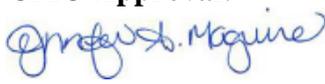


**CITY COUNCIL ACTION REQUEST**

<b>Department(s):</b> Housing Department	<b>CEQA:</b> Not a Project. File No. PP17-008, General Procedure & Policy	<b>Coordination:</b> City Attorney’s Office, and City Manager’s Budget Office	<b>Dept. Approval:</b> /s/ Jacky Morales-Ferrand, Director
<b>Council District(s):</b> Citywide	Making resulting in no changes to the physical environment		<b>CMO Approval:</b>  06/18/21

**SUBJECT: ACTIONS RELATED TO SUSPEND THE AFFORDABLE HOUSING IMPACT FEE**

**RECOMMENDATION:**

Adopt a resolution amending Resolution No. 77218 as previously amended by Resolution Nos. 78010, 78392, 78473, 78576, 79294, and 79538 (collectively the “Housing Impact Fee Resolution”) to suspend the Affordable Housing Impact Fee program for new projects.

**BASIS FOR RECOMMENDATION:**

The Inclusionary Housing Ordinance (IHO) (Chapter 5.08 of the San José Municipal Code, adopted January 12, 2010) requires all residential developers who create new, additional, or modified for-sale or rental units to provide 15% of housing on-site that is affordable to income qualified buyers and renters. The Affordable Housing Impact Fee (AHIF), which was adopted as a short-term provision while the IHO was in litigation, is an impact fee that applies to new market-rate rental housing developments with three to 19 units and charges a fee per square foot of net rentable space.

At the time the AHIF was adopted, the IHO did not apply to rental projects, but was only applicable to for-sale developments. Assembly Bill 1505 was passed in 2017, allowing the City to apply the IHO to rental developments that had 20 or more units (consistent with the original IHO) effective January 1, 2018. The AHIF was adjusted to cover rental development with three to 19 units. During this time, the City implemented two separate affordable housing programs.

On February 23, 2021, the IHO was amended to apply to new residential developments of ten or more units from twenty or more units (Ordinance No. 30538). As part of the City Council action, the direction included having staff return to City Council with a Resolution to sunset the AHIF program. The IHO will now apply to both rental and for-sale residential developments, regardless of size. Rental projects with first approvals prior to the adoption of this resolution that require payment of AHIF, are not impacted by this resolution.

Climate Smart San José: The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

Commission Recommendation/Input: At the October 21, 2020, Housing and Community Development Commission meeting, the Housing Department received the Commission’s support in updating the Inclusionary Housing Ordinance amendments, which included a recommendation to sunset the AHIF program for new projects.

**COST IMPLICATIONS:**

The recommended actions to the AHIF are expected to have limited impact on the overall revenue projected in the Affordable Housing Investment Plan through Fiscal Year 2022-2023. This plan currently assumes revenue of \$26 million from AHIF fees to be paid by Fiscal Year 2022-2023. Staff anticipates AHIF revenue lost from housing developments with three to nine total units will be offset by revenue collected from housing developments with ten units or more that are newly subject to the Inclusionary Housing Ordinance. Overall, it is expected that the suspension of the AHIF program will have an impact of less than \$100,000 on affordable housing revenue in the next year.

**FOR QUESTIONS CONTACT:** Rachel VanderVeen, Deputy Director of Housing at (408) 535-8231