



City Council Meeting Study Session Minutes

The Cost of Residential Development in San José

Thursday, October 26, 2023

1:30 P.M. to 4:30 P.M.

**Hybrid Meeting- Council Chambers and Virtually-
<https://sanjoseca.zoom.us/j/88471470054>**

MATT MAHAN, MAYOR
ROSEMARY KAMEI, DISTRICT 1
SERGIO JIMENEZ, DISTRICT 2
OMAR TORRES, DISTRICT 3
DAVID COHEN, DISTRICT 4
PETER ORTIZ, DISTRICT 5
DEV DAVIS, DISTRICT 6
BIEN DOAN, DISTRICT 7
DOMINGO CANDELAS, DISTRICT 8
PAM FOLEY, DISTRICT 9
ARJUN BATRA, DISTRICT 10

MINUTES OF THE CITY COUNCIL

STUDY SESSION- THE COST OF RESIDENTIAL DEVELOPMENT IN SAN JOSÉ

SAN JOSE, CALIFORNIA

THURSDAY, OCTOBER 26, 2023

The Council meeting was held in a hybrid format, in Council Chambers and teleconferenced from remote locations. The meeting convened at 1:35 p.m.

Present: Council Members - Mahan, Kamei, Jimenez, Torres, Cohen, Ortiz, Doan, Candelas, Foley, Batra.

Absent: Council Members - Davis.

Staff: City Manager, Jennifer Maguire; Assistant City Manager, Lee Wilcox; City Attorney, Nora Frimann; City Clerk's Office, Yasmin Johnson.

INTRODUCTION

Purpose: The annual Cost of Residential Development Report (Report) and the Study Session are intended to provide City Council with insight into the economics of residential development, one of the primary challenges impeding the construction of new housing in San José. The Study Session will provide City Council with an update to the Report presented at the November 1, 2022 Study Session. The Report is comprised of two sets of analyses produced with the assistance of a consultant that evaluates the total cost of residential development in San José for market-rate and affordable housing.

Outcome: The Report provides an analysis of the impact of market and economic conditions on the cost to construct new market-rate and affordable housing in San José. City Council will hear a presentation from consultant Century | Urban on the findings of the updated Report, as well as insights from local industry experts in the fields of construction, real estate, financing, and affordable housing development.

1. Staff Overview

Director, Planning Build & Code Enforcement, Chris Burton offered the overview of today's Study Session.

2. Consultant Presentation on Market Rate Housing Report

Principal, Century Urban, Leo Ma; and Managing Partner, Battery Alexander Realty Capital, Jake Kraft offered this portion of the presentation.

3. Perspectives from Industry Experts:

Senior Managing Director, Co-Head, JLL Silicon Valley Capital Market, Jordan Angel; Co-founder, CBRE, Jeffrey Henderson; and President, CoreBuilders, Chrissie Davis offered this portion of the presentation and responded to questions.

Council questions followed.

Councilmember Omar Torres requested information regarding the time line assessment of City Fees, flexibility, and waiving property fees and taxes.

Councilmember Pam Foley requested clarification regarding the yield over cost premium.

Councilmember Peter Ortiz requested information regarding attachment b on pg. 23 of the consultants document regarding the Cities consideration of waiving parkland in lieu fees and impact fees to reduce development costs, and the impact to residents.

Councilmember Arjun Batra addressed developers concerns with the production and supply of homes being affected by the uncertainty of developers getting permits, which increases the cost for the developers.

Vice Mayor Rosemary Kamei requested information regarding the progress of CEQA, what requirements can be streamlined, and what levers and areas can have movement. She also spoke to the importance of low interest rates and insurance.

Councilmember Bien Doan spoke to the Cities current year over year rent change percentage of -1.7 % and what percentage is suitable for investors.

Councilmember Sergio Jimenez requested information regarding the current housing market favoring town homes and what the City can do.

Councilmember David Cohen requested information regarding which short term levers can be Pulled, which levers are needed to spur development in particular areas, and the Downtown High Rise Incentive schedule.

Councilmember Domingo Candelas inquired what can the City do to increase efficiencies and potentially reduce red tape or bureaucracies.

Mayor Matt Mahan spoke to the impact of waiving fees, rent control housing, construction taxes, and the analysis on fee reductions for Downtown in regard to the payback period.

4. Consultant Presentation on Affordable Housing Report

Deputy City Manager, Rosalynn Hughey; Consultant, Senior Vice President, Century Urban, Griselda Blackburn; and Associate Director of Real Estate Development, Resources for Community Development, Alicia Klein offered this portion of the presentation.

5. Perspective from Affordable Housing Expert

Associate Director of Real Estate Development, Resources for Community Development, Alicia Klein offered her reactions and thoughts to the Affordable Housing Report.

6. City Council Questions and Discussion

Mayor Matt Mahan opened the floor for Council questions and discussion.

Council discussion ensued.

PUBLIC COMMENT

1. John Hickey (V.P of Summer Hill Homes Development) spoke to the Cities inclusionary housing in lieu fee.
2. Erik Schoennauer provided a presentation for Council regarding the Cities performance data.
3. Scott Youdall (The Hanover Co.) spoke to his disagreements regarding the staff report stating that adjustments to the City fees would not be effective or nor fundamentally change the outcome.
4. Larry Ames spoke to national conditions, interest rates, insurance rates, his concerns with waiving park fees, and the importance of affordable housing.
5. Rigo Gallardo (Nor Cal Carpenters, Local 405) addressed the importance of integrating area labor standards into the projects, livable wages, mental health issues, and healthcare and apprenticeship programs.
6. Juan Estrada (Green Foothills) spoke to the importance of housing and access to nature, concerns with waiving park fees, and protecting park impact fees.
7. Alex Shoor suggested that the City look into working with the developer oWOW based in Oakland to build housing in San José within a quicker time frame and lower costs.
8. Ruthie Callahan addressed her perspective as a single-family homeowner in San José and the importance of building housing.
9. Albert Lustre (Nor Cal Carpenters, Local 405) spoke to wage theft issues and a study conducted by UC Berkely in 2001 regarding the connection between prevailing wages, construction workers, and preventing working families from living in poverty.
10. Roma Dawson (League of Women Voters The Bay Area) spoke to the importance of the potential regional housing bond measure.
11. Blair Beekman spoke to the importance of keeping labor and construction costs down, the future of mixed-income housing, and market rate housing issues.
12. Aster spoke to the importance of not waiving or reducing park impact fees, exploring high efficiency housing, and the importance of providing adequate parking for residents.
13. Rocio Molina spoke to the importance of creating affordable housing, the benefits of services and financial resources on housing sites, and creating stable housing.
14. Hayley Currier (Policy Manager for Save the Bay) spoke to the importance of protecting park funds, parks being essential for the overall health of communities, and how they bring communities together.

ADJOURNMENT

Mayor Matt Mahan adjourned the Study Session at 4:44 p.m.

Minutes Recorded, Prepared and Respectfully Submitted by,

DRAFT

Yasmin Johnson
Deputy City Clerk, City of San José

Approved at Council on:

of Actions: 0

Attest By:

Toni J. Taber, CMC
City Clerk, City of San José