



Memorandum

**To: HONORABLE MAYOR AND
CITY COUNCIL**

From: Councilmember Chappie Jones
Councilmember Johnny Khamis

Subject: SEE BELOW

Date: September 19, 2017

Approved:

**SUBJECT: ACTIONS RELATED TO AFFORDABLE HOUSING IMPACT FEE AND
INCLUSIONARY HOUSING PROGRAMS**

RECOMMENDATION

1. Accept staff's recommendation for an alternative method for an Affordable Housing Impact Fee (AHIF) reduction for certain qualifying projects with the following change:
 - a. Allow developers of all residential projects, not just projects on public property, with Affordable Rental Apartments to apply for an Affordable Housing Impact Fee (AHIF) offset based on the level of affordability of the Affordable Rental Apartments.

BACKGROUND

It is unlikely one fee or program will solve our housing crisis. We must address this multifaceted problem with a diverse set of solutions – such as a fee which will generate revenue for more affordable housing developments, and a fee offset which will incentivize developers to incorporate more onsite affordable units in areas with limited residential land supply. Diversifying our solutions will help our City establish a wider range of housing and get us closer to our General Plan goals. During our last 4-year General Plan review both the General Plan Task Force and City Council supported establishing a goal that 25% or more residential units built within Urban Villages would be affordable. But, in some Urban Village areas, meeting the 25% goal without incorporating affordable units within new market rate development is impossible because of the lack of available residential lands for affordable housing developments. Although existing state law allows density bonuses in exchange for onsite affordable housing, in some areas of our City, due to proximity to single family home neighborhoods, encouraging higher heights and density may be difficult.

New market rate development, often built near areas close to key amenities, generates a need for services that requires employees who will make less than median income, including our coffee baristas, restaurant staff, and school teachers to name a few. Incentivizing developers to include onsite affordable housing will result in more mixed income developments in areas close to key amenities – potentially putting service workers closer to their jobs and reducing the burden on our already stressed traffic infrastructure.

The Palmer decision (2009) limits a City's ability to require onsite affordable housing as applied in Inclusionary Housing Ordinances. Housing Impact Fees were not considered in the Palmer decision. The AHIF is based on a Nexus study that assessed the impact of new market rate development on the need for new affordable housing. Some nearby Cities, such as Sunnyvale, Hayward, San Mateo, and Berkeley have found a way around the Palmer decision by correlating a developer's fee offset with the income level of the affordable units provided and having the developer sign a voluntary agreement. San Jose must also find a way to incentivize onsite affordable housing within existing market rate development by allowing an AHIF offset.