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TRANSMITTED VIA EMAIL

March 6, 2017

Honorable Mayor 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 Carrasco, and Councilmembers Arenas, Davis, Diep, Jimenez, Jones, Khamis, Nguyen, Peralez and Rocha:

Re: Item 3.3 Council Priority Setting Session

On behalf of our members and the undersigned partner organizations, Silicon Valley at Home (SV@Home) thanks you for the opportunity to engage in the discussion regarding the City Council's 2017 priorities.

We appreciate your ongoing efforts to prioritize housing affordability for all San Jose residents and applaud the progress made by the City in 2016 toward this goal. While the City permitted 1,324 new housing units last fiscal year and passed significant policy changes to support the creation of more affordable units, it goes without saying that more work remains. An estimated 42 percent of San Jose households are housing cost-burdened (paying 30 percent or more of their household income toward housing, American Community Survey 2015 5-year estimates), and the \$2,755 median two-bedroom apartment rent requires an annual income of over \$110,000 (Zillow, December 2016).

To support the City's goal of expanding affordable housing options for residents of every income level we recommend the following Council actions:

- Continue to pursue further work on existing priority items 8 (Commercial Impact Fee for Affordable Housing) and 9 (Allowing Secondary Units in San Jose)
- Do not pursue item 5 (Revision to Council Policy 6-30, Public Outreach Policy for Pending Land Use and Development Proposals) on the list of new ideas for Council's consideration
- Prioritize item 10 (Garage Conversion Ordinance) on the list of new ideas for Council's consideration

In 2016, the Council prioritized work on two tools critical to increasing and preserving San Jose's stock of affordable housing - a non-residential impact fee (also known as a commercial linkage fee) and accessory dwelling units. While both items are shown in the

staff report as being “complete” and marked for removal from future tracking efforts, both items still require additional work. We recommend that the Council keep these two items on the priority list for 2017.

Item 8 – 2016 Action Item – Commercial Impact Fee for Affordable Housing. On December 15, 2015, the City Council postponed undertaking Nexus and Feasibilities studies for a commercial linkage fee, which, similar to the housing impact fee adopted by the Council in December of 2014, would require a per square foot fee on new non-residential development. While the Council opted not to act on a study, it did “direct staff to explore with the Silicon Valley Community Foundation (SVCF), SPUR, and other regional partners, and study how a regional fee structure or revenue-sharing might best address the need for affordable housing within the context of the widening job-housing balance within the region.” The SVCF has since completed a nexus study for both residential and non-residential fees in adjacent cities, including Milpitas and Santa Clara, which are now bringing forward recommendations for fee adoption. We strongly urge the Council to keep the Commercial Impact Fee as an open work item pending the conclusion of the regional work, and ask that the Council reconsider completing a non-residential nexus study at a future date. Commissioning a study does not commit the City to adopting such a fee. Rather, such an effort will provide factual information to help the Council make an informed decision regarding this potential tool.

Item 9 – 2016 Action Item – Accessory Dwelling Units. We deeply appreciate staff and Council’s work on this issue thus far, especially the efforts to amend the City’s Accessory Dwelling Unit (ADU) ordinance to comply with statewide requirements set by SB 1069 and AB 2299. These changes will go a long way in facilitating the creation of new ADUs and thus expansion of the City’s stock of naturally-occurring affordable housing. Based on the Council’s direction on November 15, 2016, several aspects require additional staff follow up -- including the study of an amnesty program to legalize illegal non-conforming ADUs that are brought up to building and safety codes, as well as encouragement of a robust public information effort to help residents understand the potential for second units and the process for development. These follow up actions are necessary to ensure that the regulatory changes made in November 2016 actually result in the creation of new ADUs. As such, we strongly urge the Council to keep the ADU work item open and to direct staff to undertake the remaining items approved on November 15, 2016 as part of the existing priority item that was ranked as Number 9 in 2016.

Oppose – New Idea – Item 5 – Revision to Council Policy 6-30, Public Outreach Policy for Pending Land Use and Development Proposals. While we are supportive of early community engagement on large development projects, whether residential or not, and favor other opportunities that ensure outreach to a larger, more diverse population, we cannot support a proposal that would hold affordable housing development to a different standard than market rate development, essentially determining outreach based on the incomes of future residents. Past Councils have discussed this issue and determined- rightly- that lower-income people are part of the fabric of our community, and **it is not appropriate to discriminate against San Jose residents on the basis of their income.**

Support – New Idea – Item 10 – Garage Conversion Ordinance. Also during the November 15, 2016 Council meeting, the Council voted to consider adding the conversion of attached garages to its priority list. We strongly support the prioritization of this issue in 2017, which closely relates to the follow-up work on amnesty for illegal non-conforming ADUs mentioned above. We believe that the creation of a process to legalize existing attached garage conversions will ensure that these homes -- which, for some, are the only type of housing in the City that they can afford -- remain a safe, accessible option. Many of these converted garage units might not comply with current zoning or development standards, but they provide an existing home for someone. If that home is safe for occupants and neighbors, it should be allowed to come into compliance with building and safety codes and legally occupied.

Again, thank you for the opportunity to weigh in on the Council's priorities and for your consideration of our recommendations. We look forward to participating in follow up discussions on priority items throughout the year to identify and advance solutions to the housing crisis.

Sincerely,

Pilar Lorenzana, Deputy Director
SV@Home

Poncho Guevara, Executive Director
Sacred Heart Community Service

Jennifer Loving, Executive Director
Destination: Home

Kevin Zwick, Chief Executive Officer
Housing Trust Silicon Valley

SV@Home is a policy and advocacy nonprofit that is driving the creation of affordable housing for a more vibrant and equitable Silicon Valley. SV@Home represents a broad range of interests, from leading employers who drive the Bay Area economy, to labor and service organizations, to local government

