


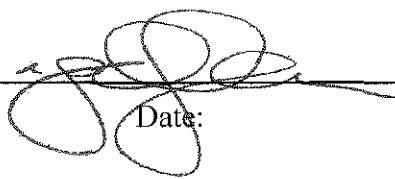
Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Raul Peralez
Councilmember Sergio Jimenez
Councilmember Magdalena Carrasco

SUBJECT: SEE BELOW

DATE: March 8, 2019

Approved by:  Date: 

SUBJECT: COUNCIL POLICY PRIORITY #12: COMMERCIAL LINKAGE FEE SCOPE AND TIMELINE

RECOMMENDATION

Include the following additions to the Commercial Linkage Fee nexus and feasibility Study:

1. December 7, 2018, Council directive of “high tech office, retail, industrial, and office” as commercial building types.
2. Analysis on the impact of future upzoning and potential shifts in development costs and income on the feasibility of fees for different types of non-residential development.
3. Analysis on a broad range of variables that impact the cost of development in San José such as financing mechanisms and fluctuating real estate markets.
4. Ensure that the City’s outreach plan include developers and employers.
5. Bring back the final design to Council no later than Fall 2019 for consideration.

BACKGROUND

When Council passed the study of a Commercial Linkage Fee in December 2018, it included a directive to assess market impacts with a variations of fee levels, geographic location, land use, and building type, such as, high tech office, retail, industrial, and office. The omission of high tech office from Attachment A of the staff report is of concern. In Santa Clara’s and Campbell’s nexus studies, high tech office is noted as having the highest concentration of density at 200 square feet per employee, when compared to other traditional spaces. Alongside a creation of one job in the high-tech sector is the demand of 4.3 additional jobs in the local goods and services economy.

While this industry has catalyzed our local economy, consequently it has caused a great strain on our housing stock. High tech office is a unique classification with density and growth impacts that deeply affect affordability in San José and must be accounted for.

Our City is rapidly growing and changing. As new talent and innovation comes to San José, it will soon be reflected in our landscape. Our feasibility study cannot simply look at the landscape now. For example, the City is exploring commercial upzoning in Downtown San José. A deeper analysis on future changes in development will ensure that we develop a fee that has the foresight to encompass those developments and accurately captures our exponential growth. Currently there is no comparable for the City of San José and we expect our future to look drastically differently than it has in the last ten years. The feasibility study must look ahead and include a sensitivity analysis to account for the changes in cost of development and density in the coming years.

There are many wide ranging variables that impact the true cost of development in our City. A nexus and feasibility study should consider as many of those variables as possible in order to provide us with reliable data that remains relevant into the future. Financing models cause significant cost variations among projects and should be analyzed. Similarly, outreach to employers and developers alike is vitally important to achieving a goal of a comprehensive study that accurately reflects the cost of doing business in San José.

Thank you staff for your work on this issue however the proposed timeline is concerning waiting until June 2020 to discuss a final recommendation for review. If passed the implementation would not take place for over a year. Amid a housing crisis, rather than return to the Community and Economic Development Committee, we hope that it can return to Council to review the final design and timeline. We look forward to the results of this long awaited study.

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have any such conversation with any other member of the City Council or that member's staff.