[redacted]

[redacted]

TRANSMITTED VIA EMAIL

[redacted]

[redacted]

RE: Item #4.3-- Downtown Residential High-Rise Incentive and AHIF Downtown High-Rise Exemption Programs

Today's housing market is challenging for more than one reason. Not only are rents and new home prices too high for all but a lucky few, the cost of construction is threatening the feasibility of many new residential developments. This challenge is particularly acute for high-density, concrete and steel high-rise construction. This lack of production further exacerbates the housing crisis, resulting in even higher housing costs.

Recent data from the City showed that commercial development with the potential for more than 120,000 new jobs was in the planning stages or under construction, yet only 24,000 residential units were similarly in process. Efforts must be made to build new homes to house these new jobs.

While we are reticent to support another exemption from affordable housing requirements, we accept the staff recommendation to extend the existing exemptions for certain residential high-rise developments Downtown. The feasibility study completed by Strategic Economics illustrates that the high-rise market Downtown is fragile and that the affordability requirements would make development of these nine projects cost prohibitive. If these developments don't move forward, we don't get any new homes, market-rate or affordable.

We are concerned though. Over the years, affordable housing requirements have been set aside on many occasions without any plans or strategies for replacing lost units. Case in point is North San Jose, where fewer than 5% of the homes constructed in the first phase were affordable, far short of the 20% goal. In that case the Council agreed that the forgone units would be moved into Phase 2. We are waiting a staff plan, expected to come to the Council in November, that will outline how the affordable homes can be incorporated in this next phase.

Were all nine Downtown high-rise projects to move forward with an exemption, an estimated 457 new affordable homes would be forgone. **We ask the Council to direct the staff to come back with a plan for how to make up for any affordable units lost as a result of the exemption.**

In summary, we agree that incentives are needed to move development forward in this challenging construction environment. However, is critical that housing be built

[redacted]

for people of all incomes and that the City's policies and land use plans make housing affordable to lower- and moderate income families a priority. We also strongly support the approval of funding measures to ensure that San Jose has an ongoing stream of revenue to finance new housing development and look forward to future discussions on Commercial Linkage Fees and a San Jose ballot measure.

Sincerely,

[redacted]

Leslye Corsiglia
Executive Director

[redacted]

From: Denyse Cardozo
Sent: Friday, September 20, 2019 1:48 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Denyse Cardozo

From: Anil Babbar
Sent: Friday, September 20, 2019 1:49 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I am asking you to support the extension of the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda, which will create more housing in Downtown San Jose.

The fee reduction program will help us achieve the desperately needed housing our region needs. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Anil Babbar

From: Michael Boots
Sent: Friday, September 20, 2019 1:57 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Michael Boots

From: Mike Benkert
Sent: Friday, September 20, 2019 2:05 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Mike Benkert

From: Kevin Dean
Sent: Friday, September 20, 2019 2:05 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Kevin Dean

From: Heidi Sloss
Sent: Friday, September 20, 2019 2:24 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please continue the program.

Thank you for your service and consideration.

Yours,
Heidi

[redacted]

City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

Honorable Mayor Liccardo and San Jose City Council:

[redacted], I would like to express our support for Staff's recommendations regarding the Downtown High-Rise Residential Incentive and AHIF Downtown High-Rise Exemption Programs agendized for the City Council meeting on September 24th. The fate of these measures will have a direct and material impact on our Coliving development located at [redacted]

Construction costs in the Bay Area are the most expensive in the world. San Jose faces a daunting challenge in reaching its stated goal of 25,000 new housing units by 2022. Our team is grateful for the leadership that City Hall has demonstrated thus far in addressing the regional housing crisis. The passage of the Coliving zoning ordinance amendment earlier this year underscores this body's foresight that the way out of this housing crisis requires creative solutions and multiple coordinated strategies, including regulatory reform *and* incentives to increase supply in the growing heart of San Jose. Moreover, the city's embrace of Coliving demonstrates that the production of middle-income housing is indeed a critical component in addressing the supply shortage.

[redacted] project in San Jose will provide an unprecedented amount of middle-income housing to Downtown San Jose in a wholly innovative format. We are "all in" on this denser, more sustainable, and social type of housing and strongly believe that Downtown San Jose is the perfect place to introduce our most impactful development yet. It bears reminding that there are no similar middle-income housing projects at scale that have ever been delivered in San Jose or comparable projects currently in the pipeline to our knowledge.

The Strategic Economics study commissioned by the City outlines the various factors that inform the total development cost of a downtown high-rise and its financial feasibility. Absent significant detail on Coliving projects in particular, the conclusions reached are nevertheless unmistakable: The Downtown High-Rise Residential Incentive and AHIF Exemption must be extended in order to preserve the viability of the city's current pipeline. Even so, passage of these measures will only offer limited relief in achieving the bare minimum project yield that some institutional investors may require.

Here's what the study does not fully capture: Coliving, as an institutional asset class, is brand new. Coliving is new to San Jose, and it's never been built at the scale Starcity has proposed locally or anywhere else in the United States. These are risks that our team is comfortable taking because we believe that our innovative housing format will offer a compelling and desirable alternative to traditional multi-family residential apartments and that there is substantial demand in the immediate market area to attract the requisite middle-income residents.

However, our company requires institutional-level equity partners and debt lenders to make this project a reality. The same class of investors who require a minimum 5.25% yield-on-cost for conventional multi-family high rises have much more demanding requirements for Coliving due to the risk profile they assign to this new type of housing. It is therefore critical that Starcity be able to project a yield that is superior to traditional multi-family in order to compensate for the fact that in today's market, Coliving is perceived to be a riskier asset to develop. Moreover, there are no directly comparable projects that have been developed or sold, nor are there firm data points of exit Cap Rates (*Net Operating Income divided by Sale Price*) for investors to rely on. Therefore, Starcity's San Jose project needs to be able to outperform traditional developments in order to become compelling to investors today.

Strategic Economic's cost figures are not necessarily aligned with Starcity's underwriting. For example, the study estimates typical residential high-rise Type I construction costs of $370 per Gross Square Foot. Just a few months ago, Starcity received a 100% Design Development stage pricing estimate from our General Contractor approaching $420 per Gross Square Foot. It is proving difficult to substantially lower this cost without adversely affecting the end product.

