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Transmitted via email

October 16, 2017

Honorable Mayor Liccardo and Members of the City Council
City of San Jose
200 E. Santa Clara Street, 17th Floor
San Jose, CA 95113

**Re: October 17, 2017 City Council Agenda Item 3.6
(Council Priority Setting Session)**

Dear Mayor Liccardo, Vice Mayor Carrasco, and members of the City Council,

As you consider the Council's priorities for the coming year, we are encouraged that housing—and particularly affordable housing—is an important part of the discussion.

Silicon Valley is home to many of the most profitable and well known technology firms in the world, yet it is also a place of disparity and inequality. With San Jose apartment rents averaging \$2,570, it takes an income of \$102,800—or nearly \$50 an hour-- to afford the monthly payment. To put this in perspective, even with San Jose's higher minimum wage, a household would need four full-time minimum wage earners to afford the average rent. At the same time, the lack of housing affordable to middle-income workers, including those who work for our leading employers, teachers, nurses, and public safety workers, threatens our economic competitiveness. And, the housing shortage for all residents results in traffic congestion, as people travel long distances to get to their jobs, as well as decreased air quality and other quality of life concerns.

We find ourselves in this situation—high prices and few choices—after years of adding more jobs but not the homes where those jobs can live. Limited land opportunities due to geography—the constraints of the surrounding hills and the Bay—make development more challenging, as easy-to-develop vacant land is scarce. Public policy that favors employment uses over housing has also played a significant role, with localities choosing job-producing development because it provides more in taxes and fees to pay for needed services. And, funding and tools for affordable housing, including redevelopment tax increment and federal funding, have been depleted.

So, we applaud the Mayor's 15-point housing plan to set an ambitious goal of creating a total of 25,000 new units over the next five years, 10,000 of which would be affordable. This is a visionary plan, and we recognize that it will take significant effort on behalf of

City leaders, City staff, community members, and advocates to bring it to reality. SV@Home stands ready to help the City in any way we can.

To ensure the creation of 25,000 housing opportunities, **SV@Home strongly supports the Mayor's proposal** and highlights the following actions that we believe are needed to accomplish the goal:

1. Accelerating High-Density Housing in the Downtown (New Item for Consideration #14)—all efforts to increase residential development in the Downtown are important, and the streamlining and incentives suggested in the Mayor's proposal should be implemented. We agree strongly that any required retail be in areas where there is adequate foot traffic and feasibility for retail success, particularly given changes in shopper habits.
2. Opening up Urban Villages (Mayor's Plan)—since the GP 2040 was approved in 2011, little has moved forward in Urban Villages, and this is where the lion's share of growth is planned. It is important to allow those Villages that are ready to move now to do so. Finalizing the Urban Village Infrastructure Financing Plan is a much-needed action. However, it is critical that the Financing Plan is not an impediment to residential development.
3. Allowing Housing Adjacent to Transit—we encourage the City to rethink zoning around VTA and BART station areas to make housing a priority. Placing housing adjacent to transit is smart public policy, and will help get cars off our streets.
4. North San Jose (New Item for Consideration #16)—we fully support lifting the cap on development in North San Jose and the Mayor's recommendation that 2,400 of the units included be affordable, making up for the lost affordable units during Phase 1 of the Plan (although the Plan called for 20% affordability, only 7% of the units built were affordable).
5. Zoning for Development (New Items for Consideration #20 and #21)—we strongly support efforts to streamline residential development. Rezoning land to residential to conform to the General Plan is an important step, as is considering rezoning commercial sites that are no longer viable. However, with the latter we believe that the requirement that the sites be surrounded on all four sides by residential is too restrictive.

