



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Raul Perez

SUBJECT: Housing Crisis Workplan

DATE: September 18, 2019

Approved by:

Date:

9/18/2019

RECOMMENDATION

Accept staff recommendation and direct the City Manager to:

1. Per Council's approval of Mayor Liccardo's March 12 memo on Commercial Linkage Fee (CLF), return back to council with the final study results and policy proposals no later than January 2020, or as soon as possible, for consideration.
2. Develop specific income targets for the 25% area-wide affordable housing requirement for the Diridon Station Area, including a minimum percentage of Extremely Low Income (ELI) housing units that is commensurate with the 45% ELI allocation requirement adopted in the April 2019 update to the Affordable Housing Investment Plan.

BACKGROUND

Currently, the City of San José has over 35 million square feet of new development ranging from pre-application to under construction. Since the time Council approved the Nexus and Feasibility studies in December 2018, the pace of non-residential development proposals has increased significantly, with roughly 9 million square feet of new commercial development being added to the pipeline. This new pace of pipeline activity could produce 104,000 additional jobs for the City of San José.¹ At the rate that we are growing, without a decision on a CLF, we are missing out on an opportunity to generate revenue that will offset the increasing affordable housing demand.

As we have debated this tool for years, we have not felt the urgency more than now to enact this fee. In March, it was directed that staff return with the study as soon as possible

¹ SV@Home analysis of Office of Economic Development's status of development activity in San José

or no later than January 2020. It is more than disappointing to learn that a final report will be delayed another five months as we are shifting our reputation of being a bedroom community. While our City is undergoing significant growth, the rate of our housing production continues to lag. Since January 2019, we have only added 775 units of affordable housing to our pipeline. Without an ongoing source of funding to balance the impacts of our economic growth, we fall further behind in hitting our affordable housing goals and in those five months, we could lose out on potentially millions.

In addition, as the City takes steps to facilitate significant new development in the Diridon Station Area, we must ensure that the benefits of this new development – and the new housing that’s ultimately built - serves residents of all means and incomes. While new development naturally creates opportunities for higher income households, it often serves to exacerbate rent burdens and displacement pressures on our most struggling residents. Extremely low income (ELI) households have been particularly burdened by the impacts related to new development in our city. Two-thirds of ELI households in our community spend more than half of their paychecks on rent, and data from the countywide Homelessness Prevention System shows that ELI households comprise 82% of the highest-risk households seeking assistance to keep their housing.

Councilmembers Dev Davis and Maya Esparza understood the burden on the most vulnerable and made the first important step towards prioritizing ELI households in our most recent Affordable Housing Investment Plan.² The Diridon Station Area Plan is slated to be updated by the end of next year, the Diridon Integrated Station Concept is approaching its final destination and development interests are slowly sharing their vision and plans. Now is the time that we can and should double down on the commitment to housing and require that a similar portion of the housing built in the area goes to ELI households – ensuring that more seniors, disabled residents, and low-wage working families can continue to call San José home.

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