



# Memorandum

TO: CITY COUNCIL

FROM: Councilmember Rocha

SUBJECT: PRIORITY SETTING

DATE: October 12, 2017

Approved

*Don Rocha*

Date

*10/12/17*

## RECOMMENDATION

That the City Council direct the City Manager to return to City Council before the end of the year for consideration of the following items:

1. An update on the countywide effort to conduct a nexus study for affordable housing impact fees. This update should include information on which Santa Clara County jurisdictions ended up adopting a Commercial Impact Fee as part of the countywide effort and what fee levels they decided to adopt. Staff should also include information on which jurisdictions already had a commercial impact fee in advance of the countywide effort.
2. A Council decision as to whether the City of San Jose should pursue nexus study and feasibility study for a Commercial Impact Fee, along with a work plan for accomplishing those two items.
3. Any additional information staff may find relevant or useful.

## BACKGROUND

The Commercial Impact Fee is still listed as a workload priority, but the Council's history of decisions on this issue has been long and winding. Let me provide a quick summary.

In 2014, the City Council decided to pass an affordable housing impact fee on residential development. At the same meeting the Council directed staff to do additional research on non-residential development fees for affordable housing. At the end of 2015, staff returned to Council with their research and included the option of pursuing our own nexus study on a Commercial Impact Fee or joining a larger countywide affordable housing impact fee nexus study called the Grand Nexus. The Grand Nexus Study was a coordinated effort by the Silicon Valley Community Foundation to study potential sources of new funding for affordable housing regionally.

At that meeting, the City Council decide on a 7-4 vote not to pursue a nexus study at that time or to join the Grand Nexus. Instead, they postponed consideration of the issue. Even though the Council did not pursue a study, this issue remained as an item on the priority list.

At the March 7, 2017 priority setting session, staff suggested removing the Commercial Impact Fee from the list of priorities, but the Council decided to keep the Commercial Impact Fee on the priority list for future consideration. Since then, the regional effort is nearly complete and the Commercial Impact Fee is still a workload priority today. I've included a chart below to help as reference to the events.

November 14, 2014	December 15, 2015	February 28, 2017	October 17, 2017
<p style="text-align: center;"><b>→</b></p> <p>City Council directs staff to do additional research on affordable housing impact fee on non-residential development.</p>	<p style="text-align: center;"><b>→</b></p> <p>City Council decided to postpone undertaking a Nexus and Feasibility Study for the Commercial Impact Fee.</p>	<p style="text-align: center;"><b>→</b></p> <p>City Council decides to keep the Commercial Impact Fee on the Council Priority List.</p>	<p>City Council is asked to consider items on the Council Priority List.</p>

Now may be a good time for the Council to receive an update on the countywide effort and to consider whether now is the right time to reinstate our own work on this issue.

**ANALYSIS**

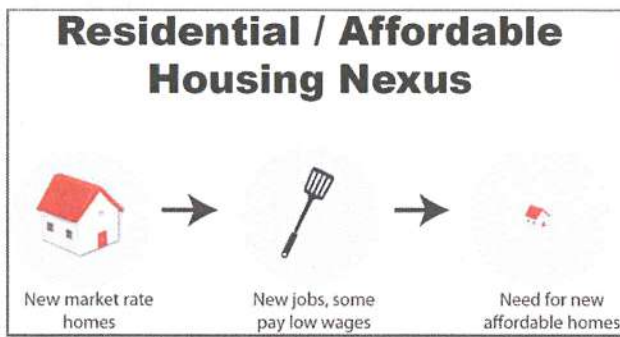
The funding question is not one we can ignore if we hope to be serious in achieving our affordable housing goals. In SPUR’s latest housing report, Room for More, they state:

“In the past, San Jose has hesitated to levy impact fees on commercial development out of concern that these fees on commercial development might compel employers to locate elsewhere. However, SPUR believes that financial feasibility analyses should study the ability of both residential and commercial uses to pay impact fees.”

-pg. 21

SPUR is well aware of San Jose’s job-housing imbalance, yet even they recommend we study a commercial impact fee. I wholeheartedly agree that we should at least study the possibility of enacting a fee.

In my opinion, it could be considered inequitable that the City of San Jose’s levies an affordable housing impact fee on just residential development and not on commercial. As you can see in the charts below, the nexus between affordable housing need and commercial development is more direct than with market rate residential development.



Source: Silicon Valley Community Foundation presentation to SCC Cities Association 4/14/2015

Assuming that 65% of Measure A funded housing communities will be built in San Jose, we could produce around 2,600 additional affordable housing units from Measure A over the next 10 years. As tremendous as the Measure A victory is, almost fifty percent of renter households in San Jose are housing burdened and are struggling to pay to keep a roof over their head.<sup>1</sup> Many are planning to leave. Over 4,000 people in San Jose are in need a place to sleep tonight. Even with Measure A and our other existing funding sources, the affordable housing need is far greater than the financial tools we have to fill it.

We have heard from many residents about how they have struggled to find shelter for themselves or for their loved ones, to find a safe place to park while they lived in their car, to find a place where they can use their housing voucher, and multiple families living in a single apartment.

We must not lose sight of the fact that the Affordable Housing Crisis is the single most critical problem we have promised to address. If we brand ourselves as a place to create, thrive, and live, we have the responsibility to live up to that standard for all our residents. If we are comfortable calling the affordable housing issue a crisis, it is time we treat it like one. We can no longer afford to leave this stone unturned.

<sup>1</sup> 2017 City of San Jose Annual Housing Element Progress Report:  
<http://www.sanjoseca.gov/DocumentCenter/View/67402>