



# Memorandum

**TO:** CITY COUNCIL  
**SUBJECT:** SEE BELOW

**FROM:** Mayor Sam Liccardo  
**DATE:** September 23, 2019

**APPROVED:**

 mm  
09-23-19

**SUBJECT: HOUSING CRISIS WORKPLAN**

## RECOMMENDATIONS

1. Accept staff recommendation pertaining to the Housing Crisis Workplan Update.
2. Direct the City Manager to include an attachment with approved planning permits, effective as soon as possible, for all commercial development projects citywide notifying developers that they may be required to pay a commercial linkage fee pending completion of nexus and feasibility studies and approval of fee program by Council.
  - a. Utilize the notification attachment for projects within the Diridon Station Area Plan area as the model that was presented at the August 2, 2019 Council meeting around the Diridon Basic Infrastructure Fee.
3. Direct City Staff to include in the Housing Department's upcoming Diridon Station Area Affordable Housing Implementation Plan studying development of specific income targets for an area-wide affordable housing goal for the Diridon Station Area. Analyze various options including 45% Extremely Low Income (ELI) housing units within a 25% affordable housing goal.

## BACKGROUND

### Commercial Linkage Fee

As stated in City Staff's memorandum, the City of San José is exploring a commercial linkage fee and has selected a consultant to conduct citywide nexus and feasibility studies to inform what a possible commercial linkage fee program could be.

Recognizing that real estate development requires some basis for cost certainty to assess whether projects can attract financial investment, I propose adding language to approved planning permits citywide that developers may be required to pay a commercial linkage fee when Council considers and approves a program after completion of the consultant's nexus and feasibility studies.

Feasibility studies typically find that a commercial linkage fee will vary widely by geographic areas and land use, and in some places can be quite low or nonexistent.

I propose utilizing the notification language City Staff is in the process of already implementing for projects in the Diridon Station Area Plan area related to the Diridon Basic Infrastructure fee as a model to provide notification of a possible commercial linkage fee.

Lastly, it would be beneficial to explore including a cap—e.g., a fee that does not exceed the highest commercial linkage fee in the region—in order to provide some basis for developers to develop proformas to attract the financing necessary to construct the project.

#### Diridon Station Area Affordable Housing

The City of San José has a once-in-a-lifetime opportunity to attract and welcome Google to the Diridon Station Area in our Downtown. This possibility allows the City to rethink the Diridon Station Area Plan (DSAP) originally adopted by the City Council in 2014 (when a major league ballpark was also envisioned).

The DSAP encompasses a 250-acre district that includes the potential 80-acre Google mixed-use village on the western edge of Downtown. It was stated in the December 4, 2018 Memorandum of Understanding (MOU) with Google that:

The Parties, as a goal but not a requirement, strive for 25% of the housing developed in the Diridon Station Area to be affordable housing with a mix of affordability levels to be negotiated in a future development agreement.<sup>1</sup>

The Housing Department reported at the August 22, 2019 Station Area Advisory Group (SAAG) meeting that a Diridon Station Area “Affordable Housing Implementation Plan” would soon be embarked on including “Develop a plan for achieving an areawide requirement for 25% of all new housing built in the Diridon Station Area to be affordable.”<sup>2</sup> It was also reported that a consultant for this Affordable Housing Implementation plan was to be engaged in August 2019.

As part of that Affordable Housing Implementation Plan, I recommend that specific income targets be studied, including specifically 45% ELI housing of a 25% affordable housing goal.

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<sup>1</sup> <https://sanjose.legistar.com/View.ashx?M=F&ID=6788853&GUID=4860E7F2-F32C-49A7-8911-1248C18ECF30>, December 4, 2018 Memorandum of Understanding, page 4

<sup>2</sup> [https://static1.squarespace.com/static/5c38bcfdcc8fedd5ba4ecc1d/t/5d5f2aa147fbd00012eb59a/1566517972668/DRAFT\\_Presentation\\_SAAG\\_08.22.19\\_post.pdf](https://static1.squarespace.com/static/5c38bcfdcc8fedd5ba4ecc1d/t/5d5f2aa147fbd00012eb59a/1566517972668/DRAFT_Presentation_SAAG_08.22.19_post.pdf), SAAG Presentation, slide 22