the housing built throughout the County. This study shows that the issuance of housing permits in the City has significantly lagged behind the rate of supply for the South Bay region. A major obstacle to the production of housing are the restrictions by the city to provide an adequate supply of land zoned for housing.

Another reason that San Jose lags in producing housing, particularly affordable housing, is because the IHO in-lieu fee schedule disincentivizes market rate developers from building residential projects in the city. BIA recommends that to incentivize development in the Eastside/South San Jose region the multifamily in-lieu fee should be set at no higher than $10.00/sq. ft. Even better, "no fees" could be adopted for a limited time to truly incentivize development in lower valuation areas of the city.

- **A 99-year term of rent restrictions compromises project financing**

Developers have commented that financing is compromised if the Term of Rent Restrictions goes beyond 55 years. Although the City surveyed surrounding cities and found some who have "in perpetuity", or "99 years", several others set the term of affordability at 55 years. Many surrounding smaller Silicon Valley cities, such as Cupertino, are cities that do not to facilitate the development of affordable housing in their communities.

- **Square Footage In-lieu Fee**

BIA supports and has long recommended moving to a "square foot" vs "per unit" basis for calculating the in-lieu fee. However, the square foot fee should be calculated based upon the "habitable space" within the development not the common/uninhabitable area(s) of the development.

- **Fee Payment Deferral**

BIA supports the proposed Aligned Fee payment timing to have fees paid at time of final inspection for 80% of the residential units (Inclusionary, Parkland In-lieu & Construction Taxes).

- **Cost of Development Study**

Should the council choose to adopt the Housing Department recommendation of $43/sq. ft. In-lieu Fee, BIA strongly recommends that a Feasibility Study be produced and reviewed prior to imposition of the new fee.

- **Clustering of Affordable Units**

BIA continues to support the clustering of affordable units which will facilitate tax credit financing that staff includes in its current set of recommendations.

BIA Bay Area is ready to work with the City to fine tune the Inclusionary Ordinance so that it is best able to work for both the City of San Jose and the building community. We hope that the City will include BIA members and representatives in the efforts outlined by the Mayor and Council in the joint memo.

Very truly yours,

Patricia Sausedo, Director
Government Affairs South Bay
BIA Bay Area

Dear Clerk City Clerk,

I write to you today to advocate in support of staff recommendation on Item 4.4, San Jose's Inclusionary Housing Ordinance (IHO), with a few proposed modifications.

The staff recommendation is a step in the right direction. However, I support three recommendations to enhance the staff recommendation:

1. Lower the in-lieu fee
- $43 per square foot is still too high of a fee structure and would be a 50% increase over the current fee structure
- the $18.29 per square foot fee “transition” should also be lowered to facilitate even more housing development and generate more affordable housing dollars for the city
2. Tie the reduced fee structure for Downtown High-Rises to a unit production goal rather than an arbitrary timeline
3. Apply the fee only to “net rentable/livable” square footage

The above recommendations will lead to more housing produced as more projects will actually be feasible. 15% of zero housing is still zero housing. We need reasonable reform that will allow projects to actually get through the pipeline so we can create more housing.

Thank you for your support of more housing in San Jose.

Sincerely,

Sincerely,

Denyse Cardozo

From: JEAN DRESDEN
Sent: Monday, November 04, 2019 1:01 PM
To: City Clerk; The Office of Mayor Sam Liccardo; District1 <district1@sanjoseca.gov>; District2 <District2@sanjoseca.gov>; District3 <district3@sanjoseca.gov>; District4 <District4@sanjoseca.gov>; District5 <District5@sanjoseca.gov>; District 6 <district6@sanjoseca.gov>; District7 <District7@sanjoseca.gov>; District8 <district8@sanjoseca.gov>; District9 <district9@sanjoseca.gov>; District 10 <District10@sanjoseca.gov>
Subject: Item 4.3 Development Fee Framework and Item 4.4 IHO

Honorable Mayor and Councilmembers:

Staff has gone far beyond the scope of Council Priority setting where they were asked to development a more transparent method of fee charging using square footage and a single time of collection. Specifically, Council directed that the "Framework shall not be intended to reduce fees." This framework goes far beyond that scope and proposes to make multiple changes to fee structures based on a single consultant's report on cost of development rather than based on the actual impact fee needs of the community as required by the language of AB1600 Fee Mitigation Act. Staff should return with a strategy that is parallel to current fees and in a subsequent item, council could consider whatever discounts/incentives are needed. This is a wholesale change to the fee structure buried in a single item—all designed without community input. Further, many of the changes are likely to increase the divide between have and have not neighborhoods.

Today I am writing you as an individual. Normally, I write on behalf of San Jose Parks Advocates. However, I am traveling internationally making collaboration difficult.

Scope beyond priority setting direction
Staff was directed to come back with a square footage and timing framework. This framework goes far beyond and makes wholesale changes to the fee structure.

No community outreach
The structural changes have the potential for substantial impacts to the community by reducing the amount collected. Where's the outreach to let people know of the plans? Fees are mitigations for the impacts of development. They are designed to allow current resident to maintain their level of service. People should be allowed to give their views PRIOR to adoption of a framework that completely turns the fee structure upside down.

LInkage to existing nexus studies. Plans for new studies?
Fees are collected based on nexus studies and this framework does not discuss nexus studies current or planned updates other than parks. Wholesale changes require updated nexus studies.

Geography changes are absurd and not rooted in need and will perpetuate inequity.
The proposed combining of various geographic areas based on housing type will perpetuate inequity. For example, combining North San Jose and downtown will not address the very different problems each neighborhood faces. While both will attract highrises, the baseline infrastructure and the types of infrastructure needed are different. For example, Downtown has a "Central Park" and a community center. North San Jose does not have either. Putting neighborhoods together based on today's market conditions does not take into account that communities evolve. Equity demands that each neighborhood be considered separately. The historic planning areas do need to be divided. But they should not be combined.

Process, process, process! It takes time!
The only city in California to use square footage in a unified fee is Sacramento. Prior to implementing, they spent 5 years in development—conducting Nexus studies and extensive community outreach. It is notable that Sacramento's process concluded that commercial development should contribute to parks in order to mitigate the impacts of lunchtime and evening usage of parks by employees.