
FW: REAL Coalition Letter re Cost of Development Study Session

From City Clerk <city.clerk@sanjoseca.gov>
Date Wed 11/26/2025 8:03 AM
To Agendadesk <Agendadesk@sanjoseca.gov>

 1 attachment (248 KB)

REAL Coalition Letter Request for Data in Cost of Development Study Session.pdf

From: Shannon Zhang [REDACTED]
Sent: Tuesday, November 25, 2025 4:53 PM
To: The Office of Mayor Matt Mahan <mayor@sanjoseca.gov>; District1 <district1@sanjoseca.gov>; District2 <District2@sanjoseca.gov>; District3 <district3@sanjoseca.gov>; District4 <District4@sanjoseca.gov>; District5 <District5@sanjoseca.gov>; District 6 <district6@sanjoseca.gov>; District7 <District7@sanjoseca.gov>; District8 <district8@sanjoseca.gov>; District9 <district9@sanjoseca.gov>; District 10 <District10@sanjoseca.gov>; Wilcox, Leland <Leland.Wilcox@sanjoseca.gov>; Maguire, Jennifer <jennifer.maguire@sanjoseca.gov>; Hughey, Rosalynn <Rosalynn.Hughey@sanjoseca.gov>; Solivan, Erik <Erik.Solivan@sanjoseca.gov>; Fields, Sarah <Sarah.Fields@sanjoseca.gov>; Alexander, Cupid <Cupid.Alexander@sanjoseca.gov>
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Subject: REAL Coalition Letter re Cost of Development Study Session

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Dear Mayor, Vice Mayor, Councilmembers, and Staff,

Please find attached a letter from the Race Equity Action Leadership Coalition (REAL) Housing Justice Workgroup regarding requests for data in the upcoming Cost of Development Study Session on December 8. We look forward to your discussion on the topic.

Best,

Shannon Zhang | Nonprofit Policy + Advocacy Fellow
Silicon Valley Council of Nonprofits
[REDACTED] Web: svcن.org | [Linkedin](#)
Pronouns: she/her/hers

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November 25, 2025

Mayor & City Council, et. al
City of San José
200 East Santa Clara Street, 18th Floor
San José, CA 95113
Sent via electronic mail

Re: Request for Data in Cost of Development Study Session

Dear Mayor Mahan, Vice Mayor Foley, and Members of the City Council:

We are writing to request that Council direct staff to address significant gaps in data, analysis, and stakeholder engagement concerning proposed amendments of the Inclusionary Housing Ordinance (IHO) be addressed in part by the Cost of Residential Development study session. Amendments to the IHO were originally scheduled for Council consideration on November 18, 2025, but were unanimously deferred pending the December 8th study session, as members of the Rules and Open Government Committee (Rule Committee) felt they did not have the information Council needs to make such consequential decisions.

Changes to programs that address housing affordability, a top priority for San José's residents and Council, should be supported by robust data analysis and meaningful stakeholder engagement.

The Cost of Residential Development report and study session will inform Council decisionmaking, including consideration of amendments to the IHO, with consequences that impact the lives of hundreds and thousands of San José's residents. It must also accurately inform our collective understanding of San José's housing market and Council's deliberations for the next several years. San José's councilmembers need and deserve to be empowered with the analysis and stakeholder engagement necessary to thoughtfully deliberate, make data-grounded decisions that support accountability, and be able to communicate with your constituents, in order to fulfill your role as representative leaders.

A robust and accurate Cost of Residential Development report is crucial for data-driven decisionmaking, as during last year's budget process, we witnessed significant challenges created by the absence of accurate key information, e.g., the

October 27, 2025 [IHO memo](#) states that 20% of developments currently choose to pay in-lieu fees without producing onsite units, directly contradicting the assertion in the Council-adopted [Mayor's 2025 March Budget Message](#) (p.28) that “developers nearly always elect to pay in-lieu fees.”