Additionally, our project's financing terms will also likely not be as favorable as those identified in the study for Multi-Family (5.5% rate at 65% LTV) due to the higher risk profile of the asset class. Our construction loan interest rate may be higher and our loan-to-value percentage may be lower. Therefore, more upfront equity will be required, which again underscores the importance of attracting General and Limited Partners in the immediate term in order to advance the development.

The fact of the matter is that our team is navigating these challenges of securing institutional capital in real time. We are entirely motivated to secure capital without haste and while we are optimistic about the prospect of securing investors in the near term, we know that our ability to do so is significantly hampered by the possible expiration of the incentive and fee production programs contemplated herein. Put simply, we are unable to advance the development further without securing an institutional development partner.

We continue to explore several avenues to improve project viability, including creative means of value engineering with our contractor to combat escalation and the overall high cost of construction. However, without this fee waiver, our ability to finance this project is placed in serious jeopardy. Extension of the incentive and fee reduction programs will be a critical boon to our efforts of getting our project capitalized and delivering the most significant addition of middle-income housing to Downtown San Jose in decades.

Thank you for your consideration. We are excited to help contribute to making Downtown San Jose a more livable and sustainable urban center in the years to come.

Sincerely,

Eli Sokol
Development Manager, [redacted]

[redacted]

September 20, 2019

Honorable Mayor and City Council
City of San Jose
200 E Santa Clara Street
San Jose, CA 95113

RE: Downtown High-Rise Fee Reduction

Dear Mayor and Council,

The downtown high-rise fee reduction program has been successful at infusing millions of dollars in private investment into our downtown. The public benefit from this program cannot be denied. Since completing one of the first downtown high-rise projects in 2008, [redacted] has witnessed first-hand how this policy has transformed our downtown, helped small businesses thrive, and created thousands of construction jobs for both union and non-union workers. The goal of adding 10,000 residential units in the downtown has remained elusive and the need for permanent reductions is just as important today as it was in 2007. High-rise residential construction activity has come to a grinding halt with the fee reduction set to expire and we must act now.

Leading technology companies and office developers in Silicon Valley are just starting to see the benefits of locating into our downtown community as evidenced by recent large-scale investments from Adobe, Boston Properties, Google, Jay Paul and Urban Community. Our downtown affords employers access to regional transportation with the convergence of BART, Caltrain and light rail and world class human capital. We need to foster an environment that encourages more companies to move to San Jose, not erect new barriers to entry. After decades of planning and investment of City resources, why would we jeopardize our recent economic development efforts by not permanently reducing high-rise fees until we meet our goals and objectives of providing housing in the downtown core?

"San Jose's fiscal, environmental, and civic ambitions rest on high-rise development, particularly in its core." –Liccardo and Peralez Memo November 2016

The memo also identifies the many public benefits including housing affordability by design, environmental sustainability due to climate change and the need for GHG reductions, fiscal sustainability due to reduced City service requirements and higher property taxes as well as downtown revitalization.

[redacted]

Downtown high-rise development pay for themselves---generating some of the highest one-time fees and assessed valuations both in absolute dollars and on a per acre basis. Taxpayers benefit from impact fees that pay for City staff, parks, and affordable housing. Without redevelopment, taxpayers stand to lose millions in incremental sales taxes and property taxes that pay for our libraries, open space, affordable housing and many other community benefits. If projects don't get built, the City will forego this revenue and be unable to continue to restore City services lost during the economic meltdown of 2008 and meet the increasing fiscal burden of keeping retirement promises made to City employees.

"A project that does not get built will not generate any fee revenue; regardless of the fee rate, one hundred percent of zero is zero. On the other hand, if successful in stimulating a couple of projects to break ground, this fee reduction incentive will still generate tens of millions of fees and construction taxes." –Liccardo and Peralez Memo from November 2016

Since the November 2016 memo, the region's housing crisis has also moved to the forefront of the public discussion. Joint Venture Silicon Valley recently estimated that the cumulative housing deficit exceeds 100,000 units in our region. There is no doubt that the need for affordable housing is acute and we must find permanent funding sources to subsidize affordable housing. However, we cannot ignore the math associated with new high-rise construction. Taxing new residential construction at the current rate is discouraging much needed market rate housing from being built.

Supply matters in making housing more affordable to all residents in our community. For example, the City of San Jose and the City of Seattle are very similar in terms of employment base, geographic constraints, environmental review and neighborhood opposition to housing. From 2013 to 2017, the City of San Jose produced approximately 15,000 residential building permits; the City of Seattle issued approximately 45,000. In 2018, the median home price in San Jose was the highest in the United States at $1,100,000 compared to $430,000 in Seattle.

Wage income and construction costs in Seattle are very comparable to those in San Jose. What accounts for the difference in supply? Height restrictions, parking minimums and development impact fees are the primary culprits. The City of Seattle does not levy development impact fees and the cost associated with inclusionary zoning are offset with a density bonus of 40' additional feet in building height and little or no parking requirements. New residential projects in San Jose incur inclusionary zoning ($25,000 per unit for rental) and park impact fees ($14,600 per unit) of approximately $40,000 per unit alone.

Since the first inclusionary zoning ordinances were adopted in 1972, over 800 communities in the US have adopted inclusionary zoning with varying success. Based on the research available, successful ordinances have been crafted to meet the specific needs of each community and offset the associated project costs with density bonuses, lower parking requirements and reduced impact fees. According to a study by NYU's Furman Center for Housing Policy in 2008 called *The Effects of Inclusionary Zoning on Local Housing Markets*, inclusionary zoning policies have implications that need to be considered carefully:

1. Many IHO policies produce affordable units but it's not a panacea for solving a community's housing challenges
2. More flexible IHO policies lead to greater production of affordable units
3. Potential impacts on market rate housing should be considered
4. Policies that provide meaningful and achievable density bonuses and other offsets to the profits lost on affordable units will be less likely to adversely impact the price and supply of market rate housing
5. Different cost offsets may be needed in different communities in different market cycles

City staff and the parks department have been working proactively in mitigating project impacts from park impact fees. We appreciate staff's efforts to align assumed occupancy rates with market realities and find common ground on park credits when project amenities warrant them. However, more work is needed to get projects built. For example, San Francisco does not assess park fees for residential units in the downtown. Office workers generate daytime use and pay the impacts associated therein.

