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Sent: Friday, April 20, 2018 4:35 PM

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Subject: Re; Item D-2 Affordable Housing Investment Plan, Community and Economic Development Committee

Dear Chair Khamis and Committee members Davis, Diep, Peralez, and Rocha,

We are pleased to present the attached comments on the Affordable Housing Investment Plan, which is Item D-2 on the agenda for the Community and Economic Development Committee meeting on Monday.

On behalf of the members of Silicon Valley at Home, and the organizations that have signed on to these comments, we recommend that the Committee support efforts to identify new funding sources for affordable housing, reduce barriers to development, and undertake land use actions to increase housing opportunities.

We look forward to the discussion on Monday and to continued opportunities to work towards solutions to the housing crisis we face.

Thank you for your time and attention

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Executive Director

April 18, 2018

Councilmember Johnny Khamis and Members of the San Jose
Community and Economic Development Committee
City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

Dear Chair Khamis and Committee members Davis, Diep, Peralez, and Rocha,

Re: Item D-2--Affordable Housing Investment Plan

SV@Home is the voice of affordable housing in Silicon Valley, representing a broad range of interests, from leading employers who are driving the Bay Area economy to labor and service organizations, to nonprofit and for-profit developers who provide housing and services to those most in need.

On behalf of our members and the undersigned partner organizations, we offer the following feedback on the City's Affordable Housing Investment Plan. As explained in more detail below, our recommendations include:

- Identifying new funding sources for affordable housing
- Streamlining efforts to reduce barriers to development
- Undertaking land use actions to increase housing opportunities

San Jose and its surrounding cities face a housing crisis with no end in sight. While every night thousands of people are living unhoused in our City, housing prices have risen to the point where a burned out home in Willow Glen is on the market for \$800K (and expected to command more) and a condemned home in Fremont received three all cash offers exceeding \$1.2 million. The reason is simple—we haven't built enough homes to accommodate population and employment growth.

Mayor Liccardo stepped up last fall with an aggressive plan that calls for the creation of 25,000 units, including 10,000 affordable, over a five-year period. The Mayor's plan, which was adopted by the City Council, was a significant action that demonstrated San Jose's leadership and its commitment to responding to the housing crisis facing so many of the City's residents. We support the Mayor and Council's plan, and want to ensure that the plan becomes a reality.

Reaching these goals will take bold and decisive action. Like any other emergency or crisis, action is needed now and not at a later date and time.

We appreciate the Housing Department's thorough description of the housing need, the identification of resources currently available, and the analysis of the suite of actions that the City can and should take to address its housing shortfall.

The staff report is clear— "the City's 10,000 Unit Affordable Housing Goal Cannot Be Met with Current Resources." It is also evident that much of the currently projected funding -- nearly 45%-- is reliant on the implementation of the City's

inclusionary ordinance and the development of market rate housing. As a result, it is important that the City takes concrete steps to incentivize market rate development while also maintaining existing inclusionary requirements.

City actions must include:

1. Identification of a New Funding Source for Affordable Housing. It is great news that the State has approved and is considering new funding and that others, like the Chan Zuckerberg Initiative, are working to assemble new resources. However, these sources serve as leverage to local funding sources. A per unit City subsidy of \$125,000 does not bridge the gap required to make a unit affordable-- significant additional funding will be needed to leverage City funds and create affordable housing options.

A Commercial Linkage Fee is the only source identified by staff that has the potential to create sufficient local funding for affordable housing development. The nexus for a commercial linkage fee (CLF) is well established—when you add jobs, you need homes for new employees. Don't wait to see what action Milpitas takes before embarking on a Nexus Study. Palo Alto, Mountain View, Sunnyvale, Cupertino and Santa Clara City Councils have all approved CLFs, and Milpitas has completed its Nexus Study and is currently contemplating action as is the County of Santa Clara. We have a crisis. We can't wait any longer. Conducting a study does not tie the City's hands. The study will show what level of fee, if any, would work without unduly impacting commercial construction.

2. Implementation of Streamlining Measures that Remove Barriers to Development. The staff report identifies a number of important actions the City can and should take to speed up the time it takes to bring housing development from idea to move in. These actions should be approved:
 - a. Ministerial approval of 100% affordable developments that are proposed in Urban Villages or that meet the 1.5 acre rule.
 - b. Enabling mixed-income development to move forward in Urban Villages regardless of horizon if at least 40% of the units are affordable (similar to the current policy for 100% affordable development. While the staff report recommends that this be considered in 2019, there isn't time to wait—the Council needs to act now—in 2018.
 - c. Removing restrictions to ADU development, including allowing modular construction, eliminating fees, streamlining approvals, and providing technical assistance to homeowners. When the Council considers revisions to the ADU Ordinance this Spring, it needs to consider significant changes. Baby steps on ADUs won't do it. Big steps, and leadership are needed.
 - d. Eliminate requirements for commercial space for affordable housing development and study when retail space is appropriate for all housing development given changes in the retail environment. If the Council decides to require commercial space as a condition of affordable housing development, it should identify funding sources that can be used to complete tenant improvements (since Affordable Housing funds cannot be used for this purpose) and to help market the commercial space. The City should agree to compensate affordable housing developers for lost revenue if commercial space cannot be leased.

3. Approval of Land Use Actions that Increase Opportunities for Housing—The staff report identifies a number of actions the City can take to make more land available for affordable housing development.
 - a. Move forward with North San Jose affordable development consistent with past Council action and the Mayor’s 15-point housing plan, which makes up for the loss of affordable housing in Phase 1 of the NSJ Plan and ensures that 20% of all homes in North San Jose are affordable.
 - b. Aggressively identify opportunities for surplus and underutilized land, including City-owned land, other publicly-owned land, and underutilized commercial parcels less than 1.5 acres, to be prioritized for affordable homes including permanent supportive housing.
 - c. As has been asked of staff before, conduct a thorough review of small vacant or underutilized industrial sites that are appropriate for residential development and take action to make development possible.

The housing crisis needs to be viewed through that lens—it is a crisis. It is an emergency. We congratulate the City for adopting bold goals and a bold plan. San Jose has long been a leader in housing and affordable housing, and it can continue to play that role, showing others within the region how to respond to the housing needs of lower- and moderate-income residents. However, the Plan’s success hinges on having the right tools and strategies that will ensure that the goals the City has set are within reach.

We look forward to continuing to partner with the City to achieve its housing goals.

Sincerely,

Leslye Corsiglia
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