

#### 4.6 Commercial Linkage Fee

**From:** Gloria Chun Hoo < >

**Sent:** Monday, December 10, 2018 12:11 PM

**To:** City Clerk

**Cc:** Mary Collins

**Subject:** Comment for Agenda 4.6 for tomorrow's City Council meeting

On behalf of Mary Collins, President, League of Women Voters of San Jose and Santa Clara, please distribute this email comment about Agenda Item 4.6 on Commercial Linkage Fee to Mayor Liccardo and other members of the City Council.

If you have questions,, please contact me at [REDACTED]

Gloria Chun Hoo

Chair, Action Committee, LWV of San Jose and Santa Clara

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December 10, 2018

To the Hon. Mayor Sam Liccardo and Members of the San Jose City Council

RE: Item 4.6 on 12/11/2018 City Council Agenda  
COMMERCIAL LINKAGE FEE

The League of Women Voters of San Jose and Santa Clara urges the City Council to vote favorably in support of conducting a comprehensive feasibility study and a nexus study on implementing a commercial linkage fee that will support affordable housing for our city.

In 2014-15 the League strongly supported the city's decision to implement a study showing the nexus between residential construction and the need for an impact fee to support affordable housing and at that time urged consideration of a non-residential, commercial/industrial impact fee. We are pleased that the City is now moving in that direction.

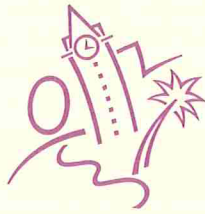
As you know, the League endorsed Measure V which would have provided much-needed funds for affordable housing. It is now even more critical that the City consider the commercial linkage fee to bring in such funds.

We urge that the City move expediently on this matter.

Sincerely yours,

Mary Collins,

President, League of Women Voters of San Jose and Santa Clara



**SAN JOSE DOWNTOWN  
ASSOCIATION**

December 7, 2018

Mayor Sam Liccardo  
City of San Jose  
200 E Santa Clara Street, Tower, 18<sup>th</sup> Floor  
San Jose, CA 95113

RE: Item 4.6 on the December 11, 2018 Council Agenda: "Commercial Linkage Fees"

Mayor Liccardo:

The San Jose Downtown Association (SJDA) would like to express reservations regarding the proposal to study commercial linkage fees (CLF) as a means to fund affordable housing in San Jose. We recommend you defer the CLF study in order to better coordinate with other available financing mechanisms for potential affordable housing funding. While we recognize the proposed nexus/feasibility study is just that, we also believe initiating only this study at the present time is counterproductive for the long term goals the City has set in regard to closing the jobs-employed resident balance and maximizing affordable housing options.

To begin, we would like to reiterate our support of the Council memo action on December 4, 2018 that set a goal of 25 percent affordable housing in the station area of Downtown San Jose. This goal is commensurate with historical experience under the redevelopment agency and the City supplement that also recognized a 25 percent affordable goal. We applaud this approach and look forward to it coming to fruition.

Our enthusiasm for this downtown-centric goal is the primary reason why we do not support nexus/feasibility studies on city-wide commercial linkage fees at this time. Despite commercial development momentum in numerous other cities, San Jose has yet to recognize this potential. You simply do not see a sizable amount of commercial development in downtown San Jose, and while the recent land sale vote for the Google development will hasten the anticipated "Google effect," commercial linkage fees will work in a counter direction, disincentivizing commercial development at the precise moment when it is most likely to gain momentum.

Additionally, we would strongly encourage the city to not get out ahead of potential other developments that could help us achieve the 25 percent affordable housing goal. Three possible policy shifts, expected to materialize in the near future, are worth highlighting:

First, we have not yet finalized a community benefit package with Google on their future proposed development. We appreciate Google represents approximately 50 acres of the 250 acres on the westside of downtown. And while Google has agreed to community benefits, there needs to be a similar “value capture” on the other 200 acres. It is reasonable to assume that Google, a world-class innovative company with significant resources, will continue to be a strong partner and recognize the affordable housing goal in its community benefits agreement. The details of this agreement have not yet been worked out, however, and commercial linkage fees, while less of an issue to Google’s negotiation, could have a chilling effect on other potential developers who operate with much tighter margins.

Second, leadership in Sacramento is about to change from Governor Brown to Governor-Elect Newsom. Already, we have seen legislation introduced by Assemblyman David Chiu that would bring back tax-increment financing for the sole purpose of aiding cities in the development of affordable housing. Obviously, there are no details yet on these potential resources, either, and any form of the return of tax increment financing to our state could have a significantly positive impact on local affordable housing goals.

Third, City Council is expected to deliberate on the increasing of height limits for construction on the westside of downtown, throwing off a longstanding practice of capping development heights in order to support a handful of flights at San Jose-Mineta International Airport. This policy change, and the subsequent zoning alterations, provide a once-in-a-generation opportunity for the City to value capture the increased land and development values that will be created in the station area; a financing option we favor. Let us explore this type of innovative option, and the revenue potential it has, well before we go down a road that invariably leads to commercial linkage fees.

A strong regional example of this type of value capture is the recent rezoning in the Central SoMa neighborhood of San Francisco. The San Francisco Board of Supervisors recently rezoned a 17-block area, that will eventually allow for 9,000 housing units and office space for 30,000 workers. Sound familiar? Six developers, in an effort to go first to market, crafted community benefit arrangements that included affordable housing allocations in order to be granted early permits. The added value of increased building heights and land resale value here in downtown San Jose could almost certainly provide equivalent or greater community benefits. This approach possesses the precision necessary to increase revenue without harming development momentum, unlike the blunt force instrument of a linkage fee.




Further, we agree with the language contained in your memo of September 10, 2018, which affirms support of a regional approach to commercial linkage fees. But the reality is this approach is not forthcoming. Many of our neighboring cities have passed near punitive commercial linkage fees, some with the express purpose of slowing commercial development. This is understandable if San Jose had two or three to one jobs-employed resident ratios like these neighboring cities, but we do not. San Jose has a 0.81/1 jobs-employed resident ratio, which represents the worst margin in the County and the worst nationwide amongst major cities. Now is the appropriate time to let our neighboring cities help us by using their fees to push commercial development our way and close this imbalance, not remove our competitive advantages with premature commercial fees of our own.

Finally, if a commercial linkage fee nexus study is advanced by Council, we would hope that the process would be deliberative and inclusive. We would welcome input on the selection of the study consultant, as well as on the final plan that derives from the study. Your September 10 memo called for a separate study-within-a-study for the Downtown Core; this provision makes us even more fearful that a future commercial linkage fee may apply most onerously within our boundaries.

We appreciate your consideration of our position, and respectfully request that you defer Council discussion on a commercial linkage fee study to a later date, once the city has studied more carefully other financing mechanism options. We look forward to working with you to achieve long-term success on the city's affordable housing goals.

Sincerely,

  
Scott Knies  
Executive Director

CC: San Jose City Council  
SJDA Board of Directors  
Dave Sykes  
Kim Walesh  
Jacky Morales-Ferrand  
Blage Zelalich  
Derrick Seaver  
Nate LeBlanc