To create 10,000 affordable housing opportunities, **SV@Home strongly supports the Mayor's proposal** and highlights the following actions that we believe are needed to accomplish the goal:

1. Clear Plan— to ensure that the 10,000 affordable homes are built or in the development pipeline, it will be important to develop a clear plan to lay out the strategy for producing the units, including policies, identification of resources, and how inclusionary units and standalone units will meet the goal.
2. Funding Source—in the 1990s, the City pushed forward a plan to create 10,000 units in a six-year period. It accomplished this goal, creating more than 11,000 units. But that was in the days of redevelopment. With redevelopment gone, and no reliable ongoing funding source for housing, creating new funding sources will be necessary in order to reach the goal. While some developers may pay in-lieu fees to comply with the City's inclusionary zoning ordinance, these fees will not be sufficient (and by virtue of paying the fees, the developments won't produce inclusionary units). For that reason, **we support Councilmember Don Rocha's proposal to investigate a Commercial Linkage Fee (CLF) Ordinance.** Surrounding cities either have existing CLF ordinances or are now seriously considering adoption. By preparing a nexus study, the City

Honorable Mayor and City Council

Re: October 17, 2017 Council Agenda Item #3.6 (Council Priority Setting Session)

October 16, 2018

Page 3 of 3

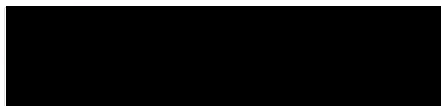
can determine the feasibility of such a fee. Completing the nexus study does not compel the City to adopt a fee, but will provide the information needed to make a sound policy decision. One concern we have is the increasing cost of development, a significant part of which is due to labor shortages. Affordable housing developers (and likely market rate developers too) are challenged to obtain competitive bids for construction, and prices are high. This is creating higher development costs, and therefore the need for higher subsidies. We worry that fire recovery efforts in the North Bay may further exacerbate the construction labor shortage.

3. Priority Processing—providing priority to affordable housing developments will help developers access outside funding and expedite the process for creating new affordable homes. In the 1990s, affordable housing moved to the top of the list for planning review, a key driver for the creation of those 11,000 homes.
4. Inclusionary Housing—it will be critical to hold tight on inclusionary requirements and not add new exemptions. Otherwise the number of units created will fall short. 17,650 market rate units with 15% affordability would create about 2,650 affordable units, leaving 7,450 affordable units to be built as standalone development. To the extent that market rate developers choose an in-lieu fee option, the number of standalone development will increase. It is also important that the City update and revise the rental and ownership inclusionary ordinances to reflect best practices with respect to the percentage requirement, income targeting, and compliance alternatives.
5. Missing Middle (Mayor's Plan)—given our housing crisis, we know that access to affordable housing is a challenge for many, including the “missing middle,” or those who make too much money to qualify for traditional affordable housing but too little to afford market rate rents. One way to provide naturally affordable housing is through secondary units. While the City recently adopted changes to its Accessory Dwelling Unit ordinance, there are more changes that can be made to open up more opportunities.

We truly appreciate the Mayor's leadership in releasing the 15-point plan. We know that San Jose alone can't solve the housing crisis. A broader regional effort is needed to truly respond. Moving forward with efforts at both the County level and the 9-County Bay Area is critical. SV@Home will work to represent the South Bay as the work of CASA—the Committee to House the Bay Area—moves forward.

Thank you for the opportunity to provide input on the Council's priorities for 2018. SV@Home looks forward to working with the City collaboratively to implement the many actions included in the Mayor's housing plan.

Sincerely,



Leslye Corsiglia
Executive Director





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David Packard

October 17, 2017

Mayor Sam Liccardo
San José City Council
200 E. Santa Clara Street
San Jose, CA 95113

RE: Support – Item 3.6: Nominated Items for Priority List – Responding to the Housing Crisis

Dear Mayor Liccardo and City Council,

On behalf of the Silicon Valley Leadership Group, I am writing to express our support for Mayor Liccardo’s proposal: “Responding to the Housing Crisis.” Mayor Liccardo’s leadership on housing will allow for the city to find new solutions to the housing crisis that we are all facing.

