



Memorandum

TO: CITY COUNCIL
SUBJECT: SEE BELOW

FROM: Mayor Sam Liccardo
DATE: September 10, 2018

Approved

Date

9-10-18

**SUBJECT: SANTA CLARA COUNTY CIVIL GRAND JURY REPORT
ON "AFFORDABLE HOUSING CRISIS: DENSITY IS OUR DESTINY"**

RECOMMENDATION

Accept the recommendation of Councilmembers Peralez, Rocha, Jimenez and Carrasco, and return to Council with a Staff recommendation on September 18 regarding the approach to a citywide nexus study, including the following elements:

1. Inclusion of a feasibility study to be pursued in tandem with the nexus study, to assess market impacts of development with variations of fee levels, geographic location, land use, and building type.
2. Exploration of a separate study for a Downtown Core Commercial (office and R & D) development impact fee, which would address affordable housing and infrastructure needs (i.e. transit and parks).
3. Report back to the City Council in November with the following:
 - a. Scope of work for a nexus study and feasibility study, including consultant selection, a funding strategy, and timeline for completion of the studies.
 - b. Include a Regional Commercial Linkage Fee as a legislative priority of the City, as previously discussed by the City Council.
 - c. Progress report on (a) the formation of the City Council-authorized RHNA subregion, sponsored by the Santa Clara County Cities Association, with specific "next steps" identified for Staff and Council, and (b) formation of a Bay Area-wide commercial linkage fee, requiring state legislation, similarly based on relative jobs/housing ratios.
 - d. Data regarding ongoing and one-time tax revenues generated from employers in the City of San Jose.

4. Explore a funding partnership with the Silicon Valley Community Foundation, which has funded similar studies, consistent with its housing and transit strategic grant priority.

BACKGROUND

I've repeatedly expressed my preference for a regional approach to commercial development impact fees for affordable housing, with a fee varying based on each city's relative jobs/housing balance. I continue to prefer that approach.

Clearly, there has been strong interest, at Council and in the community, to pursue study of a commercial impact fee in parallel to our efforts towards making the admittedly heavy legislative lift of a region-wide fee. For years, this Council has been divided on whether we adopt a commercial impact fee. But we're not divided on the fact that we are the middle of a severe and stubborn affordable housing crisis, and we should look closely at all options.

As the City conducts a nexus study for a commercial impact fee, we need the more robust analysis that a feasibility study would provide to account for many variables, such as city sub-markets and commercial types. It's critically important that we adopt a fee that balances the need for affordable housing with the imperative to support jobs in our community and fund critical city services such as police and emergency medical response.

Related to our regional efforts, Councilmember Chappie Jones has led a strong early effort to form the RHNA subregion, with almost half of the county's cities agreeing to committee participation. This can serve as an important mechanism to increase housing production and foster regional cooperation around housing goals. It will also provide an excellent forum to have the hard discussions we need to have about the region's job/housing balance. A Bay Area-wide regional commercial impact fee has also gained momentum, gathering the support of the mayors of our region's three major cities, with analysis and staff engagement by the CASA Steering Committee at MTC. Assemblymember David Chiu, the Chair of the Assembly's Housing Committee, has indicated that he is willing to carry legislation to advance the concept in Sacramento, and we expect that work to accelerate in the weeks ahead.