

VIA EMAIL

December 2, 2016

Mayor Liccardo and Members of the City Council
City of San Jose
200 East Santa Clara St.
San Jose, CA



1381 SOUTH FIRST STREET
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408.278.2160 [PH]
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www.sacredheartcs.org

**RE: December 6th City Council Meeting Agenda Item 4.2 -- Proposed
Modifications to the Affordable Housing Impact Fee (AHIF)**

The Sacred Heart Housing Action Committee has been a strong supporter of the Affordable Housing Impact Fee passed by council in 2014. This program offers an opportunity to generate tens, and over time, hundreds of millions of dollars for new affordable housing developments in San Jose. We could not overstate how important these resources are given the magnitude of the challenges we face. The number of lower-wage jobs and high costs of housing in our communities will continue to be a challenge for our city. The fee has only been in effect for five months, following the initial grandfathering delays in implementation, now is not the time to be rolling back the program. We urge you to make **no modifications** to the existing \$17 a square foot fee schedule.

Mixed-Use Projects

We strongly support the Department of Housing's recommendation that **no modifications** be made to the existing \$17 per square foot AHIF for mixed-use, commercial and residential, developments. This fee was found to be feasible and justified for all types of market-rate rental residential development by the Nexus Study prepared by Keyser Marston Associates in 2014. **We oppose the alternative presented that would lower the fees for these developments from \$17 per square foot fee to \$13 per square foot.**

- Setting a lower fee for these developments would undermine the importance of the HIF revenue to the goal of addressing the current housing affordability crisis in San Jose.
- As the consultants' report points out, some mixed-use developments are already being permitted without this fee reduction.
- As the consultant report also points out, the analysis of the possible impact of the fee reduction is based on prototypes. Let's not reduce the fee primarily for developments that are not dependent on the lower fees -- likely just a give-away to a handful of developers.
- We urge instead that the housing department work with the planning department to lift restrictions on mixed-use developments contained in the General Plan.

Small Projects

Exempting developments of 19 or fewer units from the Housing Impact Fee is a bad idea. We are concerned that the modifications proposed by Staff amount to a roll back, or back track, from both the intent and the impact of the program -- to generate funds for affordable housing development in San Jose. **There should be no modifications of the existing fee schedule.**

- When the Housing Impact Fee was created, these smaller projects were included because they too contributed to the need for affordable housing.
- While currently these smaller developments are not very common, some planners expect the intensity and prevalence of infill development to increase in the future. San Jose has a growing population and is expected to continue to grow. Eliminating the fee is short sighted and unnecessarily gambles away the potential for future affordable housing resources.
- The request by the council for further study of these smaller developments was intended to explore the financial impact of the fees on development. Staff's proposal argues that the fee should be eliminated because their internal administrative system is inefficient. If there are process problems they should be addressed through changes in the permitting process.

The Affordable Housing Impact Fee is the primary source of funding for creating affordable housing options for low-income working families in San Jose. While Measure A promises new affordable housing resources for people experiencing homelessness, all acknowledge that we will continue to fall short of meeting our current needs, to say nothing of future needs. We should not use the passage of Measure A as an excuse to step back from our broader commitments.

Finally, we are not an island. Our housing market is integrated with those of neighboring cities, as is our ever growing need for affordable housing. County-wide, cities have begun to step up and assess Housing Impact Fees. We were a leader in this movement, establishing an early model for others to emulate. Let's not become a model for how to roll back the progress that has been made.

Thank you for your consideration of our concerns, and thank you for your continued commitment to addressing the affordable housing crisis in our city.

Sacred Heart Housing Action Committee

Affordable Housing Network of Santa Clara County

CHAM Deliverance Ministries



Leadership Board

Ron Gonzales, Chair
*Hispanic Foundation
of Silicon Valley*

Kevin Zwick, Treasurer
Housing Trust Silicon Valley

Kathy Thibodeaux, Secretary
KM Thibodeaux Consulting LLC

Shiloh Ballard
Silicon Valley Bicycle Coalition

Bob Brownstein
Working Partnerships USA

Christine Carr
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Katie Ferrick
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Amie Fishman
*Non-Profit Housing Association
of Northern California*

Poncho Guevara
Sacred Heart Community Service

Janice Jensen
*Habitat for Humanity
East Bay/Silicon Valley*

Jennifer Loving
Destination: Home

Mary Murtagh
EAH Housing

Chris Neale
The Core Companies

Andrea Osgood
Eden Housing

Kelly Snider
Kelly Snider Consulting

Jennifer Van Every
The Van Every Group

Staff

Leslye Corsiglia
Executive Director

TRANSMITTED VIA EMAIL

November 23, 2016

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

Re: December 6, 2016 City Council Meeting Agenda Item 4.2 - Proposed Modifications to the Affordable Housing Impact Fee (AHIF)

Dear Mayor Liccardo and Members of the City Council:

On behalf of our members, Silicon Valley at Home (SV@Home) thanks you for your thoughtful consideration of the proposed modifications to the Affordable Housing Impact Fee (AHIF) for residential rental projects. We commend your efforts to establish an Affordable Housing Impact Fee as a core source of much needed funding for affordable housing in San Jose, and we strongly support the policy as passed by the City Council in November 2014. **We write to recommend that no modifications be made to the existing \$17 per square foot AHIF.**

With the AHIF policy's grandfathering period concluding a mere five months ago, the existing policy has not had a chance to be fully implemented, tested, and evaluated to adequately determine what changes should be made.

