

TRANSMITTED VIA EMAIL

Honorable Mayor Sam Liccardo and Members of the City Council
City of San Jose
200 East Santa Clara Street, 18th Floor
San Jose, CA 95113

Dear Mayor Liccardo, Vice Mayor Jones, and Councilmembers Arenas, Davis, Diep, Carrasco, Esparza, Foley, Jimenez, Khamis, and Peralez,

**Re: Item 8.4 : Economic Recovery Temporary Cap on New or Increased
Infrastructure Fees for Development**

We are pleased to read that City Staff intends to bring consideration of a Commercial Linkage Fee for affordable housing before the City Council in August. The need to build more affordable housing has never been more urgent, and we cannot afford further delay in considering this essential tool for addressing our affordable housing crisis.

We also agree with the Staff's decision to separate consideration of any action on the Commercial Linkage Fee from Tuesday's action on a proposed cap on new or increased fees for development. The multi-year effort to adopt a Commercial Linkage Fee requires a full hearing and deliberation, and it would be premature to take any action on this matter until that can occur.

The affordable housing crisis we faced before the COVID-19 Pandemic has been debilitating and destabilizing to the community, family, and economic health of San Jose. During the crisis it has become even more clear that housing affordable to lower-income households – particularly Black and Latinx households -- otherwise vulnerable to severe overcrowding and economic shocks, is central to public health, social justice, and community resilience.

While we face a level of uncertainty that did not exist when action on the Commercial Linkage fee was suspended in March, there are a number of things that are clear:

- We faced an affordable housing emergency before this current health and economic crisis, and the need for more affordable housing will increase as the City moves to recover.
- New commercial development creates a pressing need for more housing for the new employees.
- Many workers did not, and will not, get paid enough to afford to live in San Jose, increasing the need for more affordable housing.

- Commercial development of all types, and in all parts of the city, will increase the demand for affordable housing.

The City's consideration of a Commercial Linkage Fee has faced numerous delays over the past two years. In 2019, the City issued building permits for 3.9 million square feet of commercial development with a potential 11,000 new workers without collecting fees for affordable housing. Significant development activity continues in the City, promising new jobs and increased demand for new affordable housing. It is essential that there be no additional delays, and that Council be prepared to set fee levels in August as planned.

Housing production at all income levels is central to our economic recovery. New jobs require new homes. Commercial Linkage fees are a long-established source of local resources for affordable housing. The social and economic costs of a failure to act in this moment are unacceptable.

Nadia Aziz
Law Foundation of Silicon Valley

Shiloh Ballard
Silicon Valley Bike Coalition

Amanda Brown-Stevens
Greenbelt Alliance

Salvador "Chava" Bustamante
Latinos United for a New America (LUNA)

Louis Chicoine
Abode Services

Leslye Corsiglia
SV@Home

Gina Dalma
Silicon Valley Community Foundation

Maria Noel Fernandez
Silicon Valley Rising

Amie Fishman
Non-Profit Housing Association of Northern California

Matt Franklin
MidPen Housing

Poncho Guevara
Sacred Heart Community Service

Laura Hall
EAH

Sparky Harlan
Bill Wilson Center

Janice Jensen
Habitat for Humanity East Bay/Silicon Valley

Gregory Kepferle
Catholic Charities

Elisa Koff-Ginsborg
Behavioral Health Contractor's Association
of Santa Clara County

Honorable Mayor Sam Liccardo and Members of the City Council

Re: Item 8.4

June 16, 2020

Michelle Lew
Health Trust

Jennifer Loving
Destination: Home

Maritza Maldonado
Amigos de Guadalupe, Center for Justice
and Empowerment

Justine Marcus
Enterprise Community Partners

Alex Shoor
Catalyze Silicon Valley

Jim Silverwood
Affirmed Housing

Lois Starr
PATH Ventures

Jan Stokely
Housing Choices

Derecka Mehrens
Working Partnerships USA

Rev. Ray Montgomery
People Acting in Community Together

Geoffrey Morgan
First Communities Housing

Dan Sawislak
Resources For Community Development

Andrea Urton
HomeFirst

Victor Vasquez
SOMOS Mayfair

Jahmal Williams
Black Leadership Kitchen Cabinet

Dan Wu
Charities Housing

Kevin Zwick
Housing Trust Silicon Valley

June 15, 2020

San José City Council
City of San José
200 E. Santa Clara Street
San José CA 95113

Comments for Item 8.1 File 20-630 - Economic Recovery Temporary Cap on New or Increased Infrastructure Fees for Development

Dear Mayor Liccardo, Vice Mayor Jones and Councilmembers:

SPUR believes strongly in San José and a forward-looking vision for the city that reinforces downtown as the economic and social hub of San José. Downtown development is not only an opportunity to grow San José's job base and housing supply, but also to build a great city.

