



# Memorandum

**TO:** HONORABLE MAYOR &  
CITY COUNCIL

**FROM:** Councilmember Johnny Khamis  
Councilmember Dev Davis

**SUBJECT:** AGENDA ITEM 4.3 –  
DOWNTOWN HIGH RISE  
INCENTIVE PROGRAM

**DATE:** September 20, 2019

**APPROVED:**

**DATE:**

9/20/19

**RECOMMENDATIONS:**

Accept the report on the Downtown High-Rise Feasibility Assessment and direct staff to return to Council with the appropriate ordinance and resolution to enact the following:

- (a) Eliminate the certificate of occupancy deadline for the Affordable Housing Impact Fee instead of extending it to December 31, 2023 as proposed in the staff memo.
- (b) Make the fee reductions of the Downtown High-Rise Program permanent fee reductions.
- (c) Direct staff to make a concomitant fee reduction for mid-rise development along transit corridors, in places where high-rise development is not allowed by General Plan 2040
- (d) Once the City of San José has achieved construction of the 25,000 units that have been set as the City's housing goal, per the Mayor's initiative, return to Council with an evaluation of the fee structure on the aforementioned types of development.

**BACKGROUND:**

At the urging of Mayor Liccardo, the City Council approved a goal of building 25,000 units of housing within San José. To achieve this goal in a timely manner, the City must do all it can to provide the best opportunity for housing developers to accomplish this ambitious goal.

By making the Downtown High-Rise Program permanent, we ensure that all developers willing to partner with the City in building toward the 25,000-unit goal receive the same benefits with this feasibility assessment. If we only allow the incentives through 2023, we create uncertainty for lenders, investors and developers who build after this date but who are helping San José achieve its housing goal.

City Council

Agenda: September 24, 2019

Item 4.3 - DOWNTOWN HIGH RISE INCENTIVE PROGRAM

By expanding the permanent fee reductions to include mid-rise housing construction along transit corridors in places where high-rise development is not allowed or not appropriate per General Plan 2040, we can accelerate our progress in achieving the 25,000 unit build-out.

After the 25,000 units are built, City staff should evaluate the program to see if any changes are recommended at that time. A permanent fee reduction followed by an evaluation eliminates the discussion of the program being a “subsidy” since a permanent fee reduction isn’t considered a subsidy. If a future City Council wishes to raise the fees for these types of development, they can do so after an evaluation of the fee structure called for in this memo.