Therefore, while we support the staff recommendations to make no changes to the AHIF as applied to mixed-use projects and assisted living/memory care facilities, we disagree with the proposal to increase the small project exemption threshold to 20 units.

- **Mixed-Use Projects:** Given the importance of the AHIF revenue to addressing the current housing affordability crisis, we oppose a temporary fee reduction for mixed-use developments. Instead, to encourage mixed-use development in the Diridon and Downtown Station Areas and selected urban villages, we recommend that staff revisit the General Plan Task Force recommendations to allow mixed-use development to proceed whether or not an urban village plan has been adopted.

- **Assisted Living/Memory Care Facilities:** We agree with staff that the AHIF should apply to market-rate assisted living units that include their own bathroom and housekeeping facilities. As with all other market-rate housing, these units create a need for more affordable housing, and as shown by KMA's supplemental feasibility analysis, the AHIF will not affect the feasibility of such projects.
- **Small Project Exemption:** While we understand staff's motivation to streamline the determination of projects' subjectivity to the AHIF or Inclusionary Housing Ordinance (IHO) by aligning the threshold with the IHO, we encourage staff to instead amend the process associated with the Affordable Housing Compliance Plan Application to address this issue, rather than permanently altering the AHIF policy to reduce the size of projects from three to 20 units.

In addition, we request that the City explore alternatives to the fee when a developer can demonstrate that the impact of the new housing has been mitigated through other action. These alternative mitigations could include the provision of on-site or off-site affordable units or the dedication of land for construction of new affordable housing. This would encourage mixed-income housing, which is a laudable policy goal.

Several neighboring jurisdictions and others throughout the State provide for options in their affordable housing impact fee ordinances. Examples include Mountain View and Sunnyvale, which allow alternative mitigation, including construction of affordable units, dedication of land, or partnership with nonprofit developers to build the units on site or off site. To ensure compliance with the Costa-Hawkins Rental Housing Act, these cities require the applicant to enter into an Affordable Housing Developer Agreement that is recorded against the property.

While we are excited that Measure A won the support of the County's voters, we know that the lion's share of the funds generated from this source will be devoted to permanent supportive housing and rapid rehousing for the homeless. With the loss of redevelopment and other important housing funds, the AHIF is a critical source of funding for working households. It is important to maximize this funding source, and not add any new exemptions that will limit the amount of money available to respond to the City's housing affordability crisis.

Again, we commend the City of San Jose for adopting this policy and for all of your efforts to create a more equitable city in which residents of every income level can thrive. We look forward to the AHIF's continued implementation as well as new affordable homes that the AHIF will help to provide over time. Thank you for the opportunity to provide feedback.

Sincerely,



Pilar Lorenzana-Campo
Policy Director

From: L.A. Kurth [mailto: [REDACTED]]

Sent: Monday, December 05, 2016 12:58 PM

To: The Office of Mayor Sam Liccardo <TheOfficeofMayorSamLiccardo@sanjoseca.gov>; District1 <district1@sanjoseca.gov>; District2 <District2@sanjoseca.gov>; District3 <district3@sanjoseca.gov>; District4 <District4@sanjoseca.gov>; District5 <District5@sanjoseca.gov>; Oliverio, Pierluigi <Pierluigi.Oliverio@sanjoseca.gov>; District7 <District7@sanjoseca.gov>; District9 <district9@sanjoseca.gov>; District 10 <District10@sanjoseca.gov>; City Clerk <city.clerk@sanjoseca.gov>; Morales-Ferrand, Jacky <Jacky.Morales-Ferrand@sanjoseca.gov>; Peter.heisinger@sanjoseca.gov; Herrera, Rose <rose.herrera@sanjoseca.gov>

Cc: Gwen Colleen Chiaramonte [REDACTED]; Thomas Wells [REDACTED]; [REDACTED]; [REDACTED]

Subject: South Bay DSA opposes weakening Housing Impact Fee

Dear Mayor Liccardo and City Councilors,

South Bay members of the Democratic Socialists of America voted unanimously at a recent meeting to support the letter sent by Sacred Heart Community Services

strongly opposing any weakening of the city's Housing Impact Fee whether by lowering the fee or by excluding more developments.

This fee, passed after many,

many community members and groups, bore witness to the need, was already a reduced fee with a number of exclusions at the time it was passed, and the need for affordable housing

has only grown.