The Mayor's leadership in dedicating portions of constructions taxes to fund the construction of subsidized housing is a great example of how we can get creative and generate permanent sources of funding without adversely impacting new residential construction in our downtown. If the City Council and Mayor want to make the construction of both market rate and affordable housing a policy priority, other potential permanent funding sources must be found for subsidized housing. These sources could also include allocating former RDA tax increment dollars to affordable housing, affordable housing bonds and other measures such as a modest commercial linkage fee that maintains our regional economic competitiveness.

To say that passage of the high-rise fee reduction program will cost the City revenue and funding for affordable housing, is just another misleading, dishonest statement by special interests. When projects don't get built, the City, its residents, construction workers and taxpayers lose. The fact is that downtown redevelopment will generate millions in one-time and recurring revenue for funding City priorities including basic services and affordable housing.

In summary, our community cannot afford to acquiesce to the special interest threats and must find creative, broad-based solutions to our housing crisis. Our jobs, fiscal stability, economic competitiveness, environmental sustainability and socio-economic and cultural diversity lie in the balance.

Thank you for your consideration. We are excited to continue to transform our downtown skyline with you in the years to come.

Sincerely,

Mark E. Tersini
Shawn A. Milligan
[redacted]

From: Michelle Hernandez
Sent: Friday, September 20, 2019 3:28 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Michelle Hernandez

From: Lieu Bach
Sent: Friday, September 20, 2019 3:58 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

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Thank you for your consideration and service.

Sincerely,

Lieu Bach

From: Rick Beatty
Sent: Friday, September 20, 2019 4:01 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Rick Beatty

From: Tran Nguyen
Sent: Friday, September 20, 2019 4:16 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Sincerely,

Tran Nguyen

From: Bill Harrington
Sent: Friday, September 20, 2019 3:48 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Bill Harrington

[redacted]

Sept. 20, 2019

The Honorable Mayor Sam Liccardo and City Council members
City of San José
200 East Santa Clara Street
San José, CA 95113

RE: Downtown High Rise Fee Reduction

Dear Honorable Mayor Liccardo and City Council members,

[redacted] asks you to accept City staff's recommendation to extend the deadline for the Affordable Housing Fee Reduction for nine downtown high-rise projects. We have an urgent need to build more housing in San Jose, and downtown in particular is best suited to absorb a large number of units.

The matter facing the Council September 24 recalls a similar effort to right-size Park Fees a few years ago. After multiple Council actions adjusting the fee's "deadline" and its structure, decisive action was finally taken in 2017 to create a new *citywide* high-rise park fee. A similar process is needed for Affordable Housing fees. While we support staff's memo on this issue, we urge you to nail down a permanent high-rise fee that helps the City meet its stated goal of producing 25,000 new housing units.

Affordable Housing policy is an emotional matter for many citizens of our changing city. The Downtown Association supports efforts to plan, fund, and build affordable projects. If this two-year fee reduction extension is approved, our city's overall housing supply could be increased by more than 3200 units. Furthermore, these new units will help take pressure off existing supply, easing the burden for people looking for places to live.

It makes sense to build dense infill housing projects downtown, whether they are market rate, affordable, or new concepts such as co-living. Our members are also working to provide housing for the "missing middle" San Jose residents, and the city staff recommendation on Tuesday can help several projects "get across the finish line" where these units make sense – close to jobs and transit.

Sincerely,

[redacted]

Scott Knies
Executive Director

[redacted]

From: HENRY CORD
Sent: Saturday, September 21, 2019 7:42 AM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

HENRY CORD

From: Jarrod Jenkins
Sent: Saturday, September 21, 2019 11:29 AM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Sincerely,

Jarrod Jenkins

From: Huong Truong
Sent: Saturday, September 21, 2019 11:47 AM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Sincerely,

Huong Truong

From: Marcus Tu
Sent: Saturday, September 21, 2019 11:52 AM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Marcus Tu

From: David Buchholz
Sent: Saturday, September 21, 2019 2:38 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

David Buchholz

From: David Sloss
Sent: Sunday, September 22, 2019 5:16 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

David Sloss

From: Jeff Arrillaga
Sent: Monday, September 23, 2019 8:47 AM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Sincerely,

Jeff Arrillaga

[redacted]

Mayor Liccardo and City Council September 24, 2019
City of San Jose
200 E. Santa Clara St.
San Jose, CA 95113

RE: Item 4.3 DOWNTOWN RESIDENTIAL HIGH-RISE INCENTIVE

Honorable Mayor Liccardo and City Council Members,

Focused on making San Jose the best city in the country to start and grow a local business, Business San Jose Chamber PAC is the only San Jose-based organization focused exclusively on improving the business climate for small and medium enterprises, and the only one 100% founded and run by local businesspeople.

We write to you today to express our support for the extension of the Downtown High-Rise Fee Reduction Program. Over the years, the fee reduction has been critical to the development of housing in our downtown core. As many have finally recognized, focusing on growing our downtown population by providing these incentives will drive residents to spend money in downtown and keep residents and our workforce off of the highways, in-turn relieving congestion and reducing greenhouse gas emissions.

The extension of this fee reduction is critical for the future of Downtown San Jose. After years of work by our leaders, we are finally seeing some medium to small businesses thrive. Without this critical population growth continuing, we will not see the growth of both the business base and retail spending where we need it most.

Additionally, the Business San Jose Chamber PAC supports the memo from Councilmembers Khamis and Davis to a) Eliminate the certificate of occupancy deadline for the Affordable Housing Impact Fee instead of extending it to December 31, 2023 as proposed in the staff memo b) Make the fee reductions of the Downtown High-Rise Program permanent fee reductions c) Direct staff to make a concomitant fee reduction for mid-rise development along transit corridors, in places where high-rise development is not allowed by General Plan 2040 d) Once the City of San Jose has achieved construction of the 25,000 units that have been set as the City's housing goal, per the Mayor’s initiative, return to Council with an evaluation of the fee structure on the aforementioned types of development.

[redacted]

[redacted]

We believe that at this time the City should extend the high-rise incentives until we meet the housing goals proposed by Mayor Liccardo. The Business San Jose Chamber PAC stands ready to work with you on increasing the housing supply so that all our residents will benefit.