The Silicon Valley Leadership Group, founded in 1978 by David Packard of Hewlett-Packard, represents more than 375 of Silicon Valley’s most respected employers in issues, programs and campaigns that affect the economic quality of life in Silicon Valley. Collectively, Leadership Group members provide nearly one out of every three private sector jobs in Silicon Valley.

On an annual basis, the Leadership Group surveys the CEOs of its member companies to find out which issues they think are the most important to a healthy economy in Silicon Valley. Each year, housing affordability and attainability are both selected as the top impediments to our economy. Mayor Liccardo’s proposal offers a clear path for the city to take immediate action to respond to the housing crisis. Of the many goals outlined, we are particularly thrilled to see the Mayor seeking the construction of 25,000 new homes with 10,000 of these new homes being set aside for affordable housing.

As the State of California has just passed a large housing legislation package, we hope the City of San José will too place Housing as a top priority. We hope that the housing proposal brought by Mayor Liccardo is included in the San José City Council’s priority setting and supported by the San José City Council.

Sincerely,



Carl Guardino
President & CEO
Silicon Valley Leadership Group



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October 15, 2017

Mayor Sam Liccardo and City Council
San Jose City Hall
200 East Santa Clara St
San Jose, CA 95113

RE: Oct 17 Council meeting – Item 3.6 - Priority Setting Session – Affordable Housing items

Dear Mayor and City Council,

On Behalf of our Housing Trust Silicon Valley, I am writing to express support for prioritizing items to help address our affordable housing crisis and achieve Mayor Liccardo's necessary goal to create 25,000 new homes, 10,000 of which are affordable, in the next 5 years.

It goes without saying the supply of homes in the Bay Area is not keeping up with demand. In addition, floods in San Jose earlier this year and wildfires devastating residents of Napa and Sonoma Counties makes the housing crisis worse due to displaced families facing long-term homelessness.

Mayor Liccardo's plan to build 25,000 homes is ambitious and imperative. Housing Trust supports prioritizing measures to help address the speed we can begin housing in our community, such as **Items 14, 15, 16, 19, 20 and 21** on the nominated item list. Proposals to increase housing in North San Jose, speeding up development in Urban Villages and accelerating transit-oriented development are especially welcomed and supported.

At the same time, to make sure that we have the resources necessary to meet the goal of 10,000 homes affordable to low and moderate income families, we need more tools. Measure A was a game changer for affordable supportive homes – many of which will be built in San Jose - for the homeless and people with special needs. But that alone won't get us close to 10,000 affordable homes in San Jose. Because of that we strongly recommend revisiting **Item 16** of the current Council priorities on the list, while incorporating Councilmember Rocha's memo, to allow for a study into commercial linkage fee to begin.

Furthermore, **Item 22** on the nominated list, looking into an empty parcel fee is also a good idea, especially as new condominiums are coming online downtown and elsewhere – we don't want to have the same thing happen here as in San Francisco and other areas where our scarce new housing stock becomes places for out of town investors to purchase, hold and leave vacant as an investment scheme. And strategies to

allow for rezoning and upzoning of underutilized parcels to provide deed-restricted affordable housing must also be encouraged.

Finally, recognizing the affordability needs of our middle-income residents (those between 60-120% AMI including teachers, health care professionals and other community servicing professions), the City should be sure to capture middle-income housing as a community asset in tracking progress under the Mayor's plan. This can be achieved through making sure any middle-income rental homes developed through financing from any future public-private partnership require developers commit to providing those homes under rent-restrictions at moderate income levels. This will ensure that as developers are producing middle-income market rate homes, and affordable developers are producing low, very low, and extremely low income homes, the homes produced that are affordable to people between 60-120% AMI.

In closing, the Housing Trust commends the City of San Jose's leadership for their past work and dedication towards providing homes for its residents. We look forward to working together to ensure more homes for our future and current workers, families, seniors, and those without homes. Thank you for your consideration of our comments.

Sincerely,

A large black rectangular redaction box covering the signature area.

Kevin Zwick
Chief Executive Officer
Housing Trust Silicon Valley