

# WORKING PARTNERSHIPS USA

November 7, 2022

Honorable Mayor and City Council  
City of San José  
200 E. Santa Clara Street  
San Jose, CA 95113

RE: Nov. 9<sup>th</sup> Rules Committee, Item A.1 – Review Final Agenda *and* Nov. 15, 2022 City Council, item 8.1 – Downtown Residential High-Rise Program

Dear Mayor Liccardo, Vice Mayor Jones, and Councilmembers Jimenez, Esparza, Cohen, Davis, Foley, Peralez, Carrasco, Mahan, and Arenas:

In Item 8.1 on the draft Nov. 15th City Council agenda, “Downtown Residential High-Rise Program,” the City is considering once again expanding and extending the Downtown High-Rise Incentive. This subsidy to a select group of developers was first introduced as a temporary measure in 2007. In the ensuing 15 years, the Council has repeatedly extended and expanded this subsidy.

Not once has there been any reckoning of the impacts that this policy has had since 2007 on the labor market and workplace standards in downtown San Jose residential construction. As a result, downtown San José housing development now has a reputation for low wages, health and safety issues, and worker exploitation. In 2018 City Council attempted to bend this curve by approving minimum workplace standards for projects receiving City subsidies, but a loophole in that legislation has meant that downtown high-rise projects receiving subsidies have continuously been exempted from those protections.

Nor has there been any accounting of the cumulative effects over the past 15 years that this policy has had on the City’s affordable housing production and preservation. As you are aware, in the last RHNA cycle San Jose met only 17% of its goal for producing affordable housing. The Downtown High-Rise Subsidy was in place for that entire RHNA cycle.

There has not even been an evaluation of whether the subsidy has been effective in its primary goal of spurring development leading to a Downtown housing market where adequate housing is available to families at all income levels. On the contrary - the consultant report now claims that every type of dense housing development in San José is now infeasible.

If we’ve been trying this same approach for fifteen years, and this is where it’s gotten us, isn’t it time to step back, assess, and consider a different approach?

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For example, the Turner Center for Housing Innovation at UC Berkeley recently published a brief analyzing six policy options to encourage new housing development, reflecting the six options outlined by the State's Prohousing Designation Program, and modeling their potential impacts if implemented in Los Angeles. Of the six policies tested, lowering development fees had the **least** projected impact, increasing total expected units by only 2.3%. The policy changes with the greatest impact were (1) increasing allowable density for multifamily rental projects, and (2) increasing allowable height and FAR while reducing setbacks; both of these policies gave a projected increase in units of at least 16%. Other policies including (3) streamlining the entitlement process and (4) increasing density bonuses near transit had positive impacts of 9.8% more units and 8.1% more units respectively. Finally, (5) reducing parking minimums had a smaller impact at 6.9%, but was still three times more impactful than lowering fees.

While the results for Los Angeles may well be different than for San José, the approach of identifying a wide range of potential actions and analyzing their long-term impacts, singly or in combination, is one that could greatly benefit our city.

Unfortunately, the consultant study ("Conceptual Feasibility Analysis") underlying this item was not designed to surface or analyze solutions. As described on page 3 of the study under 'Legislative Background', and in Exhibit F, the consultant study was prepared with the specific purpose of providing findings to support a continued fee and tax reduction for certain types of market-rate development.

Consequently, when numerous stakeholders suggested in public input meetings on the Cost of Residential Development that the study should analyze potential new strategies for improving the feasibility of dense residential development, those suggestions were dismissed. The consultant study does not provide analysis of the impacts of any potential strategies or approaches other than providing subsidies in the form of tax and fee reductions and exemption from affordable housing requirements.

Further, this study reaches conclusions that are contradicted by their own data. For example, the study claims that direct construction costs are higher in San Jose than other comparable cities – a claim that was repeated in the Nov. 1 study session. Yet on p. 11 of the consultant's Affordable Housing Development Cost Study (which uses real-world data from actual projects via the California Tax Credit Allocation Committee database, unlike the pro forms in the study that rely on assumptions), it shows that direct construction costs for non-targeted projects in San Jose are the same as in other cities. For affordable senior housing projects, direct construction costs in San Jose are 7% lower than in other cities. The only construction type for which direct construction costs are shown to be higher in San Jose is when we're building special needs housing. It is disappointing to see the data being ignored.


The consultant study also does not consider the future effects of recent and future changes affecting development conditions, such as the passage of new State laws (AB


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2011 and others) intended to expedite dense housing development, as well as Google's planned Downtown West development, BART to downtown San José and High Speed Rail. While the impact of these combined trends may be hard to predict, we should not be locking in policy for the next 10 years that completely ignores them. Assuming that development conditions during the worst years of the COVID pandemic (which is the analysis period primarily covered by the consultant study) will be representative of conditions in San José for the next decade does not seem a solid foundation for policymaking,

The extended subsidy recommendations coming out of the consultant study are planned to come to City Council for approval on Nov. 15. **We urge the Rules and Open Government Committee to defer that vote, and ask the City Council to instead take a step back to look more comprehensively at how the City can help support dense residential development, now and for the long term, to meet our needs for good jobs, a local workforce pipeline, and building enough housing for our neighborhoods and families at all income levels.**