Sincerely,

Tracey Enfantino

[redacted]

[redacted]

September 23, 2019

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

[redacted]ation

RE: Downtown High-Rise Fee Reduction Program (Council Item 4.3) – SUPPORT

Dear Mayor Liccardo and Members of the San José City Council,

On behalf of [redacted]), I am writing to strongly support the extension of the Downtown High-Rise Fee Reduction Program. By way of background, The [redacted] is the Silicon Valley's premier business advocacy organization representing nearly 1,200 companies that employ over 300,000 local workers, and we represent our membership as the region's largest Chamber of Commerce.

The fee reduction program is a critical component of the City of San Jose's longstanding goal of facilitating residential high-rises to promote the urbanization of the downtown core and the advancement of the City's economic development goals, both of which directly address our severe housing crisis. Since 2007, the San José City Council has kept this fee reduction policy in place to migitate the ongoing challenges and risks associated with building residential towers. This policy has long been supported by both business and labor groups because it promotes both urbanization/economic development goals and creates good-paying construction jobs in our community.

Furthermore, the Strategic Economics report is very clear on what we already know about the state of the market for residential high-rises – it is infeasible to build in Silicon Valley. While development fees are not the sole driver of high-rise development infeasibility, the City of San José must do everything it can to allow the nine residential high-rises currently in the development pipeline to move forward. Without the fee reduction program, there are nearly 3,500 residential units at-risk of being halted. Given the dire circumstances of our housing crisis, we simply cannot do nothing when we have the opportunity to provide homes now.

For these reasons and more, we strongly urge the Council to support the extension of the Downtown High-Rise Fee Reduction Program and urge you all to proactively look for new ways to facilitate future high-rise projects. The current staff recommendation will move forward existing projects in the pipeline, but we must also do more if we are to solve our housing crisis. If we are to meet Mayor Liccardo's goal of 25,000 homes produced by 2022, then we must act decisively now to extend the fee reduction program.

[redacted]. Thank you all for your attention to this matter.

Sincerely,

[redacted]

Matthew R. Mahood
President & CEO

From: Himat Bainiwal
Sent: Monday, September 23, 2019 1:27 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Sincerely,

Himat Bainiwal

From: George Zafiris
Sent: Monday, September 23, 2019 1:27 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

George Zafiris

From: Cindy Fairfield

Sent: Monday, September 23, 2019 1:31 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

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Sincerely,

Cindy Fairfield

From: Kiran Kastury
Sent: Monday, September 23, 2019 1:41 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

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I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

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Sincerely,

Kiran Kastury

From: Lorene Alexander
Sent: Monday, September 23, 2019 1:42 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

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Thank you for your consideration and service.

Sincerely,

Lorene Alexander

From: Jeffrey Raegen
Sent: Monday, September 23, 2019 1:43 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

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Sincerely,

Jeffrey Raegen

From: Terry Reilly
Sent: Monday, September 23, 2019 1:51 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

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Thank you for your consideration and service.

Sincerely,

Terry Reilly

From: Clyde Hammond
Sent: Monday, September 23, 2019 2:07 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

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Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Clyde Hammond

From: Daniel Glaessl
Sent: Monday, September 23, 2019 10:41 AM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

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Thank you for your consideration and service.

Sincerely,

Sincerely,

Daniel Glaessl

From: Nicole Goehring
Sent: Monday, September 23, 2019 3:06 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

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Thank you for your consideration and service.

Sincerely,

Sincerely,

Nicole Goehring

From: Christian Pellecchia
Sent: Monday, September 23, 2019 3:23 PM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

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Thank you for your consideration and service.

Sincerely,

Christian Pellecchia

Building Trades
The outstanding workforce

SOUTH BAY AFL-CIO LABOR COUNCIL

September 23, 2019

San José City Council
200 East Santa Clara Street
San Jose, CA 95113

Honorable Mayor Liccardo and San José City Councilmembers:

We are writing to provide important information to the City Council regarding the proposed subsidy for a specific set of downtown high-rise projects slated to come before the City Council on Sept. 24.

We have previously stated our moral and practical positions regarding these subsides. In addition to those fundamental issues, this letter provides data and technical analysis that the City Council should carefully consider before making any decision.

Just last month, the City Council passed a law stating that if any developers request subsidies or tax incentives to build private, for-profit development, the City would require those developers to agree to workforce standards to help ensure those taxpayer subsidies are creating good jobs and career opportunities for local residents.

The only exception the City Council approved for subsidizing private, for-profit developments was if an entire subcategory of development was found to be infeasible without a subsidy, and subsidizing that subcategory is in the public interest. The finding of infeasibility is required to be "based upon objective evidence" as provided by a study by an independent third-party. The independent study is required to also evaluate "options available to the City and project developers to achieve feasibility" *other than* a subsidy and exemption from workforce standards, including any options suggested by stakeholders that could contribute to project feasibility and are compatible with applicable laws and the City's General Plan.

Instead of commissioning an objective, independent study, the City appears to have chosen to commission a memorandum that is woefully incomplete; based not on objective evidence, but on unverified assumptions that seem in many cases to have been provided by parties which may stand to benefit from the proposed subsidy, rather than from an independent source; and contains numerous inaccuracies and uncited numbers that appear to be directly contradictory to real world data. Furthermore, the memorandum does not provide the required analysis of other options that could help to achieve feasibility, and labor, community, neighborhood, and affordable housing stakeholders were given no opportunity to review the study findings and suggest alternatives to be analyzed.

I. The study does not provide a single independent source for any of the data points or assumptions used in its pro forma analysis.

To perform its feasibility analysis, the study makes assumptions on every aspect of development finance. Normally, this analysis would be backed up either by citations to existing, generally accepted data sources that a reviewer could find and verify, or if no data source is available, by a study of comparable projects whose data would be included in an appendix. This memo, instead, either cites itself as a source, references the inadequate Keyser-Marston study (in explicit contradiction of the City Council's direction to perform an independent study), or references "conversations with developers" as its source. As far as can be determined from the memo, there does not appear to have been any process to verify developers' self-reported estimates, nor any comparison to an external, objective data source. A study cannot be considered objective or independent if its fundamental assumptions have no verifiable basis in any independent data source.

II. The value assumed for land costs appears to be significantly higher than both the actual land costs incurred by the majority of projects in the subcategory, and higher than typical land values in downtown. Other values assumed without independent sources may have similar problems.