Since establishing the San José office, SPUR has published key policy reports that have urged San José to: develop a more dense, walkable, transit-connected, dynamic urban community (Getting to Great Places, 2013); build a downtown reflective of the largest city in the Bay Area and create a world-class transit hub at Diridon Station (The Future of Downtown San José, 2014); bolster the city's fiscal condition to deliver high-quality public services to its residents (Back in the Black, 2016); and increase housing availability and affordability (Room for More: SPUR's Housing Agenda for San José, 2017).

As we heal from the pandemic, economic recovery will be a critical priority for the City of San José in the months and years ahead. For decades, the City has worked tirelessly to plan for and attract creative development and redevelopment in the downtown that will be of great benefit to our residents, local businesses, and workers. We cannot afford to lose any momentum now.

Transparency, consistency, predictability, and certainty are not only hallmarks of good government they are also essential ingredients to attract investment and employers to our city. While certainty is always critical in the development process, given the social, public health, and economic challenges and turbulence we are currently facing, any opportunity to increase certainty should be seized by local government.

The intent behind the staff proposal to create greater certainty for the business community and investors in our city is appreciated and we provide these comments in order to be helpful. SPUR is also mindful of the need for development projects to mitigate their impacts and pay for construction of related infrastructure and increased capacity.

During a recent stakeholder outreach meeting, staff acknowledged that any increase to infrastructure impact fees or expansion of the boundary for the Diridon Impact Fee would, pursuant to the Mitigation Fee Act, require new nexus and feasibility studies and would be unlikely to be completed and a new fee schedule adopted prior to January 2023.

Given this reality, we strongly suggest that the language in the memo be modified especially for loan underwriting purposes to propose ***a temporary moratorium on infrastructure fee increases until at least January 2023***, rather than a cap at higher amounts which are double the current Diridon Basic Infrastructure Impact Fee. This will provide greater clarity and certainty for lender underwriters while allowing staff to continue unimpeded with both its analysis of volatile economic conditions and the need for additional public improvements funds. The fact is underwriters will have to write to the maximum amount of the fee load under the proposed cap even if the increase isn't actually likely to be adopted and this could unnecessarily push some project proposals into infeasibility.

We also think it is an important practice and one previously utilized by the City to - when contemplating fee increases - consider their impact on existing "pipeline projects" operating under previous assumptions, policies, and data and particularly on smaller pipeline projects that do not enjoy sufficient size and economies of scale to absorb additional costs.

We support the staff recommendation to keep consideration of the Commercial Linkage Fee for affordable housing separate from the infrastructure fees discussion as that item has been in the works for the past couple years and is set to be brought to the Council for consideration in August.

Thank you for your consideration of these comments as well as your commitment to public service and the well-being of our community under such difficult circumstances.

Sincerely,



Michael Lane, San José Director
SPUR



CHARLES W. DAVIDSON

June 15, 2020

Honorable Mayor Sam Liccardo
& City Councilmembers
200 East Santa Clara Street
San Jose, CA. 95113

RE: ECONOMIC RECOVERY TEMPORARY CAP ON NEW OR INCREASED
INFRASTRUCTURE FEES FOR DEVELOPMENT
June 16, 2020, City Council Agenda Item 8.4

Honorable Mayor and City Councilmembers,

As a longtime community member and business owner in the City of San Jose, I respectfully request that you do not increase development fees for at least the next three years. COVID-19 has had major negative impacts on all aspects of our local and national economy and new fees would make things worse and, in my opinion, stop development. Our market reality is that today's rents are not high enough to make projects pencil, so new fees would just aggravate things and make financing even more unattainable.

If the city's goal is to provide more certainty to developers when seeking financing, a better way to do this is by adopting a moratorium on all new fees until the economy recovers. Although a notice to cap all new fees seems helpful, it actually is not and I believe will have a chilling effect on the market because it says there is a chance fees might be increased in the near future. On the other hand, a three-year moratorium on all new development fees; while the economy recovers, will create the certainty for development to proceed and will promote economic growth by creating jobs and generating more tax revenue.

