



May 2, 2018

Mayor Sam Liccardo
San Jose City Council Members
San Jose City Hall
200 E. Santa Clara St.
San José, CA 95113

RE: May 8, 2018 Agenda Item 4.1 Actions Related to the Inclusionary Housing In-Lieu Fee and the Affordable Housing Impact Fee

Dear Mayor Liccardo and Councilmembers,

BIA Bay Area recommends that the San Jose City Council break the impossible cycle of mounting residential development costs by taking a first step at the May 8, 2018 meeting to rein in affordable housing fees.

BIA strongly urges the City Council to postpone the effective date of the transition from the Affordable Housing Impact Fee (AHIF) to the Inclusionary Housing Ordinance (IHO) for at least one year, from July 1, 2018 to July 1, 2019. The City Council should also direct staff to monitor the feasibility and volume of housing production during this period and report back May 2019 for further direction.

At the April 26th and May 1st City Council meetings, the Council studied the economic feasibility of housing production throughout the City. The findings of these study sessions are bleak. Housing construction is not feasible, according to Staff and Consultant studies, in most of the City and is currently feasible in only one area. A significant contributor to infeasibility is the staggering cost of City imposed impact fees and taxes, including affordable housing fees.

The resolution you are considering at the May 8th meeting would dramatically increase financial requirements on new rental residential. If adopted as proposed, the transition from AHIF to IHO, would increase the affordable housing fee load on rental residential 50%, from \$17 per sq. ft. (AHIF) to \$25 per sq. ft. (IHO).

On May 8th, the City Council can take the first step in moderating these prohibitively high fees by postponing this fee increase for at least one year. After the overwhelmingly convincing information that has been provided to you by your Staff and Consultants regarding residential construction infeasibility in this city, you must realize and accept that now is not the right time to raise impact fees.

Yours truly,

Dennis Martin
BIA Government Affairs