The study assumes a land cost of **$22 million per acre**, which in their pro forma comes to $60,000 per unit.

While this is similar to the prices paid on the two high-rise projects associated with KT Urban (Greyhound and Aviato/Starcity) that are seeking subsides, it is higher than any of the other 7 projects for which land values are available in media sources, and is also much higher than most of other comparable land sales completed in the period during which the eligible high-rise projects were proposed.

An analysis of land sales in the downtown core over the past 5 years that are listed in the Costar property database shows a mean price per acre of **$12 million** and a median price per acre of **$8.9 million.** [1]

In addition to this overall cost analysis, examining the land sale prices paid for specific downtown high-rise development sites (prior to entitlement) shows prices that in most cases were dramatically lower than the assumed $22 million per acre. For example:

- For The Graduate, Swenson and Amcal acquired the 1.1-acre site at 300 S 2nd St for $4.2 million,[2] which equals **$3.8 million per acre**.
- For Miro, SJSC Properties bought the 1.4-acre site from the San Jose Redevelopment Agency for $12.8 million,[3] which equals **$9.1 million per acre**.
- Another downtown residential site in North San Pedro Square was bought by Intracorp, which is proposing a 381-unit high-rise. The 2.4-acre site sold for $10.3 million, which equals **$4.3 million per acre.**[4]

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[1] Costar database property records. Because building costs and costs associated with the entitlement process are included in other sections of the pro forma, comparable sales should exclude sales of sites already fully entitled, or sales of sites with occupied buildings.
[2] https://www.bizjournals.com/sanjose/news/2016/03/31/student-housing-tower-planned-for-techshop-site-in.html
[3] https://www.bizjournals.com/sanjose/news/2015/11/03/office-condo-towers-envisioned-for-downtown-san.html
[4] https://www.mercurynews.com/2018/10/03/big-downtown-san-jose-residential-complex-sprouts-land-deal-google-adobe-amazon/

- A similar, nearby 1.2-acre site, also slated for high-rise residential, was bought by Swenson for $4.7 million, which equals **$3.9 million per acre.**[5]

For at least three of the nine projects under consideration, the land was not recently purchased by an unrelated third party as assumed in the study's single pro forma, but instead is being developed by the owner, or by the owner in partnership with a developer. This does not mean the land cost is zero, since there are expenses and opportunity costs associated with use of the land, but it may be considerably less than the assumption in the pro forma. For example:

- The Gateway Tower site has been owned by the Core Companies for over 30 years.[6]
- The 27 West site was sold to the current owners in 2001 by the San Jose Redevelopment Agency.[7]
- Property data show that the 4th Street Metro Station site has belonged to the current owner (an LLC) since 2007.[8]

In conclusion, the assumption that these nine projects incurred a cost of $22 million per acre for unentitled land appears to be based on outliers, and is not representative of the majority of the projects being considered for subsidy.

A more realistic estimate might be the overall mean price of recent sales, $12 million per acre, coupled with a sensitivity analysis showing the effect of the lowest identified land price among the 9 projects ($3.8 million per acre, based on available data) versus the highest ($23 million per acre, based on available data).

Given that the land sale price appears to be an outlier, it raises the question of how many of the other assumed expenses might also be outliers, or not reflective of actual costs incurred by the majority of projects in the subcategory.

III. The study fails to analyze the range of different project characteristics within the specified subcategory; instead, it assumes all Downtown high-rises are exactly the same in size, structure, efficiency and financing. It also fails to perform a sensitivity analysis.

The exception to the subsidy accountability ordinance states that an exemption should be considered only if an entire subcategory of development is infeasible – not just one or two individual projects within that subcategory. Therefore, the initial scope of work for the infeasibility study of the subcategory of "downtown residential high-rise" included analysis of "the range of high-rise rental housing development projects in the downtown including height (in stories), density, average unit size, parking ratio, land area, building type, program efficiency, etc," The study did none of this; instead, it made a single assumption for each of those variables and applied that single assumption to the entire subcategory of high-rises.

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[5] https://www.mercurynews.com/2018/09/20/downtown-san-jose-deal-poised-spur-big-new-residential-tower-google-housing-adobe/
[6] https://www.bizjournals.com/sanjose/news/2015/06/19/meet-san-joses-newest-tower-proposal-in-so.html
[7] https://www.bizjournals.com/sanjose/news/2016/05/24/exclusiveas-downtown-san-joses-ross-store-prepares.html
[8] Costar database property records.

Furthermore, the various high-rises that fall within the subcategory utilize several different business and financing models, meaning that they make their profits in different ways and over different time periods, all of which affects the calculation of feasibility. For this reason, the initial scope of work for the infeasibility study included "consideration for different types of financing or other development characteristics such as speculative development, large multi-family development, co-living, real estate investment trust, closely-held real estate development, international real estate developers, etc." The study did none of this.

The scope for the study also included a sensitivity analysis examining the impact of variance in the assumptions; for example, the impact if a project had higher or lower values for financing costs, land costs, parking ratios, building materials, architecture and engineering costs, number and size of units, expected vacancy rate. This appears to have not been addressed at all; no sensitivity analysis is included.

In short, a single pro forma with a uniform set of assumptions and no sensitivity analysis cannot reasonably be construed as testing "Whether **all** projects in the specific Subcategory are financially infeasible."

IV. The estimate of workforce standards impacts is based on faulty analysis, including failure to separate out construction worker wages & benefits from all other construction costs, failure to ground-truth results against industry baseline data, and possible conflation of terms. As a result, the estimated impact of workforce standards in the study is 3 to 9 times higher than if it were calculated properly.

The pro forma assumes direct ("hard") costs of $370 per square foot. No citation or verification is given for this number. Furthermore, there is no analysis provided showing the actual expense categories that are lumped together under "direct costs".

The initial scope for the infeasibility study stated that direct project costs should be "divided by labor and materials", and the labor cost analysis should "present the cost of blue-collar (non-management) construction employee payroll separately from other contractor/subcontractor costs." This is critical to the analysis of potential financial impact of workforce standards, sicne the workforce standards would only affect the cost of wages and benefits for construction trades workers; adding workforce standards does not affect the cost of materials, equipment, management-level employees, contractors' profit margins, or other such construction expenses.

