



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand
Nanci Klein
Chris Burton

SUBJECT: SEE BELOW

DATE: March 7, 2022

Approved

Date

3/7/2022

SUPPLEMENTAL

**SUBJECT: ACTIONS RELATED TO IMPLEMENTATION AND AMENDMENT OF
THE COMMERCIAL LINKAGE FEE ORDINANCE**

REASON FOR SUPPLEMENTAL

This supplemental memorandum provides an updated timeline for the planned feasibility study for the Commercial Linkage Fee and provides additional information related to the staff recommendation of maintaining multiple payment options, including a deferred payment option for Office and Industrial R&D developments of 100,000 or more square feet.

BACKGROUND

On September 1, 2020, the City Council adopted the Commercial Linkage Fee, and gave additional direction to staff to explore various credits that could potentially reduce the amount a project would pay. Staff is making recommendations related to these credits and modifications that improve the administration and collection of the fee, while keeping a structure similar to the one adopted by the City Council. In addition, the City Council directed staff to initiate a new feasibility study two years after adoption that would allow for a reassessment of the fee levels. This supplemental memorandum provides the timeline to conduct the feasibility study starting in the spring of 2022. The new feasibility study is a separate timeline from the reassessment of the deferred payment option in five years that is included in the staff recommendation.

ANALYSIS

Feasibility Study

As part of the City Council action in September 2020, staff was directed to return within two years with an updated feasibility study for the Commercial Linkage fee. Staff intends to provide the City Council with a new feasibility study within the timeline outlined below that includes

initiating work in spring 2022 and returning to the City Council by the end of 2022.

Feasibility Study Timeline	
May 2022	<ul style="list-style-type: none"> • Execute amended contract with consultant • Define scope of work for study
June – August 2022	<ul style="list-style-type: none"> • Consultant and staff work on study
September - October 2022	Public Outreach
October - November 2022	<ul style="list-style-type: none"> • Collate and summarize feedback • Prepare staff report • Release draft study
December 2022	Housing & Community Development Commission and City Council

Timing of Fee Payment

Staff’s recommendation provides for multiple payment options, including a deferred payment option for Office and Industrial R&D developments of 100,000 or more square feet. These options are in alignment with the intent of the original City Council direction and balance the competing objectives of ensuring sufficient affordable housing is available throughout the City, while also encouraging development that provides employment for residents consistent with the General Plan. While there has been some entitlement activity in the downtown prior to the pandemic, there are key projects that have yet to move forward to construction as uncertainty persists in the office real estate market and costs to construct continue to escalate. Providing multiple payment options is an important tool in helping lessen the impact of the fee on development.

/s/
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 Director of Housing

/s/
 NANCI KLEIN
 Director of Economic
 Development and
 Cultural Affairs

/s/
 CHRIS BURTON
 Director, Planning, Building
 and Code Enforcement

For questions, please contact Rachel VanderVeen, Deputy Director of the Housing Department at 408-535-8231 or Jerad Ferguson, Housing Catalyst, Office of Economic Development and Cultural Affairs at 408-535-8176.