As an owner of affordable housing and of a company that only builds affordable housing, I understand the need and value that affordable housing has in our community. In San Jose, I have owned 700 affordable units for almost 40 years and I'm proud to say that I have never converted any of them to market rate housing even though I have had many chances to do so. Having said this, I strongly believe new fees such as the infrastructure fee coupled with other fees, will have

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the opposite effect desired and will result in housing not being built because projects will not pencil. Although I support creating more affordable housing, I believe new fees are not the right solution in today's environment and in the next few years.

As you are probably aware, the current high cost of land, city fees, materials and labor have made developments almost infeasible to finance. Projects that have been fortunate to secure financing, are taking big risks by assuming higher rents that have never in the past been attained in the City of San Jose. Adding new fees, will force some developers who build on spec to take even bigger risks or not build at all. And other developers will wait to build until they secure a tenant, which is what most already do and will continue to do if new fees are imposed.

For full disclosure, I want you to know that I do not have any projects in the City of San Jose that would be affected by the infrastructure fee or the CLF fee. I only offer my thoughts to you as a community member and business owner with over sixty-years of experience developing and building in the City of San Jose.

Again, I respectfully urge you to adopt a three-year moratorium on new development fees and include in the action that all new development fees will not be retroactive whenever adopted. Facilitating and fostering a friendly development environment will help create more jobs, provide needed housing and increase the tax base, which in the long run will far outweigh the short-term benefits new fees might provide to the city.

Sincerely yours,

Charles W. Davidson

From: kathryn hedges <[REDACTED]>
Sent: Monday, June 15, 2020 11:32 PM
To: The Office of Mayor Sam Liccardo <[REDACTED]> District3
<[REDACTED]> District1 <[REDACTED]> District4 <[REDACTED]>
District5 <[REDACTED]> District 6 <[REDACTED]> District7
<[REDACTED]> District8 <[REDACTED]> District2 <[REDACTED]>
City Clerk <[REDACTED]> Housing - CSJ <[REDACTED]>
Cc: Ruby Ramirez <[REDACTED]> Ray Montgomery <[REDACTED]>
Subject: Agenda Item 8.4, Economic Recovery Temporary Cap

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[External Email]

Dear Mayor and Council Members:

I am a resident of District 3 in San Jose and a member of both PACT and Catalyze SV.

I support the staff recommendation of exempting the Commercial Linkage Fee from the Economic Recovery Temporary Cap.

We are decades overdue for imposing a Commercial Linkage Fee to support the production of affordable housing proportional to commercial development. According to SV@Home, San Jose has missed out on millions of dollars in fees during the extended study period, and there are two major projects (City Place and Google) proposed in the near future. We cannot afford to miss out on the funds for affordable housing that a Commercial Linkage Fee on those projects would generate, during a housing crisis that worsened the effects of the pandemic.

As we know from all the discussion of the eviction moratorium, the affordable housing supply has fallen further behind since the Commercial Linkage Fee was proposed. Whether or not we see a net gain in lower-wage employment by the time the commercial projects are ready for occupancy, we know we need more affordable housing now.

I am fortunate to live in affordable housing, and to have steady income. But many other disabled people are living on the streets because they can't afford housing on their disability payments. As I have mentioned in previous letters, very few of them have been able to access Project Roomkey to have a safe place to live during the pandemic. I'm also fortunate that I don't have to share my living space, which makes it possible to avoid exposure to coronavirus.

There are enough people who are "under housed", with multiple families sharing a living space meant for one family, that it would take significant production just to get each of these families in their own apartments. This has been a major public health issue in the pandemic, as the same families in the Eastside and South San Jose who live this way also have members who work in jobs where they are exposed to COVID-19. If one person becomes ill, they can't isolate from their family or housemates. This is why those communities have had the highest rates of coronavirus. We are far from the end of the pandemic, as this is merely the first wave.

It is essential for the health and safety of our community to build as much affordable housing as possible, at ELI/VLI levels. We can't keep postponing the Commercial Linkage Fee and losing money on these projects.

I'd like to thank the staff for their work on the recommendation to exempt the Commercial Linkage Fee from the proposed temporary cap. Please follow their recommendation, for the good of the community.

Sincerely,
Kathryn Hedges