



Memorandum

TO: CITY COUNCIL

FROM: Mayor Sam Liccardo

SUBJECT: SEE BELOW

DATE: August 6, 2018

Approved

Date

8-6-18

SUBJECT: GENERAL OBLIGATION BOND MEASURES

I. RECOMMENDATIONS

- A. Direct the City Manager to return to the Council on August 10, 2018, for the following actions:
- B. Adopt a resolution of the City Council calling and giving notice for a Special Municipal Election to be held on November 6, 2018, and to submit to the residents of the City of San José two general obligation bond measures—rather than the single bond measure proposed by the City Manager—with the following ballot statements:

1. Disaster Preparedness, Public Safety, and Infrastructure Bond

To:

- *Upgrade 911 communications, police, fire, and paramedics facilities to improve emergency and disaster response;*
- *Repair deteriorating bridges vulnerable to earthquakes;*
- *Repave streets and potholes in the worst condition;*
- *Prevent flooding and water supply contamination;*
- *Repair critical infrastructure;*

Shall San José issue \$650,000,000 in general obligation bonds with an average levy of X¢ per \$1,000 of assessed value, averaging \$XX,000,000 annually until repaid, requiring community oversight and annual audits?

2. Affordable Housing Bond

To provide housing affordable for:

- *working families,*
- *veterans,*
- *seniors,*
- *teachers, nurses, paramedics, and other workers; and*

- *helping homeless residents get off of local streets and out of neighborhood parks and creeks;*

Shall San José issue \$450,000,000 in general obligation bonds with an average levy of X¢ per \$1,000 of assessed value, averaging \$XX,000,000 annually until repaid, requiring community oversight and annual audits?

C. Regarding the Public Safety and Infrastructure measure, direct the City Manager to return to Council within four (4) weeks with a proposed bond revenue allocation plan that includes a proposed project list that addresses the needs of our residents, and includes the following:

1. Includes recommendations 2 and 3 in Councilmember Jimenez's Memorandum;
2. Identifies not less than \$300 million to be allocated for repairing the streets in the worst condition, relying upon the objective Pavement Condition Index (PCI) scores;
3. Includes, among the list of public safety facilities for Council to consider:
 - i. Specific fire stations for repair and construction priorities—based on the Fire Chief's assessment of projects that are critically needed to improve emergency response—placing the long-planned Station 37 within the first group of all capital projects to be funded and constructed;
 - ii. A police cadet and officer training facility that may be integrated with training facilities for other public safety agencies;
 - iii. A police and fire administration complex, ideally co-located with emergency operations center and 911 communications center;
 - iv. Installation of broadband communications infrastructure for emergency communications and disaster relief;
 - v. Replacement of yellow streetlights with LED "smart" lights that will reduce energy usage, save money, and make our neighborhoods safer; and
 - vi. Other urgent infrastructure replacement needs likely to reduce long-term spending on operations or maintenance.
4. Includes up to \$50 million for land acquisition for natural flood and water quality protection, focused primarily on Coyote Valley.

D. Regarding the Affordable Housing measure, direct the City Manager to return to Council within four weeks with a proposed bond allocation plan that contains minimum funding amounts for specified categories of affordable housing projects, for Council review and approval.

E. To save \$89,000 in City costs on each bond measure, approve a Resolution directing the City Clerk to, pursuant to Elections Code Section 12111, cause a synopsis of the proposed measure to be published at least one time not later than one week before the election in the San José Mercury News, a newspaper of general circulation within the City of San José, instead of printing the full text of the measure in the Sample Ballot;

- F. Allow rebuttal arguments, pursuant to Elections Code Section 9285;
- G. Authorize the Mayor to submit a ballot argument in support of the two bond measures, pursuant to Elections Code Section 9282;
- H. Direct the City Attorney to prepare an Impartial Analysis of the measures, where, as authorized under Elections Code Section 9280, the following statement will be printed in the Impartial Analysis to be prepared by the City Attorney: "If you would like to read the full text of the measure, see <http://www.sanjoseca.gov/index.aspx?nid=5694> or call 408-535-1260 and a copy will be sent at no cost to you."; and
- I. Direct the City Clerk to perform all other actions necessary to place the measures on the November 6, 2018 ballot.