Although the infeasibility study provided no information on the expenses making up the $370 per square foot cost, we can turn to U.S. Census Bureau data for an approximation. Data from Economic Census of Construction for the California multifamily housing industry shows the following breakdown of hard costs:[9]

- Materials, fuels and equipment:	39%
- Purchased services	8%
- Construction worker wages and benefits	21%
- White-collar wages and benefits	15%
- Contractor gross earnings	17%
Total hard costs	*100%*

[9] Analysis of Economic Census data published by Alex Lantsberg, in "The Value of Linking Good Construction Jobs to California's Housing Reforms", March 2017.

These data are somewhat out of date, because the Economic Census is published only once every 5 years. However, it provides a baseline of verifiable data, on top of which a sensitivity analysis could be performed to test the effect of changes to the baseline.

The consultants' analysis of workforce standards is based on the assumption that, "According to general contractors, the MEP share of overall construction costs is typically between 30 and 40 percent." (MEP stands for "mechanical, electrical, and plumbing"; it refers to the specific group of construction trades workers who perform electrical, plumbing, HVAC and closely related work on a building.)

Assuming that workforce standards on high-rises would primarily affect MEP wages and benefit costs, and further assuming the workforce standards would increase MEP wages and benefits by 20 to 30 percent, "[t]aking the mid-range of these assumptions, Strategic Economics estimated that the requirement for prevailing wages on high-rise development would increase total construction costs by nine percent."

All of these assumptions are unattributed and apparently unverified against any external objective data source. But there is a more fundamental problem: even if you accept these assumptions, the math used to calculate total impact appears to be wrong, due to the failure to break down "direct costs" into its constituent expenses.

As discussed above, per the most recent U.S. Economic Census, **total** construction worker wages and benefits account for 21% of hard costs in the California multi-family construction industry. It is mathematically impossible for MEP workers' wages and benefits - which are a subset of total construction workers wages and benefits – to equal 30-40% of hard costs.

So, what does the "30 to 40 percent" mean? Most likely, it means that the MEP share of construction trades worker payroll (not total construction costs) is typically between 30 and 40 percent. That would be more plausible. However, if that is the meaning, then the consultant's calculations are wrong. If construction worker payroll accounts for 14% of hard costs, then that would mean that the MEP share of construction worker payroll accounts for somewhere between 30% and 40% of 14%, which equals 4.2% – 5.6% of total hard costs attributable to MEP wages and benefits.

If one then makes the assumption that prevailing wage increases the payroll costs for MEPS work by 25% (midway between the consultants' assumption of 20 to 30% cost increase, although this is itself an unverified estimate, and does not account for productivity increases), then **total hard costs would increase by 1.05% - 1.4%.**

This is much lower than the 9% increase in hard costs calculated by Strategic Economics; it means that the financial impact of workforce standard sis inflated by 6 to 9 times its actual impact

Even if we experiment with doubling the portion of hard costs going to construction worker wages and benefits, the total increase in hard costs produced by adding workforce standards, using Strategies Economics' own assumptions, would be between 2.1% - 2.8%, not 9%.

Furthermore, the scope of the study explicitly included "an assessment of the impact of productivity increases versus hourly labor costs". The consultants acknowledge that productivity increases do have a positive financial impact, but that the impact is not quantified nor included anywhere in the feasibility analysis.

V. No opportunity was provided for stakeholder review of the analysis, followed by the consultant providing written responses to stakeholder feedback.

The initial scope of work stated, "The consultant will coordinate with City staff on appropriate stakeholder engagement and periodic review of the analysis. Staff will assist on coordinating communication between the consultant, appropriate stakeholders, and the development community."

To our knowledge, no labor, community, neighborhood, or affordable housing stakeholders were given any opportunity to review or provide feedback on the analysis. Consultants did meet with stakeholders near the beginning of the process, but no opportunity for "periodic review of the analysis" (or any review at all) were provided.

Stakeholder feedback is especially important in this case since, as mentioned above, nearly every number and data point used in the analysis is based on an assumption that is not cited or verifiable by any external source.

VI. The study does not, as required by ordinance, provide a quantitative analysis of additional options, other than the proposed fee or tax reduction, that would make construction of projects within the subcategory financially feasible, beginning with an opportunity for stakeholders to propose additional options for analysis.

By ordinance, the study is required to consider "Any additional options, other than the proposed fee or tax reduction, that would make construction of the Private Construction Projects within the specified Subcategory of Use financially feasible". The study did not perform an analysis of any additional options, and did not seek stakeholder input on which options to study.

This is particularly significant because the consideration of alternative options proposed by stakeholders was an important and emphasized component of the ordinance passed by City Council.

The study does hint at other options, such as "Opportunity Zones, … reduced return to land owners, value engineering, and or cost controls." But none of these options were studied; neither were any options that stakeholders might have suggested, had they been asked.

The study therefore does not meet the requirements of the ordinance.

Sincerely,

[redacted]

Ben Field
Executive Officer
[redacted]

David Bini
Executive Director
[redacted]

[redacted]

[redacted]

September 23, 2019

The Honorable Mayor Sam Liccardo and Council
City of San Jose
200 E. Santa Clara Street
San Jose, CA 95113

RE: Item 4.3, Support the Extension of the Downtown High-Rise Fee Reduction Program

Dear Mayor Liccardo, Vice Mayor Jones, and Honorable Councilmembers Arenas, Carrasco, Davis, Diep, Esparza, Foley, Jimenez, Khamis, and Peralez,

On behalf of the [redacted], I am writing to express our support for the City's adoption of the resolution and actions related to the extension of the Downtown High-Rise Fee Reduction Program. The Leadership Group has a long history of supporting vital residential density within our region's urban cores and understands the importance of ensuring that developers have certainty and encouragement from jurisdictions to make major investments.

[redacted] founded in 1978 by David Packard of Hewlett-Packard, represents more than 330 of Silicon Valley's most respected employers on issues, programs and campaigns that affect the economic health and quality of life in Silicon Valley, including energy, transportation, education, housing, health care, tax policies, economic vitality and the environment. Leadership Group members collectively provide nearly one of every three private sector jobs in Silicon Valley.