The Rules Committee has requested robust data analysis and insights from meaningful stakeholder engagement, which the Cost of Residential Development study session can partially provide, to support consideration of whether and how to amend the IHO. Considering this context, many of our requests for data and analysis to be included in the Cost of Development Study Session reference the Inclusionary Housing Ordinance:

Data Analysis: The study session should substantiate the need for changes and model the potential impact of changes through robust data analysis. The

October 27, 2025 IHO memo states: “Historically, less than 10% of projects subject to IHO requirements have advanced from application to development.” It also says that “feasibility in today’s environment is fragile: only about 28% of initial applications filed since 2021 are still active, reflecting the impact of high land costs, construction costs that are roughly double national averages, and interest rates near 7%, all of which have made it significantly harder for projects that were feasible in 2021 to remain viable in 2025.”

- It is currently unclear that IHO obligations, among the hundreds of factors that affect the cost and feasibility of development, are the factor that renders residential development infeasible. How is this causal connection substantiated?
- Additional clarity is necessary regarding the development project pipeline described in the IHO memo. In regard to the memo’s statements on feasibility:
 - On page 2, what is an “application” in this context? What is “development” in this context? When did these developments apply (number of developments by month by year)?
 - What is the average timeline for a development to move from “application” to “development”? How has this changed over time?

- How has the percentage of developments moving from “application” to “development” changed over time?
- What assessment of current barriers to advancing “from application to development” was conducted?
- How were changes to barriers within the City’s control modeled?
- What changes did scenario modeling of barriers to development within the City’s control demonstrate were likely to impact development outcomes, and by what degree?
- How was the impact of changes on feasibility modeled over time, to demonstrate the current IHO renders market-rate development infeasible not only in the current economic environment (already addressed by the time-limited Multifamily Housing Incentive Program), but in the longer term?

Performance Evaluation: The study session should provide a clear picture of the outcomes of the current IHO. This includes:

- How many units have been developed at each AMI level, in increments of 10%, under the current IHO each year? (The October 27, 2025 IHO memo assesses the current pipeline, but not historical or current performance.)
- How has this changed over time?

Cumulative Impacts: The study session should provide clear understanding of the cumulative and longitudinal impacts of changes affecting housing affordability

- Multiple changes have been made, across both programs and funding, that impact housing affordability in San José. More are scheduled for consideration. As policy changes accumulate, gaining clarity and accountability on which changes are creating which outcomes becomes difficult. How have the cumulative impacts of these changes/ potential changes been assessed?
 - Redirection of Measure E funds, deprioritizing City subsidy of permanent affordable housing
 - Multifamily Housing Incentive Program

- Downtown High Rise Incentive Program
- Tenant Utility Passthrough (scheduled for future consideration)
- The way these changes interact with federal funding cuts to housing programs, rental assistance, and other programs that meet the needs of San José's low-income households, such as nutrition programs and healthcare
- What is the impact of cumulative changes on the City's ability to meet the needs of low-income residents, who make up 44% of San José's population and more than two-thirds of renter households?
- What is the impact of cumulative changes on the City's ability to make adequate progress on its RHNA and Housing Element programs?

Stakeholder Engagement: The study session should substantiate the need for changes and the potential impact of changes through real and meaningful stakeholder engagement

- For the Cost of Residential Development Study, at what point in the Study's development were stakeholders engaged, what organizations did they represent, what specific insights came from engagement, and which stakeholders were not engaged?
- The October 27, 2025 IHO memo states briefly that changes were informed by only two points of engagement, with no summary of questions, concerns, or insights of those engaged: "In mid-August 2025, the Department solicited feedback on the revised Inclusionary Housing regulations from 19 development professionals who use the program, including multifamily developers and single-family home builders. The Department hosted a Community Engagement session on October 9, 2025, to review the proposed IHO revisions."
 - What organizations and perspectives are represented by the "development professionals" who were engaged?
 - What methods of engagement were used?
 - What specific insights were gained from this engagement and how did these insights inform the Housing Department's recommendations?

- Why were the full range of constituencies previously engaged in the development of the current IHO, not engaged in the proposed revision, including:
 - Organizations representing the business community, which struggles to attract and retain talent in San José’s high-cost housing market
 - Developers of affordable housing
 - Low-income families and individuals residing in San José, and the organizations which serve them
- In the absence of robust stakeholder engagement, which limited constituencies have influenced the proposed IHO revisions, and whose needs are the changes responding to?
- See below for a summary from a [2019 IHO memo](#), of robust and transparent public engagement conducted to inform proposed amendments to the IHO, substantially the City’s current IHO.

