



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Raul Peralez

SUBJECT: SEE BELOW

DATE: June 15, 2020

Approved by:

Date: 6/15/2020

**SUBJECT: ECONOMIC RECOVERY TEMPORARY CAP ON NEW OR INCREASED
INFRASTRUCTURE FEES FOR DEVELOPMENT**

RECOMMENDATION

Accept staff recommendation and include the following:

- Cap the Commercial Linkage Fee (CLF) rate at \$20 per square feet for Office/R&D on September 7, 2020 if staff does not return to Council by September 3, 2020 with a CLF fee recommendation. Allow the rate cap to remain in effect alongside the temporary infrastructure fee cap for building permits issued before January 1, 2023.

BACKGROUND

I commend staff for making the necessary adjustments on the City's infrastructure fees so that developments have the financial clarity to move forward as we navigate these unstable times. Staff returning in August with a CLF recommendation will be the final piece for developers to determine their project costs and finally give us a critical tool in offsetting the affordable housing

demand in our city. However the path to this recommendation has been met with many delays. If this is pushed out any further down the road, we continue to lose out on the millions that could aid our most vulnerable in the housing crisis. If staff is not able to return to Council by the time outlined in the staff report, I recommend we move forward and set a CLF fee cap for Office/R&D at \$20 per square feet.

Many of San José’s neighbors throughout the Bay Area have established a commercial linkage fee at varying rates. The table below lists the CLF fees of three neighboring cities.

Commercial Linkage Fee for Office/R&D in Neighborhood Cities	
Santa Clara	\$20.00 per square feet
Cupertino	\$24.60 per square feet
Sunnyvale	\$16.50 per square feet

Source: City of San José Office of Economic Development

Using these three cities as a baseline, the average of the fees comes out to \$20.36 which has been rounded to \$20 per square feet for the purpose of a cap as defined in this memo. If staff has not yet developed a fee by the stated timeline, setting a cap at \$20 in tandem with the temporary infrastructure fee cap will allow developers to have clear guidelines and be able to anticipate all of the costs to continue with their developments. In addition, if we are forecasting that 6.5 million square feet of Office/R&D will still move forward, that is approximately \$130,000,000 the City will be able to capture to fund affordable housing projects in the near future.

COVID-19’s economic and social impacts have forced us to re-evaluate new methods to jumpstart and restabilize our City again. As we quickly rush to create new jobs, it is as important as ever that we do not neglect the housing these new jobs will demand. Any further delay of establishing a CLF will plunge us further into our housing crisis.