Sincerely,

Thomas Wells, Gwen Westphal, Louis Chiaramonte, Jr.,
Members of the DSA Steering Committee
San Jose, CA



LAW FOUNDATION of Silicon Valley

Fair Housing Law Project

152 North Third Street, 3rd Floor

San José, California 95112

Fax (408) 293-0106 • Telephone (408) 280-2435 • TDD (408) 294-5667

Via Email

December 5, 2016

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

Re: City Council Meeting, December 6, 2016, Agenda Item 4.2: Proposed Modifications to the Affordable Housing Impact Fee

Dear Mayor Liccardo and Members of the City Council:

We write as strong supporters of the Affordable Housing Impact Fee (AHIF) as a valuable tool for San José to generate of millions of dollars for the development of affordable housing. A number of exemptions for the AHIF allow developers to avoid paying the fee, including a lengthy pipeline exemption that only expired in June 2016, and the first revenues from the AHIF program are not expected until late 2017 at the earliest. The City Council tasked Housing Department Staff with further study and analysis of imposing the AHIF on market rate rental units in the following three kinds of developments: (1) Developments of fewer than 20 units; (2) Mixed-use residential/commercial projects; and (3) Assisted living/memory care facilities for seniors. Because the AHIF program is still so new that fees have not yet even been collected and for the following reasons, we urge you to make *no modifications* to the AHIF program.

I. Developments of fewer than 20 units

We disagree with Staff's recommendation that rental projects of fewer than 20 units be exempted from the AHIF because it would unnecessarily expand the exemptions for the program. The Housing Impact Fee nexus study already included these smaller projects and identified the need to mitigate their impact, justifying their continued inclusion. These smaller projects, while currently not very common, are likely to increase in prevalence in the future as infill development increases; thus, San José would lose out on future affordable housing resources by establishing a permanent exemption for these projects. Lastly, staff's concern about the inefficiency of including smaller projects should be resolved by improving the efficiency of the process rather than expanding exemptions.

II. Mixed-use residential/commercial projects

We support staff's recommendation that no modifications be made to the existing fees for mixed-use projects. As stated in the Keyser Marston Associates report, "many mixed-use developments are feasible" at \$17/square foot. Reduction of the fee from its already feasible \$17 level to \$13 for these projects only serves to weaken the AHIF. Moreover, a fee reduction at this point is unnecessary given that some mixed-use developments are already being permitted without the reduction and the lengthy pipeline exemption of 18 months afforded developers of mixed-use projects to factor in the \$17 fee.

III. Assisted living/memory care facilities for seniors

Lastly, we support staff's recommendation of no change to the AHIF program for market-rate assisted living/memory care facilities for seniors. These market-rate developments clearly create a need for additional affordable housing for the low-wage workers that typically support the residents that live in these developments. The Keyser Marston Associates feasibility analysis supports the \$17/square foot fee, and there is no need to establish further exemptions to the AHIF program.

In sum, we urge you to make *no modifications* to the AHIF program at this time. The lengthy pipeline exemption afforded developers with more than sufficient opportunity to plan projects with the fees factored into their costs. The implementation of the fee remains new, with collection of the first revenues not anticipated until late 2017 at the earliest. The program will provide San José with critical funds to combat the housing affordability crisis, and it is vital to maximize this funding source rather than carve out minute exemptions.

Thank you for your consideration of our comments and for your continued support for affordable housing in our community. I welcome the opportunity to discuss the Law Foundation's letter with Council Members. I can be reached at 408-280-2423 or matthew.warren@lawfoundation.org.

Sincerely,

/s/

Matthew Warren
Staff Attorney



Leadership Board

Ron Gonzales, Chair
*Hispanic Foundation
of Silicon Valley*

Kevin Zwick, Treasurer
Housing Trust Silicon Valley

Kathy Thibodeaux, Secretary
KM Thibodeaux Consulting LLC

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Dear Mayor Liccardo and Members of the City Council:

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- **Assisted Living/Memory Care Facilities:** We agree with staff that the AHIF should apply to market-rate assisted living units that include their own bathroom and housekeeping facilities. As with all other market-rate housing, these units create a need for more affordable housing, and as shown by KMA's supplemental feasibility analysis, the AHIF will not affect the feasibility of such projects.

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In addition, we request that the City explore alternatives to the fee when a developer can demonstrate that the impact of the new housing has been mitigated through other action. These alternative mitigations could include the provision of on-site or off-site affordable units or the dedication of land for construction of new affordable housing. This would encourage mixed-income housing, which is a laudable policy goal.

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While we are excited that Measure A won the support of the County's voters, we know that the lion's share of the funds generated from this source will be devoted to permanent supportive housing and rapid rehousing for the homeless. With the loss of redevelopment and other important housing funds, the AHIF is a critical source of funding for working households. It is important to maximize this funding source, and not add any new exemptions that will limit the amount of money available to respond to the City's housing affordability crisis.

Again, we commend the City of San Jose for adopting this policy and for all of your efforts to create a more equitable city in which residents of every income level can thrive. We look forward to the AHIF's continued implementation as well as new affordable homes that the AHIF will help to provide over time. Thank you for the opportunity to provide feedback.

Sincerely,

Pilar Lorenzana-Campo, Policy Director, SV@Home
Mary Murtagh, EAH Housing
Kevin Zwick, Housing Trust Silicon Valley
Dan Hardy, Resources for Community Development
Patricia Gardner, Silicon Valley Council of Nonprofits
Bob Brownstein, Working Partnerships