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Leslye Corsiglia
Executive Director

TRANSMITTED VIA EMAIL

March 8, 2019

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, Carrasco, Davis, Diep, Carrasco, Esparza, Foley, Khamis, and Peralez,

Re: 4.3 Commercial Linkage Fee Scope and Timeline

On behalf of our members and the undersigned organizations, we are pleased to write in strong support of the staff recommendation to move forward with preparation of a Nexus and Feasibility study for a Commercial Linkage Fee (CLF). We thank both staff and the Council for their persistence and effort to get us to this moment.

As identified in the staff report, the lack of resources for affordable housing is the primary barrier standing in the way of meeting the city's goal of building 10,000 new affordable units by 2022. With an optimistic analysis of San Jose's available resources, and leveraging every source of outside funds, staff estimates that only 5,600 new affordable homes can be built in this time frame without identifying an additional ongoing source of funding.

CLFs have become a standard tool in a city's housing toolbox. On Tuesday night the Milpitas City Council voted unanimously to join neighboring cities including Fremont, Palo Alto, Mountain View, Cupertino, Sunnyvale, and Santa Clara to adopt this tool. Adopted fees range from a low of \$8 in Fremont and Milpitas to a high of \$35 in Palo Alto. As city staff has acknowledged, defining this study for San Jose poses challenges. San Jose is clearly larger than its neighbors, with differing geographies and economic submarkets. As a result, this will require a more complex study that takes into account a wider variety of factors.

While there are a broad range of interests invested in the results of this study, in the end it will be the council that will weigh whether the fees are feasible and at what level they should be set to support the critical need for affordable housing while avoiding deterring non-residential development. In order to make this decision easier, it is important that these studies provide a useful framework and context. As planned, Tuesday will be the last opportunity for council engagement before the study comes back for action.

To that end we raise two concerns:

Variety of Development Types – While we agree with the importance of considering a variety of development prototypes to capture the complexity of San Jose’s market, **we believe strongly that the prototypes that are studied must be identified through a public process.** The staff has included 16 different models and has suggested that this list will be narrowed after consultation with the consultant. Were the study to proceed without considering an important prototype, this would call into question the veracity of the study itself. Note that on December 11th when the council voted to move forward with the studies, it identified priority prototypes, including “high tech office, retail, industrial and office.” All of these prototypes should be pursued.

Sensitivity Analysis - To provide council with a useful framework for this critical policy discussion, the study must include analysis of the impact of potential shifts in development costs, or income potential, on the feasibility of fees at different levels. **We can’t know for certain what commercial development will look like in San Jose five years from now, but we must explore the potential impacts of planned changes already underway.** Similarly, it may seem reasonable that fees could be adjusted in the future to respond to changes in the market, but these adjustments can be slow and generally miss the moment they hope to catch.

Lastly, we request that the council consider how it can reduce the 18-month timeline for preparation of these studies. **Waiting until June of 2020 to make this decision—knowing that it will take more time to prepare an ordinance and begin collecting any fees—does not recognize the severity of the housing crisis we face.** The current pipeline for commercial development in San Jose is significant. We cannot afford to miss this opportunity to address the additional demands for affordable housing this development will produce.

We are pleased that staff has proposed a robust stakeholder outreach component to inform the design of the study and look forward to participating in these discussions.

Thank you for taking this significant action.

Sincerely,



Leslye Corsiglia, Executive Director, SV@Home

Louis Chicoine, Executive Director, Abode Services

Jim Silverwood, President and CEO, Affirmed Housing

Dan Wu, Executive Director, Charities Housing



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