On an annual basis, [redacted] surveys its m[redacted]mber companies at the CEO level to find out which issues are most important to a healthy economy in Silicon Valley. Each year, housing affordability and attainability is selected as the top impediment. The cause of our housing crunch is clear. Demand consistently outpaces supply. For that reason, the Leadership Group seeks out and supports quality housing proposals that can help alleviate our persistent housing crisis by bringing more homes to the market. Since 1994, the Leadership Group has carefully selected more than 300 residential developments to endorse and support before city councils. Unfortunately, the acutely needed density that high-rise development provides has been rare.

When emerging industries and high growth employers look for new locations, we know that they are looking for complete communities where nightlife, retail, dynamic events and energized populations can come together. High-rise development is a major part of ensuring that San Jose continues to shape its downtown into a more complete community. We know that when a city invests in high-rises near transit corridors it simultaneously invests in taking cars off our streets.

We look forward to working with the City to extend the High Rise Fee Reduction Program.

Sincerely,

[redacted]

Vincent Rocha
Senior Director, [redacted]

From: James Suh
Sent: Tuesday, September 24, 2019 8:07 AM
To: Agendadesk
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

James Suh

[redacted]

September 24, 2019

Honorable Mayor Sam Liccardo
Honorable Vice Mayor Chappie Jones
Honorable Councilmember Dev Davis
Honorable Councilmember Pam Foley
Honorable Councilmember Johnny Khamis
Honorable Councilmember Lan Diep
Honorable Councilmember Maya Esparza
Honorable Councilmember Sergio Jimenez
Honorable Councilmember Magdalena Carrasco
Honorable Councilmember Sylvia Arenas

City of San Jose
200 E. Santa Clara Street
San Jose, CA 95113

Item 4.3 Downtown High-Rise Incentive Program

Dear Honorable Mayor Liccardo and Councilmembers,

On behalf of the Santa Clara County Association of REALTORS® (SCCAOR) and our 6,000 members, I write in support of item 4.3 on today's City Council agenda.

Increasing the number of residents and housing in downtown has long been supported by Council to support increased transit, retail, and job development in the core of the City. There are currently nine pipelined projects that could provide up to 3,500 units dependent upon the proposed extension of the fee reduction program proposed this week. Without an extension, there is a strong possibility that the financial feasibility of high-rise housing projects will be impacted, which could cause us to lose thousands of new homes and would further worsen our housing crisis.

San Jose produced under 2,800 units last year which is lower than the historical average since 1980 of 3,100 units and almost half of the Mayor's target goal of 5,000 a year. The constant increase in development fees is making projects more and more difficult to receive financing. This high-rise fee reduction is the tipping point. It will determine whether downtown projects are viable or force developers to increase initial rents by, in some cases, up to 20% to pencil out, further decreasing affordability.

Regards,

[redacted]

Gustavo Gonzalez
President, [redacted]

[redacted]

[redacted]

September 24, 2019

Mayor and City Council
San Jose City Hall
200 E. Santa Clara
San Jose, CA 95113

Re: Extension of Downtown High-Rise Incentive Program (Item 4.3 on September 24, 2019)

Dear Hon. Mayor Liccardo, Vice Mayor Jones and San Jose City Council

Thank you for the opportunity to comment on the proposed Extension of the Downtown High-Rise Incentive Program. As an urban policy think tank and downtown business, [redacted] cares deeply about downtown's success. While we continue to have reservations about this policy approach in the long-run**, we recognize the current need to continue the high-rise incentive program.**

While we believe that downtown must have a large concentration of jobs to support transit and provide investment in city infrastructure and services, it is also important to maximize the potential of high-rise residential development downtown. That is one of the reasons [redacted] was actively involved in the research and policy discussions around raising the building height limits to Federal Aviation Administration limits.

We want to commend staff's efforts over the past two years to address the barriers to achieve the goals set forth in the Housing Crisis Worklplan (Item 4.2) including significant work to move forward with housing production in North San Jose, developing a meaningful Anti-Displacement Strategy, Affordable Housing Siting Policy, and Affordable Housing Investment Plan and exploring a Commercial Linkage Fee.

However, the Housing Crisis Workplan clearly shows that the San Jose housing market is not producing needed housing units, including High-Rises. With the continuation of this incentive, we would expect the projects currently in the pipeline to be of exceptional quality and design.

Finally, we encourage a review of fees and citywide land use policies to ensure that we are promoting residential development throughout the city. The urban villages are the right place to develop mixed-use buildings that add housing and create vibrant neighborhood retail districts. Next month, SPUR will release a white paper evaluating the reasons why realizing mixed-use development has been so challenging and recommending policy changes in urban villages.

Thank you for your leadership and commitment to housing production in San Jose.

Sincerely,

Teresa Alvarado, San Jose Director

[redacted]

[redacted]

September 23, 2019

San José City Council
200 E. Santa Clara St.
San José, CA 95113

RE: Downtown High-Rise Incentive Program (9/24/2019 Agenda Item 4.3, File #19-821)

Dear Councilmembers:

Our firm is working with local real estate investment group, [redacted]., to finance the development of their newest project known as The Carlysle, located at 51 Notre Dame Avenue in San Jose's downtown core. We are writing in support of the high-rise incentive program and recommend extending the certificate of occupancy deadline for the Affordable Housing Impact Fee exemption to December 31, 2023. Rising land and construction costs are impacting returns to such a point that many projects are no longer financially feasible, and The Carlysle is no exception. The returns required to attract investors and lenders are currently acceptable with the fee savings through the high-rise incentive program, however, we have run sensitivities and the project would no longer be financeable if this program is discontinued.

As a company, we finance approximately $13 billion each year in real estate debt and equity investments. Most recently, our local team assisted Acquity Realty, Inc. with capitalizing their project known as The Firestone, a mixed-use project located at 477 S. Market Street in San Jose. It is fair to say we have an accurate gauge of the capital markets and interact with the investment community on a regular basis. We urge San Jose's councilmembers to vote in support of extending the Downtown High-Rise Incentive Program to help ensure we see much needed housing built and avoid seeing proposed projects, like The Carlylse, indefinitely postponed.

We are happy to elaborate further and answer any questions you may have. Please feel free to contact us and let us know if there is anything we can do to help secure the program extension.

Best regards,

[redacted]

Nathan Prouty
Managing Director
[redacted]9

[redacted]

[redacted]

September 24, 2019

Honorable Mayor of the city of San Jose Sam Liccardo and City Council Members.