Sincerely, 



 Louise Auerhahn  
Director of Economic and Workforce Policy



## SILICON VALLEY LEADERSHIP GROUP

2460 North First Street, Suite 260  
San José, California 95131

(408) 501-7864

svlg.org

### DATE

November 15, 2022

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Silicon Valley Leadership Group

#### Jed York, Chair

San Francisco 49ers

#### Eric S. Yuan, Vice Chair

Zoom Video Communications

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Bay Area News Group

#### Siva Sivaram

Western Digital

#### Tom Werner

Mainspring Energy

Mayor and City Council  
City of San José  
200 E. Santa Clara St.  
San José, CA 95113

RE: Downtown Residential High-Rise Program

Dear Mayor and Council,

On behalf of the Silicon Valley Leadership Group, I am writing in support of the staff recommendations that would extend the fee reductions to encourage residential high-rise housing in the downtown planned growth area.

The Silicon Valley Leadership Group is driven by more than 350 member companies to proactively tackle issues to improve our communities and strengthen our economy, with a focus on education, energy, the environment, health care, housing, tax policy, tech & innovation policy, and transportation. Among the top concerns of our members is a need for housing affordable for all incomes here in the Bay Area.

As you recently heard in the cost of development study session, creating longer term certainty in city policies will allow for housing developers to better plan their efforts to create new homes. Extending this program will do just that.

The economics of construction have had numerous challenges in the past few years from supply chain caused shortages to the shifting interest rate and lending environment. By once again committing to a policy that says San Jose is ready and willing to partner on bringing housing to downtown you can reduce at least one variable of uncertainty that will help projects move forward.

Encouraging housing in downtown will create more 24-hour vibrancy in an area that is benefiting from significant transit investments coming online from BART and high-speed rail as well as reducing displacement from new job creation. A housing policy that maximizes the creation of the most homes in the downtown footprint is good for the economy and the community.

Thank you for consideration of our comments.

Sincerely,

**Vince Rocha**

Vice President, Housing and Community Development  
Silicon Valley Leadership Group

## SVC Chamber: Support for High-Rise Program

Christian Malesic <[REDACTED]>  
Fri 11/11/2022 11:11 AM

📎 1 attachments (74 KB)

San Jose Residential High-Rise Support Letter - 11.11.22.pdf;

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[External Email]

Mayor Liccardo and Council,

Please find the attached letter of support regarding item 8.1 at the 11/15 council meeting.

*Christian D. Malesic*, MBA, CAE, CMP, IOM  
**President / CEO**

Silicon Valley Central Chamber of Commerce

📞 [REDACTED] ■ 🌐 [www.SVCentralChamber.com](http://www.SVCentralChamber.com)

✉ [REDACTED]

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# SILICON VALLEY CENTRAL CHAMBER OF COMMERCE

November 11, 2022

The Honorable Mayor and City Council  
City of San Jose  
200 E. Santa Clara St., Suite 18  
San Jose, CA 95113

Re: Downtown Residential High-Rise Program & Staff Recommendations

Dear Mayor Liccardo and City Council:

The Silicon Valley Central Chamber is enthusiastic to support the Downtown Residential High-Rise Program and staff recommendations scheduled for council discussion as agenda item 8.1 at the November 15, 2022 council meeting. We wholeheartedly support the program and encourage approval of the recommendations as presented.

As you are aware, this program and associated issues have been seriously discussed in San Jose since the early 2000's with the first program approved in 2007. We understand the world has changed. We further appreciate the challenges you face as elected officials to adequately assess these changes and the desires of your varied constituents in considering the program and proposal before you.

That said, the regional business community, as represented by the membership of the Silicon Valley Central Chamber, a regional chamber of commerce encompassing the geographical territory affectionately known as Silicon Valley (and beyond), recognizes the strength such an adopted program would bring to San Jose. Further, as the 10<sup>th</sup> biggest city in America and the metropolitan center of our community, we believe a stronger San Jose, with more robust residential options as proposed, has positive ripple effects across the Bay Area.

We encourage an affirmative vote on this issue and similarly situated accompanying issues that may arise.

Respectfully,

A solid black rectangular box used to redact the signature of the sender.


Christian D. Malesic, MBA, CAE, CMP, IOM  
President / CEO

**Council item 8.1 11/15/22**

Nate LeBlanc &lt;[REDACTED]&gt;

Mon 11/14/2022 4:26 PM

To: City Clerk &lt;city.clerk@sanjoseca.gov&gt;

 1 attachments (360 KB)

Residential Hi Rise Fee Extension 11\_15\_22 (signed).pdf;

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Please find attached the San Jose Downtown Association's letter of support for accepting the staff memo on San Jose City Council item 8.1 on 11/15/22, Downtown Residential High Rise Program.