II. DISCUSSION

A. Dividing the Measure into Two

I thank City staff for their professional and time-intensive work preparing Council for this important and difficult endeavor. I am mindful of the difficulties of analyzing, crafting, and developing multiple complex ballot measures over the course of four months, including during the City's budget process. Nonetheless, we will consider each of these proposals within the required deadlines—a tribute to staff's professionalism and dedication.

As with any other possible ballot, the transition from staff to the Mayor and Council to lead a community campaign is important—requiring close coordination. As mentioned in staff's memo, the polling that has been conducted points to the need for a strong community campaign for any bond measure to be successful.

For these reasons, I propose that we submit two separate measures to the voters. After reviewing the polling data, it appears this approach gives the City the best opportunity to win both or either of these measures, and provides voters with the greatest transparency regarding how their votes will affect how their tax dollars are spent.

B. Affordable Housing

To achieve the goal of building 10,000 units of affordable housing over the next half-decade, our Housing Department has calculated that we have an estimated gap of \$548.1 million needed to fund the construction of sufficient rent-restricted housing, assuming a City contribution of \$125,000 per unit. I propose we address this crisis directly through the use of an affordable housing bond measure that will fill \$450 million of that gap, with some flexibility to address both our homelessness crisis and the affordability gap for thousands of working families. While the County passed a bond measure two years ago focused on homeless housing, that measure—Measure A—never purported to suffice in addressing the enormous scale of need. Moreover, Measure A's focus on permanent housing does not help us to deploy more

immediately-needed solutions—such as emergency or transitional housing—to get people off the streets quickly. Finally, Measure A does not provide the scale or flexibility of funding to spur construction of rent-restricted workforce housing, another pressing need. To complement the County's important effort, the City needs its own source of funding to address our most urgent housing needs.

C. Disaster Preparedness, Public Safety, and Infrastructure

I recommend that staff return with greater definition on its proposed list of projects for funding, which will ensure that the City Council can provide a bond oversight committee clear guidance about the relative priority of public safety and roadway capital projects, and to maximize transparency with our residents.

Among the list of items in Paragraph II(B) above, I recommend an additional allocation that we have not discussed recently: protecting natural open space for the purposes of flood control, protecting water quality, and reduction of wildfire risk. Since last year's floods and recent years' wildfires, we are increasingly learning of the critical importance of protecting land in areas of strategic public safety importance.

Coyote Valley provides one prime example for the possibility of natural flood control. The area of North Coyote Valley known as Arroyo Seco has long been valued by experts for flood mitigation. Our experience from the Presidents' Day floods of just over a year ago confirms the devastating consequences of poor land use decisions; families living in apartments throughout the Rock Creek neighborhood lost their housing and their precious belongings due to development that simply should never have been approved a half-century ago. We've also learned increasingly of the value of the underground water aquifer beneath the floor of the Coyote Valley, and how that water—which provides a drinking water source to thousands of residents—can become imperiled with industrial development. Santa Clara Valley Water District's Revised Final Groundwater Vulnerability Study (October 2010) characterizes the vulnerability of Coyote Valley's aquifer to surface-soil contaminants as "very high" and "high." Finally, Sunday's Mercury News' front page described in great graphical detail the growing wildfire risk resulting from development creeping into rural areas throughout our Valley, in which CalFire uniquely identifies Coyote Valley as a "high risk" area for wildfires. (Lisa Krueger, "California Wildfires: It's a People Problem." The Mercury News, August 5, 2018.) We ask staff to return to Council in the weeks ahead with more information about these concerns. In the meantime, I urge that we include Coyote Valley among the list of items we consider for bond funding.

D. Conclusion

San José residents have long and loudly expressed the need for basic investments in our public safety, in our crumbling roads, and to counter our affordable housing crisis. November will provide an important opportunity for residents to decide whether these needs appear worth their investment.