



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Councilmember David Cohen
Councilmember Sergio Jimenez

SUBJECT: SEE BELOW

DATE: November 15, 2022

Approved

Date: 11/10/2022

SUBJECT: DOWNTOWN RESIDENTIAL HIGH-RISE PROGRAM

RECOMMENDATION

1. Accept the staff report on the Downtown Residential High-Rise Program.
2. Accept item (b)(1), reducing the in-lieu fees due for those projects under the Inclusionary Housing Ordinance to the amount of \$0 for all projects obtaining building permits by June 30, 2025, and obtaining certificates of occupancy for the project before June 30, 2029)
3. Accept item (c) Adopting a Resolution amending the 2022-2023 Schedule of Fees and Charges to implement item (b)(1)
4. Defer items (b)(2) and (d) pending a more comprehensive analysis.

BACKGROUND

A key takeaway from the November 1st study session on the Cost of Residential Development is that volatility will remain a constant in the near term and policy actions that the City of San José can take to remove uncertainty will be rewarded with development projects throughout the City. The current Downtown Residential High-Rise program requires completion of the projects by June 30, 2025. In order to make that deadline, projects would need to be under construction now, and even then, meeting the current deadline would be tight.

Currently, there are 8 projects in the pipeline for which meeting the current deadlines is unlikely. However, these developers are counting on the Program and have included the incentive in their pro-formas. These projects total 2,383 units. By extending the building permit deadline in the program by 30 months we protect these projects from being scuttled as we know the importance of predictability for developers as they progress through the development process.

The COVID Pandemic created unique economic conditions and we believe a broader, more balanced cross section of data is required before effective long-term policy can be written. We, therefore, believe it is prudent to defer policy decisions until a new feasibility study can be conducted.