As of June 2019 [redacted] obtained entitlement for 374 unit apartment project located at 27 South First Street San Jose CA 95113. The project name is Tower 27.

Without the $7 million fee reduction expected to be approved today by the City Council, Tower 27 would not be financially feasible. Project financing provided my our lender would be in jeopardy. We are planning to break ground in January 2020.

We have missed fee reduction / incentives earlier deadlines as it took very long to get our entitlement due to short staff at the City of San Jose Planning Department. I urge you to adopt and pass the resolution as it is recommended by the city staff today.

Alterra will be employing Largo Concrete and Malcolm Drilling both Union subcontractors.

We are looking forward to start our construction.

Thank you,

Mike Sarimsakci
CEO and Founder
[redacted]

September 23, 2019

The Honorable Mayor Sam Licardo and City Council Members
City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

RE: Downtown High Rise Fee Reductions

Dear Honorable Mayor Sam Licardo and City Council Members,

We are writing you today to express our support for the extension of the downtown high rise incentive program. The current fee reduction program has been critical in helping numerous high rise developments get underway in recent years, and with the continued increase in construction costs, the need for the program to continue remains acute if we are to produce housing on any scale in downtown.

We would also like to express our support for the memo written by Council members Khamis and Davis to a) eliminate the certificate of occupancy deadline b) make the fee reductions permanent c) evaluate similar fee reductions for mid-rise development neat transit and d) re-evaluate the program after the City has reached its goal to produce 25,000 housing units.

Thank you for your consideration to this important matter.

Sincerely,

Mark Robson

From: Nicholas Kaspar

Sent: Tuesday, September 24, 2019 10:37 AM
To: Agendadesk [redacted]
Subject: Vote to Support Housing - Item 4.3

Dear Clerk City Clerk,

I write to you today to urge you to support more housing in Downtown San Jose by extending the Downtown High-Rise Fee Reduction Program, Item 4.3 on Tuesday's agenda.

Our region desperately needs housing. In the absence of the fee reduction program. We could lose nearly 3,500 homes because high-rise residential projects are generally infeasible in today's market.

Please support housing in Downtown San Jose! #SaveOurHousing

Thank you for your consideration and service.

Sincerely,

Nicholas Kaspar

From: Basil Romero
Sent: Tuesday, September 24, 2019 10:59 AM
To: The Office of Mayor Sam Liccardo
Subject: STOP Liccardo's Handout to Wealthy Developers

Re: STOP Liccardo's Handout to Wealthy Developers

Dear Sam Liccardo,

Mayor Liccardo must be confused about who he serves and what he says? He wants to give his developer friends $67 million taxpayer dollars' so they won't have to build affordable housing. He says we need more affordable housing, confused yet? Vote No on Item 4.3. It's an obscene gift to wealthy developers that is contrary to what the mayor has been saying for many years.

Sincerely,
Basil Romero

NAIOP
COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
SILICON VALLEY CHAPTER

September 24, 2019

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

RE: September 24, 2019 Agenda Item #4.3, High-Rise Fee Reduction

Dear Mayor Liccardo & Council,

On behalf of NAIOP Silicon Valley I am writing to support staff recommendation on Item 4.3, the Downtown High-Rise Incentive Program at the September 24, 2019 City Council meeting. NAIOP encourages the council approve the staff recommendation to extend the Certificate of Occupancy requirement and Amend Title 4.46 and 4.47 as outlined in the 9.13.19 memo by Kim Walesh and Jacky Morales-Ferrand.

Recent City studies have documented that residential development throughout a majority of the City of San Jose, particularly downtown high-rise residential, are generally infeasible without a fee reduction program. Without the recommended incentive program construction on an estimated 3,500 additional downtown residential units could be in jeopardy at a time when <u>every</u> unit of new housing is critically needed! As Joint Venture Silicon Valley points out, the south bay region struggles with a housing deficit of over 100,00 units. Additionally, since 2011 only 183,956 new dwelling units have been approved by our nine-county bay area local government agencies while adding over 676,800 new jobs, a ratio of only one new dwelling unit for every 3.7 new jobs.

The Downtown High-Rise Fee Reduction program is an appropriate program to incent high-rise residential development which will facilitate additional economic development opportunity for the City of San Jose.

In closing, NAIOP Silicon Valley respectfully requests your support of the Downtown High-Rise Fee Reduction program.

Sincerely,

[redacted]

Patricia Sausedo, Executive Director
NAIOP Silicon Valley

For item 4.3 on today’s agenda.

Kelly Kline, Chief Economic Development and Land Use Officer
Office of Mayor Sam Liccardo

Begin forwarded message:

From: Rich Truempler
Date: September 24, 2019 at 3:26:22 PM PDT
To: "Kline, Kelly"
Subject: Downtown Housing

Kelly- I am sorry this note is late in coming.

I wanted to follow up from discussions, we concur with the need to reduce fees to make rental housing feasible to build. Currently, rents have not kept pace with rising construction costs.

We appreciate the need for affordable housing at all levels and feel the most efficient way to achieve this is with flexible land-use policies, and minimal exactions to encourage the development of housing.

Furthermore, we suggest this policy should not sunset until a production goal has been met, and be extended to any project in the downtown core, not just those that are on the pipeline exemption list.

There have been numerous experts and academics weigh in on this subject, and they concur with the simple premise that adding cost to housing negatively impacts production, thereby reducing supply, and exacerbating the housing shortage.

We appreciate your consideration.

Best Regards
Richard Truempler
Vice President, Development

Air Conditioning Trade Association

[redacted]

[redacted]

September 23, 2019

To Whom It May Concern:

ACTA is a State and Federally approved 4 year apprenticeship program in the Commercial Sheet Metal Trade. ACTA has been training apprentices for over 20 years.

Our apprentices are required to complete 656 hours of Related and Supplemental Instruction as well as 6500 hours of On the Job Training. We average 50 – 55 apprentices each year.

Iron Mechanical has been an active member of ACTA since 2009. They have employed several apprentices throughout the years and continue to employ journeyman that have graduated from our program. They are a great supporter of the ACTA apprenticeship program.

Please feel free to contact me if you have any questions at x. 101.

Sincerely,

Jill Mojica

Jill Mojica
Executive Director