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Thanks,

Nate LeBlanc  
Business Development Manager  
San Jose Downtown Association

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November 15, 2022

The Honorable Mayor Sam Liccardo and City Council Members  
City of San José  
200 East Santa Clara Street  
San José, CA 95113

**RE: Approval of the Downtown Residential High-Rise Program Extension**

Dear Mayor Liccardo and City Councilmembers,

The San Jose Downtown Association (SJDA) has represented downtown for 36 years and together with more than 2000 current businesses and property owner members we strive to increase the vitality and livability of downtown San Jose. As we are in a long COVID recovery that will demand new approaches from the public, private and third sectors, we want to encourage you to continue to focus on encouraging more urban development in the city core. That is why we are very pleased to see this item come before you for consideration.

As outlined in the staff report from the Housing Department and OED, the number of residents living downtown continues to be critical. Waiving taxes and fees on downtown residential development, is important for the health and success of a downtown community that needs the foot traffic and economic activity more residents will bring, that is why I write to you and urge you to support the below actions as presented by staff:

- Adopt updates and an expansion of the Downtown Residential High-Rise Program applicable to projects located in the Downtown Planned Growth Area.
- Amend the 2022-2023 Schedule of Fees and Charges to reduce the Inclusionary In Lieu Fee and the adjusted in lieu fees for qualifying Residential High-Rise Developments receiving certificates of occupancy for 80% of dwelling units by the dates specified in your staff prepared resolution.
- Extend a temporary 50% reduction of the Building and Structure Construction Tax and a 50% reduction of the Commercial-Residential- Mobile home Park Building Tax for qualified residential high-rise projects located within the Downtown Planned Growth Area that obtain building permits on, or prior to, June 30, 2029 and obtain certificates of occupancy before June 30, 2033.

Approval of the above recommendations will extend the permit deadline and make other necessary changes to encourage more strategic development in the downtown core. The San Jose Downtown Association urges the Council to approve the recommended actions outlined above and we thank the City Council for their leadership.

Cordially,  
[REDACTED]

Alex Stettinski  
Chief Executive Officer



**San Jose  
Chamber of  
Commerce**

101 W Santa Clara St,  
San Jose, CA 95113

408.291.5260  
sjchamber.com

November 14, 2022

Mayor Sam Liccardo & San Jose City Council  
200 E. Santa Clara Street  
18<sup>th</sup> Floor  
San Jose, CA 95113

Mayor Liccardo & Councilmembers:


On behalf of the San Jose Chamber of Commerce, our Board and members, I am writing to you today to ask for your support of the extension of the Downtown Residential High Rise Program, item 8.1 on the November 15, 2022 Council agenda. We respectfully request your support of the memorandum put forward by City Staff to extend this program to 2029/2033.

The downtown residential high rise program has been instrumental in ensuring that numerous downtown housing projects have been able to pencil out and, ultimately, be constructed. Residential projects that now dot our skyline such as Miro Towers and Centerra were made possible, in part, with this exemption, and projects that are hopefully soon-to-come, such as Icon/Echo, have as well. Members of the San Jose Chamber of Commerce communicate to us consistently that the speedy construction of housing is critical if they are to maintain and grow their businesses in San Jose; as such, the Chamber is supportive of any initiative, such as the downtown high rise program, that make this possible and we see it as good policy for staff's four recommendations to be adopted and for the program to continue.

That said, while our Housing & Land Use Policy Committee did overwhelmingly support staff's memo, they also wanted to raise awareness of two related issues to continue to improve upon going forward. First, the lack of city staffing responsible for permitting and plan checking is a chronic issue that is impeding the development of new housing. Any program, including this one, will be somewhat limited in its impact until this situation is addressed, and we would encourage Council to take all necessary actions to do so. Second, and relatedly, we would urge some consideration be given to the triggers embedded in staff's memo. Notably, the requirements that permits be obtained by July 1, 2025, and certificates of occupancy by June 30, 2033, are oftentimes dictated by the speed of city permitting, and not by the applicant. While the Chamber is conscious and supportive that lines must be drawn somewhere, as long as the permitting backlog persists, we would encourage that application dates be utilized for this program, as opposed to permitting dates.

With these respectful suggestions, we would urge a positive vote on memorandum 8.1 when it comes before you on November 15. We thank you for your consideration, and for all you do to make San Jose a world class place to start and grow your business.

Sincerely,

  
Derrick Seaver  
President & CEO

## Item 8.1

Silicon Valley Biz PAC [REDACTED]

Tue 11/15/2022 6:10 AM

To: City Clerk <city.clerk@sanjoseca.gov>

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Honorable Mayor Liccardo & City Council,

On behalf of the Silicon Valley Biz PAC, we would like to express our support of the Downtown High-Rise Incentive Program Extension.

As we make our way out of COVID, and our downtown businesses get back to some sense of normalcy, extending the downtown incentive program is critical to the future of downtown San Jose. The last 3 years under COVID, little was accomplished to inject more residents into our downtown core, so extending this program is an opportunity to close that gap that occurred under the pandemic, and refocuses our efforts back to this critical need.

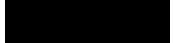
We appreciate your desire to extend the program and hope we can count on your unanimous support.

Sincerely,

**VICTOR GOMEZ**

*Executive Director*

*Silicon Valley Biz PAC*



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