HONORABLE MAYOR AND CITY COUNCIL
 October 23, 2019
Subject: Inclusionary Housing Ordinance Proposed Revisions
 Page 38

PUBLIC OUTREACH

The Housing Department has hosted seven outreach meetings to members of the development community and other stakeholders to discuss the potential updates to the IHO program, totaling 186 attendees.

Table 16: Summary of Public Meetings

Meeting Date and Audience	Attendees
July 9 – Developers & Stakeholders	22
August 5 – Developers & Stakeholders	17
August 14 – Open Public Meeting	16
August 15 – Silicon Valley Organization	32
October 17 – Silicon Valley Organization	56
October 18 – Developers & Stakeholders	36
October 22 – Developers & Stakeholders	7
TOTAL	186

Additionally, on July 19, 2019 the Housing Department met with two Builders Industry Association board members. Housing Department staff have met in-person with an estimated 25 individual developers to discuss their projects, current requirements, and the potential updates to the IHO. This report will be made available to the public on October 25, 2019 through the Housing Website, and on the City of San José website and in hard copy in the City Clerk’s office, prior to the City Council meeting scheduled for November 5, 2019.

Implications for the Development of Affordable Housing: The study session should assess the impact of proposed changes on the City's ability to assist in the development of affordable housing

- The memo states: "Since 2021, the City has collected \$50 million from in-lieu fees." It also notes that another \$50.6 is represented in the current pipeline. In-lieu fees are one of the largest remaining sources of funding for City subsidy of deeply affordable housing, so long as Measure E is directed away from its original purpose. Helpful data would include:
 - Has the City modeled the potential impact on in-lieu fee revenues of shifting the AMI bands upwards, and the impact on the City's ability to directly subsidize affordable housing development?
 - How would increasing in-lieu fee rates, a change City staff has indicated is likely to be considered during the 2026-27 budget process, impact in-lieu fee collection?
- What is the purpose of removing compliance options that address deeper levels of affordability? The IHO memo states that "Very deep affordability at 30% AMI inside market-rate buildings prohibit financial feasibility under current financing structures," but about 10% of developments in the current pipeline have chosen to produce units at 30% AMI.

In the absence of additional data and analysis, it appears that changing the AMI bands will undermine the City's ability to address the housing needs of lower-income residents, both through IHO units and the City's direct subsidy.

The study session should provide to Council additional key information to support deliberation of changes to programs affecting affordability:

- Clear definition of terms such as "workforce housing," which in context falsely implies that San José's lower-income residents are not in the workforce
- Income distribution of San José's renter households, the primary target of the IHO
- Current average rents in San José, and the relationship of average rent to rent limits at the AMIs 1) currently served by the IHO and 2) in proposed changes to the IHO

- Current RHNA progress by income level, compared to RHNA targets
- Diverse policy options to address development feasibility. Past memorandums from the Housing Department have provided the Council with a wide menu of policy options, along with pros and cons of adopting each. In comparison, the IHO memo focuses on one version of the AMI band shift.

The Cost of Development Study Session typically happens only every two years, and it is the Council's primary opportunity to gather crucial data that will inform your decision-making on the IHO and other housing policy and funding decisions. Please ensure your conversations are centered around data, analysis, and meaningful stakeholder engagement rather than claims, and that decisions are made based on facts rather than assumptions. We hope to see much of this data presented on December 8 and look forward to the conversations that will follow.

In Community,

REAL Housing Justice Workgroup

About REAL:

The REAL community of Silicon Valley based nonprofit leaders and allies has been meeting since June 2020 to use our positional power to advocate for a more racially-just and equitable society; to establish a peer network of leaders committed to fighting white supremacy and systemic racism in ourselves and our institutions; and to hold each other accountable to the promises we made in the Nonprofit Racial Equity Pledge. The REAL coalition is broadly representative of the nonprofit community including human and community services, behavioral health and health, arts and culture, domestic violence, older adults, food security, education, environmental, farming, legal, disability rights, LGBTQ rights, ethnic, immigrant rights, housing and homelessness, criminal justice reform, urban planning, and intermediary organizations, and others. REAL has 50 core nonprofit members, numerous individual members, and hundreds of active participants in the nonprofit community.